

23 December 2021

The Authority (Ofgem), the SEC Panel, SEC Parties
and other interested parties

Dear Colleague,

**SMART METERING IMPLEMENTATION PROGRAMME: CONSULTATION ON
CHANGES TO THE BASELINE MARGIN PROJECT PERFORMANCE
ADJUSTMENT SCHEME FOR ECoS AND ON THE FORM OF A NOTICE UNDER
PARAGRAPH 6.3 OF THAT SCHEME**

This consultation document invites views on:

- i) formalising the detail of the Baseline Margin Project Performance Adjustment (BMPPA) Scheme for the Enduring Change of Supplier (ECoS) Arrangements which BEIS had previously proposed. A change is proposed to give the DCC incentives relating to the processing of CoS Service Requests during the ECoS Migration Period¹. Further minor amendments are proposed to the Scheme to reflect further considerations relating to the decommissioning of the TCoS arrangements, to simplify the algebra of the scheme in light of the introduction of the new incentive and to extend the assessment period considering the anticipated delay in commencement of migration arising from the ongoing DCC replan activity²; and
- ii) a draft of a notice under paragraph 6.3 of the BMPPA Scheme for ECoS that the Secretary of State is required to issue prior to making any determination of the Quality Factors under the scheme, setting out the process to be followed prior to making such a determination and the criteria to be applied for the purposes of that determination.

¹ This is the period commencing on the day that the DCC is first permitted to migrate devices from TCoS to ECoS and finishing on the earlier of 31 October 2024 and the date upon which the DCC no longer relies on the provision of TCoS services under the DSP contract (as proposed in this consultation).

² This consultation does not cover any changes to hard milestones relating to the BMPPA Scheme. If after DCC has completed its ongoing ECoS replan, it considers that any shift in such milestones was as a result a *force majeure* (i.e. an Act of God) or incident outside of DCC's control, then DCC would be able to make an evidenced case to the Secretary of State for an adjustment to the BMPPA Scheme.

This consultation applies to the gas and electricity markets in Great Britain. Responsibility for energy markets in Northern Ireland lies with the Northern Ireland Executive's Department for the Economy.

Timing

Responses to this consultation should be submitted by 17:00 on 28 January 2022.

Responding to this consultation

Your response will be most useful if it is framed in direct response to the questions posed, by reference to our numbering, though further comments and evidence are also welcome.

Responses should be submitted to **smartmetering@beis.gov.uk**

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on the SEC website. The summary will include a list of organisations that responded, but not people's personal names, addresses or other contact details.

If you have any complaints about the way this consultation has been conducted, please email: beis.bru@beis.gov.uk.

Yours faithfully,



Duncan Stone

Deputy Director & Head of Delivery,
Smart Metering Implementation Programme

(An official of the Department for Business, Energy & Industrial Strategy authorised to act on behalf of the Secretary of State)

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Appendix:	Consultation Document
Annex 1 to Appendix:	Further explanation of the proposed application of the CoS processing performance factor in the BMPPA Scheme
Annex 2 to Appendix	Draft legal changes to the BMPPA Scheme for ECoS (<i>separate document</i>)
Annex 3 to Appendix	Draft Notice under Paragraph 6.3 of the Baseline Margin Project Performance Adjustment Scheme for the Enduring Change of Supplier Arrangements

Appendix: Consultation document

1. Introduction

- 1.1. On 9 July 2020, BEIS issued a consultation³ on a proposed Baseline Margin Project Performance Adjustment (BMPPA) Scheme for the implementation of the Enduring Change of Supplier (ECoS) Arrangements. Within that consultation BEIS stated that:

“During the migration period (i.e. the period between ECoS Go-Live and the Completion of Migration) the DCC will be sending a significant number of Commands to Devices to replace the TCoS Certificates with ECoS Certificates as well as running a dual change-of supplier process. We do not believe that it would be appropriate for DCC to be immune to the loss of Baseline Margin if, in the transitional period, there had been substantial issues with DCC system performance and/or issues with managing CoS events during that period as a consequence of the migration activity.”

- 1.2. BEIS went on to note that Ofgem was, at the time, undertaking a review of the Operational Performance Regime (OPR) for DCC. We stated that, depending on whether a change of supplier performance measure was included within the OPR, we would consider consulting on changes to the BMPPA scheme to qualify the proposed 70% of Baseline Margin associated that was, at the time, proposed to be associated with the successful and timely migration of devices.
- 1.3. On 15 October 2020, BEIS concluded⁴ upon the BMPPA Scheme for ECoS. This conclusions document reiterated BEIS’s intent to make a further future change to the scheme to include a performance factor that measured DCC’s processing of CoS Service Requests during the migration period. The change was not made at the time as BEIS was still waiting on the outcome of the development of the OPR performance metrics. We understand that a CoS metric will be included in the reporting under the OPR from April 2022, although it will have a zero weighting from an incentivisation perspective. We also understand that this will measure round trip times for service request processing which we do not think is suitable for the purposes of this BMPPA Scheme. In the meantime therefore, we have held further discussions with the DCC regarding the development of a separate metric suitably tailored for use in the BMPPA Scheme.
- 1.4. This consultation sets out how BEIS proposes that the scheme should be updated to incorporate an incentive on DCC to manage CoS events during the ECoS Migration Period using the metric we have discussed with the DCC.

