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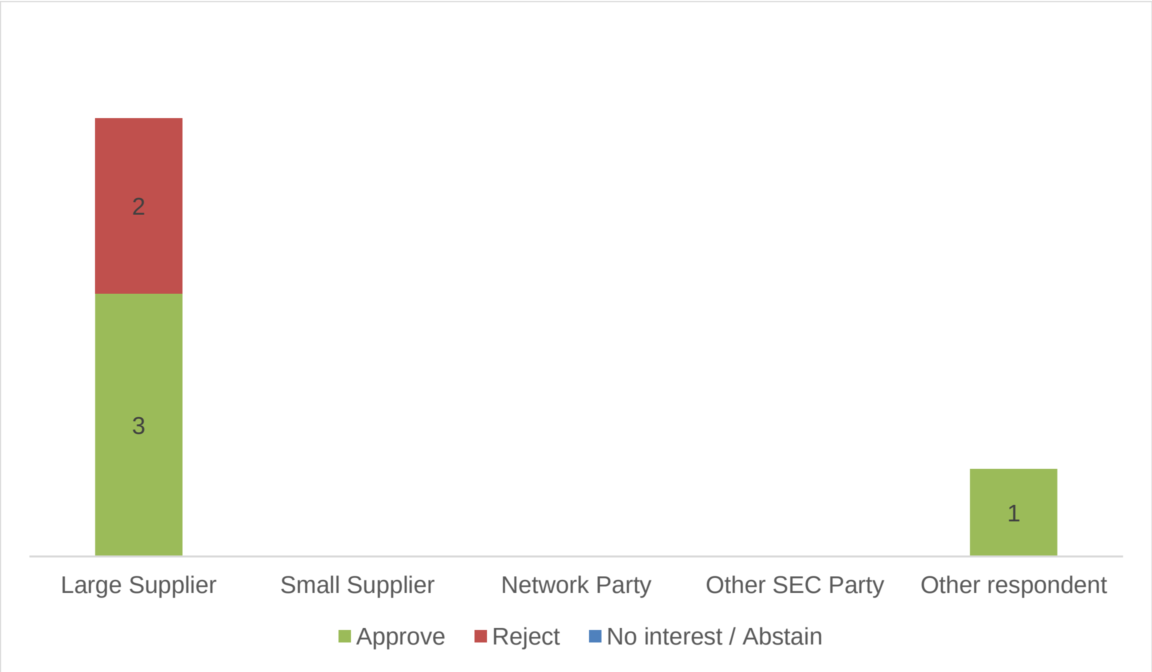
MP122A 'Operational Metrics' Modification Report Consultation responses

About this document

This document contains the full collated responses received to the MP122A Modification Report Consultation.

Summary of responses



Question 1: Do you believe that MP122A should be approved?

Question 1			
Respondent	**Category**	**Response**	**Rationale**
EDF	Large Supplier	Approve	We agree that MP122 will facilitate SEC Objective (b) as it will provide a clear statement of the level of service that the DCC's Users are receiving, and whether these are compliant with the DCC's obligations in its licence. We also agree MP122 will facilitate SEC Objective (g) by providing relevant and accurate reporting that is reflective of DCC performance and the impact that performance has on energy consumers.
Utilita	Large Supplier	Reject	While this modification is indeed necessary for increased accuracy and transparency of the DCC's PMR, the costs to implement are simply too high, making this a difficult decision. The justification for such high costs is not strong enough to warrant the approval and obvious benefits of this modification. There seems to be limited solutions considered, e.g. automation and detection in 'spike' monitoring or controlled commentary, and instead focuses on relying on extra staff and validation teams. This is an important modification for many reasons, including the fact that MP122A is a crucial feature in the design of a comprehensive OPR review from April 2021 onwards. However, the costs behind this modification (MP122A) remain significant and need further review. The yearly costs show a fundamental flaw in design of DCC reporting processes - the inclusion of extra staff for a validation/monitoring team as part of this modification increases the costs of producing the reports, rather than combining with more automation and/or other solutions.

Question 1			
Respondent	**Category**	**Response**	**Rationale**
			Firstly, relying on teams of individuals to validate the data manually cannot be the most efficient solution and use of DCC's customers' money, and in turn will only pass through to the Energy Consumer. Secondly, DCC customers are requesting a report, and are not mandating the method of the production and DCC's internal validation/checking/reviewing process. As such, allocating such a high cost to monitoring data which DCC produce, and passing that through to DCC customers is unjustified. Further clear explanations and robust justification is needed to understand why these costs exist after initial validation of the new PMR is complete. The enduring cost of MP122A are still not clear to us, as the IA only predicts a one year cost with no indication of whether this will increase or decrease in the following years. While we note that the proposed PMR is larger in terms of volume of data presented, and shorter timelines (from 25 working days to 10 working days), this does not seem to justify the exponential costs proposed to be incurred in the new PMR, i.e. the changes are dis-proportionate to the proposed cost increase. To take this forward, noting that this modification is required, but the high annual cost is the key obstacle, other steps could include: - In the short term, an independent assessment could be commissioned to provide third party objectivity in order to assess this proposal, including comparison to other potential solutions, e.g. automation - Increased impact assessment of this solution as, if DCC must rely on manual processes (staff) for validation of all reports generated, there is question of the complexity of DCC system in creating efficiencies for future expansion