³ <https://smartenergycodecompany.co.uk/latest-news/beis-consultation-on-bmppa-scheme-for-ecos/>

⁴ <https://smartenergycodecompany.co.uk/latest-news/beis-consultation-response-on-bmppa-scheme-for-ecos/>

- 1.5. In concluding on the scheme in October 2020, BEIS also made a few changes in light of the responses BEIS had received to the consultation. In particular, the features of the scheme were that:
- i) the first Project Activity relating to ECoS Go-Live remained as originally proposed with the same tapering as originally proposed and 30% of the margin at risk against it; and
 - ii) the second Project Activity was modified so that the proportion of the 70% of margin against it that DCC is permitted to retain is determined based on a Project Activity Performance Factor (PAPF) determined by the Secretary of State.
- 1.6. The PAPF for the second Project Activity would reflect DCC's performance in meeting four Specified Steps as follows:
- i) **Specified Step A⁵:** The DCC has taken all reasonable steps to avoid the need, following 31 October 2023, to continue to have in place contractual arrangements with an External Service Provider that provide for the use of (or for an option to use) a TCoS Private Key when processing communications to modify Device Security Credentials held on Devices.
 - ii) **Specified Step B:** The DCC has taken all reasonable steps to:
 - proactively identify, at an early stage of the implementation of the Enduring Change of Supplier Arrangements, any difficult-to-migrate Devices; and
 - (where appropriate) provide support and assistance to Energy Suppliers in addressing the difficulties related to the migration of those Devices.
 - iii) **Specified Step C:** The DCC has taken all reasonable steps to effectively plan, manage and communicate arrangements to minimise as far as practicable the number of Devices that, on 31 October 2023⁶, have been (or will be) manufactured and:
 - have not been Commissioned; and
 - hold (or will hold) Device Security Credentials which pertain to a TCoS Certificate.
 - iv) **Specified Step D:** (Excluding for these purposes its interactions with its customers in respect of Specified Steps B and C), the DCC has effectively informed its customers of any interactions that they will (or can be expected to) have in relation to the delivery of the Enduring Change of Supplier Arrangements, and has done so by means of taking all reasonable steps to engage effectively with those customers:

⁵ Please note that whilst this text sets out the current wording, we are proposing further changes to the definition of Specified Step A in this consultation.

⁶ Please note that we are proposing to extend this date to 31 October 2024.

- within suitable timescales, with appropriate regularity, and by the provision to them of information that is of an appropriate quality;
 - (where appropriate) by having first consulted with them and taken fully into account their opinions on how those interactions should be managed.
- 1.7. BEIS proposed that an assessment process that mirrors that used by Ofgem for determining the outcome of the “VMM1 – Customer Engagement Incentive” under the (then) proposed revisions to the Operational Performance Regime (OPR)⁷ would be used to make the determination on the PAPF, although BEIS would fulfil the role carried out by Ofgem in the OPR assessment and different assessment criteria would apply.
- 1.8. This means that in essence, the assessment process would be one under which:
- i) the SEC Panel (after engaging with SEC Parties) and the DCC would each be asked to score DCC’s performance in meeting a number of aspects of DCC’s activity against the requirements of the Specified Steps and to provide a report explaining their scoring and supporting evidence;
 - ii) BEIS would then make an initial assessment and form a minded-to view of what the actual scores should be. We would consult on this initial assessment and minded-to position;
 - iii) the two submissions from the SEC Panel and DCC would also be published (subject to the extent that there are any confidential elements); and
 - iv) BEIS would then make a final decision considering the consultation responses and any additional evidence.
- 1.9. Because at the time of concluding on the revised scheme, Ofgem had not published the full details of the process by which the assessment for the Customer Engagement Incentive under the OPR, which BEIS was proposing to use as a template for the assessment under the BMPPA Scheme, the revised scheme provided that the detail of how the assessment would be carried out would be stipulated by the Secretary of State at a future date. Consequently, the BMPPA Scheme requires that, prior to making any determination of the Quality Factors applying to each of these Specified Steps, the Secretary of State must issue a notice under paragraph 6.3 of the BMPPA Scheme for ECoS setting out the process to be followed prior to a determination of the Quality Factors and the criteria to be applied in their determination, as well as any principles of interpretation the Secretary of State considers appropriate.
- 1.10. This consultation invites views on a draft of a notice under that paragraph 6.3.

⁷ <https://www.ofgem.gov.uk/publications-and-updates/dcc-operational-performance-regime-review-may-2020-consultation>

2. Purpose of this Document

2.1. The purpose of this document is to consult on:

- i) a change to the BMPPA Scheme for ECoS to introduce an adjustment factor to the “Completion of Implementation milestone” (i.e. the second Project Activity under the scheme) that is based on DCC’s performance in processing CoS Service Requests during the ECoS Migration Period;
- ii) a number of minor amendments are proposed to the Scheme to reflect further considerations relating to the decommissioning of the TCoS arrangements, to simplify the algebra of the scheme in light of the introduction of the new incentive and to extend the assessment period considering the anticipated delay in commencement of migration arising from the DCC’s ongoing replan activity; and
- iii) a draft notice under paragraph 6.3 of the BMPPA Scheme for ECoS setting out the process and criteria to be used for the purpose of assessing the Quality Factors under that BMPPA Scheme. Further to incorporating any changes based on the responses to this consultation, it is proposed that the notice would be issued under paragraph 6.3 of the BMPPA Scheme.

3. Adjustment Factor based on DCC’s processing of CoS Service Requests during Migration

- 3.1. In considering an adjustment factor for the BMPPA Scheme for ECoS that measures DCC’s performance in processing CoS Update Security Credentials Service Requests (Service Reference Variant 6.23⁸) BEIS’s primary concern is to ensure that during the ECoS Migration Period, the modified Data Services Provider (DSP) systems and the TCoS and ECoS systems operate to successfully process 6.23s in a timely manner.
- 3.2. We had previously hoped to rely on one of the metrics developed under SEC Modification Proposal 122A for this purpose, however the reporting under MP122A relates mainly to round trip time, whereas we are seeking to focus solely on processing by the DSP and CoS Party elements of DCC. Consequently, we have engaged in further discussions with DCC to develop a suitable metric for use in the BMPPA Scheme.
- 3.3. Using data available to the DCC’s Technical Operations Centre (TOC) the DCC has confirmed that they are able to identify the day upon which a correctly submitted⁹ 6.23 is received by the DSP and the date and time on which (in the case of SMETS2) a corresponding “update security credentials” command is sent to the relevant Communications Service Provider (CSP) or (in the case of SMETS1) a countersigned Service Request is sent to the

⁸ Subsequently referred to as “6.23s”.

⁹ By “correctly submitted” here, we mean a 6.23 that passes the access control checks applied by the DSP when the Service Request is received over the DUIS interface.

SMETS1 Service Provider (S1SP). We understand that the DCC is investigating whether it would be more appropriate to source the reporting from its services providers rather than using the data available to the TOC. We are however expecting that the DCC will be able to begin reporting on the metric at least 3 months before the commencement of Migration¹⁰ from one of these two sources, either of which would be acceptable to government. In the absence of any baseline data, we will assume that the metric delivers a 100% success rate for the DCC.

- 3.4. Where a 6.23 is future dated, i.e. it has a Future Dated Response Pattern (DSP) or Future Dated Response Pattern (Device) (as defined in the DCC User Interface Specification (DUIS)), the DCC holds on to the Service Request until the day of execution so that the registration data checks can be performed using up-to-date registration data. We are proposing that these Service Requests should be treated as having been received on the day of execution for the purposes of the metric.
- 3.5. The DCC is therefore capable of publishing a metric that measures what proportion of the 6.23s “received” by the DSP on a particular day successfully result in the sending of a Command or Countersigned Service Request to the relevant CSP or S1SP before midnight on that day.
- 3.6. A 6.23 would also only be treated as having been received if it does not fail the access control checks applied by the DSP or the CoS Party (ECoS or TCoS).
- 3.7. We are also proposing to allow the DCC to make corrections to exclude 6.23s that are not processed because of the application of anomaly detection (either by the DSP or by ECoS), such that the DCC is not penalised for applying this process, since such Service Requests may not result in an associated Command or Countersigned Service Request being sent¹¹.
- 3.8. We are of the view that this metric¹² is a suitable metric for measuring the basic availability of the DSP and CoS systems that are needed to process 6.23s during the ECoS Migration Period and hence are proposing to use it to make a modification to the BMPPA Scheme for ECoS.
- 3.9. We expect that typically, this metric will show that the DCC has successfully processed 100% (or very nearly 100%) of 6.23s by midnight on the relevant day, and indeed hope that over the ECoS Migration Period the DCC will successfully process 100% of 6.23s on a daily basis. We do not, however, at this stage, have actual data on this metric from the DCC. We expect that the

¹⁰ Migration was originally planned to commence at the end of June 2022 although DCC is in the process of replanning, and indications are that the commencement of migration will be delayed beyond this date.

¹¹ We could also require the metric to be adjusted to account for Commands or Countersigned Service Requests that arise from Service Requests that are released from Quarantine, but we think the frequency with which this will happen will be low, and consequently we do not think the complexity of the adjustment is warranted.

¹² The metric is more formally defined in Section 4.8 of the change-marked version of the BMPPA Scheme in Annex 2 to this Appendix.

DCC will reasonably shortly be able to provide reports of this metric. Our proposal for incorporating the output from this metric into the BMPPA Scheme is as follows:

- i) BEIS would receive from the DCC a report of the metric (the “ECoS Metric”) for each day during the ECoS Migration Period, showing what proportion of those 6.23s that were “received” on that day were successfully processed before midnight on that day;
 - ii) by “successfully processed” we mean that the DSP either sent a command to the relevant CSP or sent a Countersigned Service Request to the relevant SMETS1 Service Provider, depending on whether the target Device is a SMETS2 Device or a SMETS1 Device¹³;
 - iii) BEIS would then select the lowest (i.e. worst) 5 daily values for each of the days within the Migration Period and calculate an average; and
 - iv) use that average as an additional multiplier when determining the Project Activity Performance Factor for Project Activity 2 under the BMPPA Scheme. A fuller explanation of the detailed proposals as to how the multiplier would be used is included in Annex 1, and the way in which we propose to amend the BMPPA Scheme is shown in Annex 2.
- 3.10. As is further explained in Annex 1, we are also proposing not to penalise the DCC for failing to progress small numbers of 6.23s on any specific day. Consequently, if a proportion of successfully processed 6.23s on any day is greater than 99.9%, we propose to treat this as if the DCC had processed 100% of the 6.23s on that day.
- 3.11. If there is an event outside the DCC’s control that affects the DCC’s ability to process 6.23s, we propose to apply the same general principles as set out in our October 2020 document⁴ for reopening BMPPA scheme. In the context of determining the adjustment factor to apply in relation to DCC’s processing of 6.23s during the Migration Period, these are that:
- i) In the event of a *force majeure* (i.e. an Act of God) or incident outside of DCC’s control that adversely affects DCC’s processing of 6.23s, we propose to allow the incentives to be reset. Whilst recognising that a failure to be able to process 6.23s could be due to circumstances outside of the DCC’s reasonable control, the Secretary of State expects the DCC to actively manage its dependencies and, where possible, mitigate any relevant risks. The mechanism for dealing with such events would be for the Secretary of State to consult on a replacement project incentive scheme that adjusted for the incident accordingly.
 - ii) In circumstances where the DCC envisages that its ability to process 6.23s has been adversely impacted by circumstances outside the reasonable control of the DCC and its External Service Providers and

¹³ For this to happen the DSP and either TCoS or ECoS systems will have to have successfully processed the Service Request.

where the DCC has taken steps to actively manage and mitigate the risk of such circumstances impacting on such delivery, then it will need to apply to the Secretary of State to request a modification of BMPPA Scheme.