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			- Different solutions considered, for example options for delivery of the output could include outsourcing Utilita is aware that this modification is required, however, as it stands, this could cost £845,500 per year simply to generate and produce reports on activities which are already being undertaken. The approval of this modification sets the precedent for future years, i.e. to commit to spending this high amount every year without a break/stop mechanism. As such, whatever is agreed as part of this modification is likely to remain indefinitely, unless a further modification is implemented to change this (noting that the content of the report can be changed outside the SEC Change Process, so a mod may not be needed for report content changes).
E.ON Energy Solutions Ltd	Large Supplier	Approve	Subject to the consideration of the following observation. The level of on-going cost/FTE seems large and we would prefer a larger up-front cost to automate as much of the reporting as possible rather than accept the on-going costs per annum.
OVO	Large Supplier	Approve	We believe this part of the Modification meets the SEC Objective (b) and (g) as noted in the Modification Report. We are disappointed as to the need to split the Mod into 2 separate deliverables but recognise the urgency in getting elements delivered in the timescales required by Ofgem.
DCC	Other respondent	Approve	DCC recognise that users want to see amended data which may more greatly satisfy their requirements in understanding DCC's performance.
Scottish Power Energy Retail Ltd	Large Supplier	Reject	The metrics that the DCC currently reports upon, for performance management purposes, were developed before the industry had garnered sufficient operational experience to properly understand their relative importance or, moreover, the importance of what was

Question 1			
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			being missed. With hindsight this might appear somewhat naïve, but it is worth bearing in mind that this was new territory for everyone. With operational experience, we have come to realise what actually matters: to understand how bland metrics on, say, the commissioning process could give a false impression as to how well the process was working; or to recognise that values one might have expected to offer an effective insight into the DCC's performance might actually obscure the effect that such performance could have on its users. In light of the above, and as a supporter of the Operations Group's initiative, it was with considerable reluctance that we arrived at the view that MP122A should be rejected; however, we think it is now more important than ever that any additional costs are backed by a clear benefits case that can be expressed as a positive NPV. The structure of the wider collective of organisations that combine to deliver the DCC service is predicated on commercial relationships that remain, to a large extent, opaque to the DCC's Users. Although its role at the head of this collective is absolutely pivotal, it would appear that the DCC itself accounts for a relatively small percentage of the overall costs; hence, the margin placed at risk through the Operational Performance Regime (OPR) is commensurately modest. It is important, therefore, that any refinement of the OPR can be delivered at a cost that does not outweigh the potential benefits. Given that the costs to implement and operate the new reports required by SECMP122A are £210,00 and £845,000 respectively, it would seem that the industry is being asked to sacrifice £millions for the prospect of potentially saving a few £thousand in DCC charges. There is no business case where that makes sense.

Question 2: Please provide any further comments you may have

Question 2		
Respondent	**Category**	**Comments**
EDF	Large Supplier	As seems to be the case for any changes to the DCC systems, we are concerned by the costs associated with this making his change. While the bulk of the costs for the changes are now being progressed separately under MP122B, the costs associated with MP122A and especially the additional the £845,000 per year in ongoing application support costs are beyond what we would expect for a change like this. We expect Ofgem to scrutinise any costs through their Price Control process to ensure that any costs are justified, and economically and efficiently incurred. The changes to this reporting are required to be able to give a more accurate representation of the DCC's performance and especially the experience that end consumers have of that performance. It is also required to support changes to the Operational Performance Regime (OPR) and the DCC's incentives associated with that regime, to make them more reflective of actual performance. These benefits justify the costs, although we would still like to see them reduced as far as possible. If the issue of the costs of changes to the DCC's systems are not addressed there is a real risk that sensible and necessary changes such as this will not be able to be made as the high costs become difficult to justify. This could mean that the DCC's Users, and end consumers, end up settling for a sub-optimal experience because it becomes too expensive to make changes. This then places the benefits of smart metering, for individual consumers and the country as a whole, at risk.
Utilita	Large Supplier	-
E.ON Energy Solutions Ltd	Large Supplier	As noted above.
OVO	Large Supplier	Not at this time.

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DCC	Other respondent	DCC notes the one week consultation response timeframe and would have preferred additional time to fully respond, though understand the desire to progress as quickly as possible. DCC understand this to be, in part, to allow amended OPR metrics to be developed using amended Code Performance Measures for implementation from 1 April 2021. However, it is essential to ensure this does not compromise the aims of the Operational Performance Review and the quality and robustness of the data reported. DCC remains supportive of the aims of the Operational Performance Review but recognise that the progress to report on new performance measures is a complex task and that it will take some time to fully understand the measures and how DCC is performing against them. DCC is committed to continuing the high level of engagement with industry to agree the reporting methodology and suggest there may need to be compromises in order to meet the challenging delivery timescale. Any amendments to the PMM will be consulted on and SEC Parties are encouraged to participate. It is vital to allow enough time for consultation and discussion ahead of implementation across the range of affected documents and methodologies, including for example, recognising the intricacies of the changes needed to the Performance Measurement Methodology on which we are obliged to consult. More generally, in several areas of the measures we will be reporting on data in a format that we have not released before. This may result in a fundamentally different impression of DCC's performance than has historically been the case – not because anything has changed in our performance, or that of our suppliers, but because the data is a materially different presentation. Linked to this point, the modification proposes a number of changes to the Code Performance Measures, including the MPLs and TPLs that should apply. At this point it is unclear whether some of these are realistic target levels to apply as we have not reported on several of the SRVs that combine to form these measures. Given we expect several of these CPMs will be used as incentivised measures in OPR, this causes us concern and as such we will need to establish the financial impact and potential mitigations.

Question 2		
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Scottish Power Energy Retail Ltd	Large Supplier	-