- iii) The Secretary of State will consider any such request and may (or may not) propose modifications to the BMPPA Scheme as he considers appropriate in all the circumstances.
- 3.12. Annex 2 to this consultation document (which is published separately) includes a markup of the legal changes BEIS is proposing to make to the BMPPA Scheme for ECoS to give effect to the proposals set out above.
- 3.13. As far as the metric is concerned, the DCC has indicated to BEIS that it should be relatively straightforward to produce the metric from TOC data. We understand that the DCC has also asked its service providers to assess the costs and impacts of them reporting the metric, rather than using the TOC data to do so. Whilst we will be interested to understand the relative costs of producing the reports via the two different routes, BEIS has indicated to the DCC that we would be happy to receive the reports using the TOC data. The DCC has raised the issue of whether this might be seen as the “DCC marking its own homework” and that there would be greater probity were their service providers to carry out the reporting. We, however, do not see this as a major issue, since if there is a material issue with the DCC’s processing of 6.23s on any particular day, we would expect to know about this from our involvement in the various industry groups, and would look to see the impact on the reported metrics. We would also expect DCC to act in a responsible manner to maintain the trust and confidence of its Users. Therefore, we do not think it is conceivable that DCC would misreport the metrics under the scheme using the TOC data. We would expect that a TOC reporting regime will be cheaper, equally valid, and quicker to implement. In the absence of reporting on the metric during the Migration period, we will assume a success ratio of zero for any relevant days.

Consultation Questions on the Adjustment Factor

- Q1: Do you agree with BEIS’s proposals to modify the BMPPA Scheme for ECoS in the manner set out in Section 3 above to incorporate an incentive on DCC relating to its processing of CoS Service Requests during migration? Please provide a justification of your views.
- Q2: Do you agree with BEIS’s view on the proposals to use TOC reporting to deliver the metric if this proves to be the cheapest and quickest option for implementation?

Q3: Do you have any comments on the proposed legal changes set out in Annex 2 to give effect to the BEIS proposals set out in section 3¹⁴?

4. Other proposed changes to the BMPPA Scheme for ECoS

- 4.1. Under the BMPPA Scheme for ECoS⁴, Specified Step A is currently defined around DCC having taken all reasonable steps to avoid the need to have in place arrangements with an External Service Provider that provide for the use of a TCoS Private Key past 31 October 2023.
- 4.2. It is recognised that once the TCoS Private Key can no longer be used, then it may not be possible to change the supplier certificates on Devices that still hold a TCoS Certificate on them using standard CoS processes, and consequently that unmigrated devices will effectively be stranded. DCC is investigating potential alternative solutions, for example whereby at an appropriate point when the vast majority of devices have been migrated, the TCoS Private Key is transferred to the ECoS Party. This would allow ECoS to update the TCoS Certificate on unmigrated Devices after the TCoS system has been turned off.
- 4.3. In order to cater for this scenario, which is still under consideration, we are proposing to change the wording of Specified Step A to refer to the termination of the TCoS elements of the contract with the DSP, rather than to the discontinuance of the use of the TCoS Private Key.
- 4.4. The precise proposed wording of the change is set out in Annex 2.
- 4.5. We have also made a proposed change to the scheme to simplify the algebra in light of the introduction of the new incentive on DCC relating to the processing of 6.23s during the transition period. The new metric that we are proposing to measure DCC's performance in processing 6.23s inherently measures how well DCC has performed – in that the metric is greater (i.e. nearer to 100%) when DCC performs well. As previously written the existing Quality Factors (Q_A to Q_D) operated in the opposite way, i.e. they were closer to 0% if DCC performed well. In order to simplify the algebra under the scheme when combining the existing and new factors, we are proposing to switch around how the Quality Factors (Q_A to Q_D) operate, such that they too are greater if DCC performs well. This is a purely cosmetic change which is being made to ease understanding.
- 4.6. Finally, we are proposing to change the end date of the ECoS Migration Period (the period over which DCC's performance is assessed) to be the earlier of the date that DCC terminates the use of the TCoS Private Key under the DSP contract and 31 October 2024, rather than 31 October 2023. This is to reflect the fact that in light of the replan, there is a higher probability that migrations will continue to be taking place after the end of October 2023.

¹⁴ The relevant changes are all the tracked change in Annex 2, other than the change to the definition of Specified Step A.

Consultation Questions for the other proposed changes

- Q4: Do you agree with BEIS's proposals to modify the BMPPA Scheme for ECoS in the manner set out above in order not to penalise or deter the DCC from putting in place alternative arrangements that allow for the TCoS Private Key to continue to be used after the discontinuation of the CoS arrangements under the DSP contract? Please provide a justification of your views.
- Q5: Do you have any comments on the other proposed changes to the scheme (i.e. to simplify the algebra or to extend the potential assessment period)?
- Q6: Do you have any comments on the proposed legal changes set out in Annex 2 to give effect to the BEIS proposals set out in Section 4¹⁵?

5. Process and Criteria for Assessment of Quality Factors

- 5.1. Annex 3 to this document contains a draft notice under Paragraph 6.3 of the BMPPA for ECoS. Paragraph 6.3 requires the Secretary of State to set out in a notice, the process and criteria for determining the Quality Factors under the scheme.
- 5.2. The Secretary of State is required to issue such a notice prior to making any determination of the Quality Factors applying to the scheme.
- 5.3. The notice may also set out principles of interpretation where this is considered appropriate in relation to any of the Specified Steps and/or the criteria to be applied in assessing the Quality Factor for any such Specified Step.
- 5.4. The proposed criteria and process are based on the approach that is used by Ofgem to assess performance against the Customer Engagement Incentive under the Operational Performance Regime (OPR), although this has been tailored to meet the requirements of the BMPPA Scheme assessment. Furthermore, unlike the OPR, the decision on the Quality Factors will be taken by BEIS rather than Ofgem.
- 5.5. The draft notice proposes that the SEC Panel and the DCC would have three months from the end of the ECoS Migration Period¹⁶ to prepare their submission to BEIS setting out their assessment of DCC's performance against a number of aspects of the DCC's performance in meeting Specified Steps A to D. This is a one-off assessment rather than an annual activity.
- 5.6. We are proposing to allow three months for this to take place in line with the duration afforded to the equivalent activity under the OPR. We do not think that the assessment under the BMPPA Scheme should be particularly complicated, not least because the SEC Panel and the DCC will have

¹⁵ The relevant change is the change to the definition of Specified Step A.

¹⁶ The point in time when DSP use of the TCoS Private Key ceases.

experience of running the process under the OPR by the time they are asked to do so for the BMPPA Scheme. Furthermore, we believe that relevant evidence can be collated over the course of the project, rather than at the end (which we hope both the SEC Panel and the DCC will do).

- 5.7. However, we also recognise that, as with the OPR assessment, we are asking the SEC Panel to engage more widely with DCC's customers as part of the assessment.
- 5.8. We also recognise that by the time the assessment of DCC's performance under the BMPPA Scheme for ECoS is made, the SEC Panel and the DCC will have carried out one or more assessments of DCC's performance in relation to customer engagement under the OPR. To the extent that any "lessons learned" from carrying out these assessments inform the need to make changes to the assessment process under the OPR, we will consider the implications and may consult on making equivalent changes to the assessment process and criteria for the BMPPA Scheme.

Consultation Questions on the process and criteria for assessment

- Q7: Do you have any comments on the proposed notice under paragraph 6.3 of the BMPPA Scheme for ECoS set out in Annex 3?
- Q8: Do you agree with the proposed "Aspects" that should be assessed for each of the Specified Steps, and do you agree with the proposed weighting?

Annex 1 to Appendix

Further Explanation of Proposed Application of the proposed CoS Processing performance factor in the BMPPA Scheme

BMPPA Schemes are designed to permit the DCC to retain baseline margin if it performs well under the scheme, and to deduct margin if DCC performs poorly. The basic mechanism under the DCC licence is that DCC is, by default, permitted to recover baseline margin associated with its internal costs relating to a project that is the subject of a BMPPA Scheme (where relevant as permitted in accordance with the process set out in Appendix 2 of condition 36 of the DCC licence), and that the BMPPA Scheme would reduce the amount of margin DCC is permitted to recover in the event that the DCC performs poorly.

If the Project Activity Performance Factor (PAPF) for a Project Activity is set to 0, then no margin is deducted from the DCC under the scheme in relation to that Project Activity, and hence the DCC retains all the associated Baseline Margin.

The existing PAPF for Project Activity 2 under the scheme is calculated as:

$$\text{PAPF} = (0.4 \times \text{QF}_A) + (0.2 \times \text{QF}_B) + (0.2 \times \text{QF}_C) + (0.2 \times \text{QF}_D)$$

Where QF_{A-D} are the quality factors associated with specified steps A to D under the scheme. Therefore, under the current scheme, the greater the values of QF_{A-D} , the more margin is deducted from DCC under the scheme, since higher “quality factors” cause PAPF to increase. We are proposing to switch this round under the revised scheme so that the values of QF_{A-D} are greater if DCC performs well under the scheme. The reason for this is to avoid overly complex algebra when the existing Quality Factors are combined with the proposed new ECoS Metric under the

We propose that the ECoS Metric would be used to generate factor (E) that would be used to modify the value of the Project Activity Performance Factor (PAPF) for Project Activity 2 in the BMPPA Scheme for ECoS.

Our proposal is to modify the calculation of PAPF such that for Project Activity 2:

$$\text{PAPF} = 1 - (Q \times E)$$

$$\text{Where } Q = (0.4 \times \text{QF}_A) + (0.2 \times \text{QF}_B) + (0.2 \times \text{QF}_C) + (0.2 \times \text{QF}_D)$$

Q_A to Q_D are the four Quality Factors under the existing scheme (albeit now where higher values of Q reflect better performance).

And E is determined as follows:

Take the five lowest instances of the ECoS Metric calculated for each day during the Migration Period (i.e. each day during the ECoS Migration Period, then calculate the average across those five instances).

Note that if any of those daily ECoS Metric values are > 0.999 , then they would be set to 1 (assumes all messages are successful).

E is equal to the average value of the five instances (with a minimum of zero to a maximum of one).

Explanation of 1- (E*F)

Q (as defined under the proposed revised scheme) is a measure of how “well” the DCC has performed under the combined Quality Factors.

E as defined above is a measure of how “well” the DCC has done in processing 6.23s during migration, since the higher the proportion of 6.23s that are successfully processed by the DCC, the higher the value of E will be.

Overall, with the introduction of the “E” factor, the measure of how “well” DCC has performed across both the Quality Factors and in processing 6.23s is $Q \times F$.

Hence the measure of how “badly” DCC has performed overall is $1 - (Q \times F)$ and hence this is the value used to set PAPF for the second milestone, i.e. the overall proportion of the margin that is recovered back from the DCC.

Annex 2 to Appendix

Draft legal changes to the BMPPA Scheme for ECoS

Annex 2 is provided as a separate document.

Annex 3 to Appendix

**DRAFT: Notice under Paragraph 6.3 of the Baseline Margin
Project Performance Adjustment Scheme for the Enduring
Change of Supplier Arrangements**

1. Introduction

- 1.1. This document constitutes a notice under paragraph 6.3 of the Baseline Margin Project Performance (BMPPA) Scheme for the Enduring Change of Supplier (ECoS) Arrangements. It sets out the process to be followed prior to the making of a determination by the Secretary of State of each of the Quality Factors referred to in paragraph 6.2 of the BMPPA Scheme and the criteria to be applied for the purposes of that determination.
- 1.2. A Quality Factor is required to be determined by the Secretary of State for each of the four Specified Steps under the scheme. The four Specified Steps are¹⁷ set out below.
- 1.3. **Specified Step A:** The DCC has taken all reasonable steps to avoid the need, following 31 October 2023, to continue to have rely on services provided to it under the contract referred to at sub-paragraph 1.5(4) of Schedule 1 to the DCC Licence for the purpose of meeting its obligations under the Smart Energy Code when acting in the role of TCoS Party.
- 1.4. **Specified Step B:** The DCC has taken all reasonable steps to:
 - proactively identify, at an early stage of the implementation of the Enduring Change of Supplier Arrangements, any difficult-to-migrate Devices; and
 - (where appropriate) provide support and assistance to Energy Suppliers in addressing the difficulties related to the migration of those Devices.
- 1.5. **Specified Step C:** The DCC has taken all reasonable steps to effectively plan, manage and communicate arrangements to minimise as far as practicable the number of Devices that, on 31 October 2024¹⁸, have been (or will be) manufactured and:
 - have not been Commissioned; and
 - hold (or will hold) Device Security Credentials which pertain to a TCoS Certificate.
- 1.6. **Specified Step D:** (Excluding for these purposes its interactions with its customers in respect of Specified Steps B and C), the DCC has effectively informed its customers of any interactions that they will (or can be expected to) have in relation to the delivery of the Enduring Change of Supplier Arrangements, and has done so by means of taking all reasonable steps to engage effectively with those customers:
 - within suitable timescales, with appropriate regularity, and by the provision to them of information that is of an appropriate quality; and
 - (where appropriate) by having first consulted with them and taken fully into account their opinions on how those interactions should be managed.

¹⁷ Please note that we have modified the wording of Specified Step A to reflect the change proposed in the accompanying consultation document.

¹⁸ Also amended to reflect a change proposed in the accompanying consultation document.

- 1.7. For the purposes of the Specified Steps set out above, any reference to the DCC taking all reasonable steps should be interpreted in accordance with the steps that it would reasonably be expected to have taken in accordance with Good Industry Practice.

2. Process and Criteria

- 2.1. The process and criteria to be followed for the purposes of determining the Quality Factors is based on the arrangements¹⁹ for determining DCC's performance under the Operational Performance Regime (OPR) insofar as it relates to assessing DCC's performance against the Customer Engagement Incentive of the OPR, although some elements have been amended given the different nature and scope of the BMPPA Scheme as compared to the OPR. For example, the weighting proposed for the various aspects of customer engagement differs from that under the OPR.
- 2.2. For each of the four Quality Factors, the assessment process requires the DCC to prepare a submission setting out DCC's assessment of its performance in the period up to 1 November 2024 against a number of "Aspects" of DCC activity in meeting the requirements of each Specified Step. The SEC Panel will also prepare a submission setting out their assessment of these Aspects using the same criteria, ensuring that DCC customers can feed in views towards the submission's preparation. This will ensure both DCC and its customers are represented in the assessment process, thus providing a balance of stakeholder views.
- 2.3. The Aspects of DCC activity against which its performance should be assessed are set out in tables A to D below.

Table A - Assessment Criteria in relation to Specified Step A

Aspect	Assessment Questions	Aspect Weighting
Running the ECoS Project	<p>Has the DCC run the ECoS project in a timely way such that either:</p> <ul style="list-style-type: none">- it has not been necessary for it to rely on services provided to it under the DSP contract when acting as the CoS Party under the Smart Energy Code past 31 October 2023; or- to the extent that it has been necessary to continue to have such arrangements in place, has this been because of factors outside DCC's reasonable control?	70% (or 100% if the contractual arrangements for TCoS under the DSP contract have been extended beyond October 2023)

¹⁹ <https://www.ofgem.gov.uk/publications/decision-opr-guidance-march-2021>

Managing the contractual arrangements	Has the DCC managed its Service Provider contracts such that DSP contract arrangements applying to TCoS have been terminated, and any consequential contractual savings have been realised.	30% (or 0% if the DSP contractual arrangements for TCoS have been extended beyond October 2023)
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Table B - Assessment Criteria in relation to Specified Step B

Aspect	Assessment Questions	Aspect Weighting
Identification of difficult-to-migrate devices	<p>Has the DCC proactively identified, at an early stage (i.e. in sufficient time to allow device manufacturers time to resolve any issues prior to the end of the ECoS Migration Period), difficult to migrate Devices?</p> <p>Has the DCC notified suppliers and other interested parties of these Devices and explained the reasons for why they are difficult to Migrate?</p>	70%
Support and assistance	Has DCC provided support and assistance (where appropriate) to Energy Suppliers in order to address the difficulties such that the Devices were or will be able to be migrated?	30%

Table C - Assessment Criteria in relation to Specified Step C

Aspect	Assessment Questions	Aspect Weighting
Planning	<p>Did the DCC have an effective plan to minimise the number of devices still in (or still to enter) the supply chain and which hold TCoS Certificates by 31 October 2024?</p> <p>Was the DCC's plan for managing this aspect of the ECoS Programme effectively communicated to relevant parties, and were their views taken into account in finalising those plans?</p> <p>Did the DCC put this plan into effect?</p>	33⅓%
Management	<p>Were ECoS Certificates made available at a suitably early stage in order to minimise the number devices in (or still to enter) the supply chain that hold TCoS Certificates by 31 October 2024?</p> <p>Did the DCC effectively engage with Energy Suppliers to help ensure coordinated action to minimise the number of such devices by 31 October 2024?</p> <p>Did the DCC provide the support that it could reasonably be expected to provide in managing any issues in this area?</p>	33⅓%
Communication	<p>Did the DCC seek industry views on its plan to minimise the number of devices in the supply chain that hold TCoS Certs by 31 October 2023 and take them into account when finalising that plan (and explain how it has done this)?</p> <p>Did DCC effectively communicate with relevant parties as was necessary to give effect to the plan?</p>	33⅓%

Table D - Assessment Criteria in relation to Specified Step D

Aspect	Assessment Questions (in each case excluding interactions for the purposes of Specified Steps B and C).	Aspect Weighting
Timing and frequency of engagement	Has the DCC has effectively informed its customers of any interactions that they will (or can be expected to) have in relation to the delivery of the Enduring Change of Supplier in a timely manner and with an appropriate frequency of engagement?	20%
Quality of information	Has the information that the DCC has communicated been of sufficient quality and detail?	30%

provided by the DCC		
Taking account of customer views	<p>Has the DCC consulted with relevant customers on the way in which it should engage with them in relation to their interactions?</p> <p>Has the DCC taken customer views into account when making decisions about how customer interactions should be managed?</p> <p>Has the DCC communicated a clear rationale for such decisions, explaining how customer views have informed its decision making and where relevant why the DCC has decided not to incorporate customer views?</p>	50%

- 2.4. In assessing how well the DCC has performed against each aspect, the DCC and the SEC Panel should take account of the further guidance set out in Section 3 below.
- 2.5. The SEC Panel and the DCC should only provide a score of either 0,1,2 or 3 for each Aspect of DCC activity, rather than providing fractional scores.
- 2.6. Once the submissions are received from the DCC and the SEC Panel, BEIS (acting on behalf of the Secretary of State) would form a “minded to position” as to what scores should be awarded to the DCC for each Aspect of activity relating to each of the Specified Steps. This would consider the submissions from the SEC Panel and the DCC and any other information BEIS considers relevant. BEIS would then consult on its minded to position. The submissions from the DCC and the SEC Panel would be published alongside that consultation.
- 2.7. Following consultation and considering the responses received, BEIS would make a final determination of the scores for each Aspect. The overall score for any Specified Step would also be determined by taking a weighted average of the scores for each of the Aspects relevant to that Specified Step. The weighting for any Aspect would be that set out in Tables A to D above.
- 2.8. Once the final decision on the values of the scores has been taken, BEIS will notify Ofgem and other interested parties of the outcome and set out the values of QF_A to D that should be used for the purposes of the BMPPA Scheme as well as the overall value of “Q”.

3. Further Guidance

- 3.1. Further guidance on what we would consider in our assessment is set out below. This is not intended to be exhaustive but instead service as a guide to the DCC, the SEC Panel and the DCC’s customers of what we expect to see (and what evidence we are expecting the DCC to provide).

- 3.2. In the case of Specified Step A, if the DCC has extended the DSP contract to require provision of CoS Party related services past 31 October 2023, then we are essentially seeking a score that reflects the extent to which the need for this extension was due to factors outside DCC's control, as far as scoring the activity of "Running the ECoS Project" is concerned. We note that in such circumstances, 100% of the margin for this Specified Step would be assessed against this Aspect, because there would be no cost savings associated with discontinuing the service under the DSP contract.
- 3.3. If the DCC has terminated the contractual arrangements for CoS Party related services then, under "Managing the contractual arrangements" we are seeking a score that reflects the extent to which the DCC has managed to realise all the available cost savings under the DSP contract as a consequence of the termination of support for TCoS. We expect the DCC to provide evidence of this to the SEC Panel for the purposes of their assessment of this Aspect.
- 3.4. For Specified Step B, we are primarily interested in identifying difficult to migrate devices about which something can be done prior to the end of the migration period. For example, identifying whether a firmware upgrade is needed to certain Device Models for them to be capable of being Migrated or to subsequently be able to successfully process CoS Service Requests once they have been Migrated. We think that "difficult to migrate" devices in the context includes (amongst others²⁰) devices that cannot successfully execute a change of supplier event after their TCoS Certificates are replaced by ECoS Certificates. BEIS is planning to update the ECoS Transition and Migration Approach Document applicable from the commencement of Migration²¹ to place restrictions on the DCC from migrating Devices of a particular Device Model in bulk until such time as the DCC has satisfied itself that such Devices can successfully process 6.23s following their Migration.
- 3.5. We think that steps that the DCC can take to do this at an early stage may include replacing the TCoS Certificate of a Device with another TCoS Certificate in the production environment and observing the subsequent behaviour of such devices (including their ability to subsequently process change of supplier events), as well as allowing the ability for Users to perform the necessary tests in the Device and User System Testing and/or User Integration Testing environments.
- 3.6. In providing support and assistance under Specified Step B, we recognise that the DCC may only be able to provide limited relevant support in some cases – for example in developing firmware upgrades which, other than for Communications Hubs, would be outside the DCC's remit.
- 3.7. For Specified Step C, we are seeking to measure the DCC's effectiveness in planning, managing and communicating the arrangements to minimise the

²⁰ Such as devices that are difficult to communicate with over the WAN, or devices that cannot process a command to swap the security credentials.

²¹ It is planned that a consultation on the go-live version of ETMAD will take place in 2022.

number of Devices that hold TCoS Certificates that are still in (or still to enter) the supply chain by 31 October 2024.

- 3.8. For Specified Step D, we would expect the DCC to seek greater customer input, supported by appropriately detailed information, into its decision making in areas of the ECoS Programme that have a greater impact on its customers.
- 3.9. When assessing the quality of information, we will consider: customers' ease of access to the information; the readability / comprehensibility of the information; and the level of detail and precision in the content.
- 3.10. Where relevant, we would expect the DCC to provide sufficient rationale for any different options, providing where possible sufficient information around the expected costs of any options in order for customers to give informed feedback.
- 3.11. We would expect to see evidence that the DCC has considered its audience when providing information and that the engagement is tailored appropriately, such as through the format of the information, level of technical detail, and the forums the DCC chooses to engage.

4. Timetable

- 4.1. **Submission preparation (November 2024 – January 2025²²):** DCC and the Panel would prepare a submission for BEIS's review, using the guidance for reference. Each submission should set out an assessment of DCC's performance against each of the Quality Factors under the BMPPA Scheme. In preparing their submission, the SEC Panel should seek wider views as part of their assessment of the DCC's performance. The DCC and the SEC Panel should work together transparently and share drafts with one another when preparing their submissions to maintain open communication and ensure the submissions are comparable.
- 4.2. **Reporting (31 January 2025):** The DCC and the SEC Panel should send their submissions via email to BEIS along with any supporting evidence by no later than 31 January 2024.
- 4.3. **Assessment (February to April 2025 approximately):** We will conduct an internal assessment of both submissions against the assessment criteria. In doing so we are likely to wish to contact Ofgem to seek to gain from their experience of carrying out similar activities in relation to the OPR. If necessary, we will return to the SEC Panel and the DCC with any questions at this stage to inform our position.
- 4.4. **Consultation (May to July 2025 approximately):** We will consult on our minded to position on the amount of margin the DCC should be permitted to retain in relation to each of the Specified Steps, and set out what this means

²² This date, and subsequent dates may change depending on precisely when ECoS Migration is complete.

in terms of the values of the Quality Factors that should be used in the BMPPA Scheme. We expect stakeholders' responses to our consultation would serve as a 'right of reply' to our assessment and could include further evidence or examples of DCC's performance that we would consider.

- 4.5. **Decision (Aug to September 2024 approximately):** We will analyse responses and any additional evidence provided. We will publish our final decision, outlining DCC's final score and the associated margin retained.

5. Submission Requirements

- 5.1. The DCC and the SEC Panel should each prepare a submission providing an assessment of the DCC's performance in the period from the commencement of the ECoS Programme to 31 October 2024.
- 5.2. Both submissions must provide a rounded and impartial view of the DCC's performance.
- 5.3. We would expect the DCC to provide the Panel with any information reasonably requested by them for the purposes of making their assessment. Furthermore, we would expect the DCC to abstain in any Panel vote on any decision relating to their assessment of the DCC's performance.
- 5.4. The DCC and the SEC Panel should engage with each other when drafting their submissions to ensure the two submissions are comparable. Maintaining transparency throughout the process will also ensure that the DCC will have sight of the SEC Panel submission to have the right of reply.
- 5.5. In preparing its submission, the SEC Panel in particular must seek wider customer views as part of its assessment. We will not prescribe how the SEC Panel should seek these views.
- 5.6. in assessing the DCC's performance against Specified Step D, consider the DCC's wider engagement, such as the DCC's bilateral engagement with stakeholders, rather than limiting its assessment to DCC's engagement with the Panel itself.
- 5.7. The SEC Panel submission must explain how the SEC Panel sought:
 - i) Supplier Party and any other interested stakeholder views in their assessment of Specified Steps B and C; and
 - ii) wider customer views in their assessment of Specified Step D,in each case prior to the submission and how they were incorporated.
- 5.8. The submission from each of the SEC Panel and the DCC should be in the form of a main submission setting out the principal narrative and scoring (i.e. a value of 0,1,2 or 3 for each Aspect of each Specified Step) and a separate part containing the supporting evidence for the scores provided as is further described in Section 6 below.

- 5.9. BEIS expects to publish the SEC Panel and the DCC submissions as supporting documentation to its consultation on the “minded to” consultation. Any information that is considered confidential should therefore be highlighted to BEIS. If a submission includes information that the DCC or the SEC Panel considers to be confidential an alternative redacted version of the submission should also be provided in parallel for BEIS to publish.

6. Format of the Submission

- 6.1. The format of the submission should be essentially the same as the format of the submission to Ofgem under the OPR in that it should comprise:
- a main submission – part 1 - in which the main narrative of the submission describing DCCs performance and a score of 0,1,2 or 3 for each Aspect of each Specified Step.; and
 - supporting evidence – part 2.
- 6.2. A submission checklist is provided below.

Submission Checklist

Submission Checklist	Expected Length of submission
Part 1 – main submission: a) a narrative providing assessment of the DCC’s performance against each of the ten ²³ Aspects in turn; b) suggested scores for each Aspect.	We anticipate the submission being no more than ten pages (excluding covering pages and contents pages)
Additional supporting evidence	We are not proposing to set an expectation for how long this should be, however, we are not seeking an extremely detailed, in-depth analysis.

- 6.3. There should be no embedded documents within the submission document. Additional evidence should be referenced to within the main submission and where relevant provided separately as supporting evidence. The main submission should include an annex giving a list of the additional evidence that has been provided.
- 6.4. The submissions will be published on a website. Any information which is considered confidential should therefore be highlighted to BEIS. If a submission includes information that the DCC or the SEC Panel considers

²³ Or nine Aspects if the “managing contractual arrangements” Aspect of Specified Step A does not apply because the DSP contractual arrangements for TCoS have been extended beyond October 2023.

confidential, an alternative redacted version of the submission for us to publish should also be provided in tandem with the actual submission.

7. Scoring

- 7.1. As is the case with the scoring of the Customer Engagement Incentive under the Operational Performance Regime²⁴, the SEC Panel and the DCC should assign each of the assessment criteria a score of 0,1,2 or 3, based on the Scoring Framework table below.
- 7.2. Again, as with the OPR, because the different elements are weighted, it will then be possible for the overall score to be a decimal value between 0 and 3.
- 7.3. BEIS will award the DCC a score for each of the Specified Steps based on the Scoring Framework table below, which uses the same scoring system as the Customer Engagement framework under the OPR.

Scoring Framework

Score	Description	Margin Retained
3	Strong evidence that the DCC has met the required standard with minor areas for improvement – DCC is performing to the expected standard.	100%
2	Evidence that the DCC meets the required standard with very few material areas of concern and/or some minor areas of concern.	66.67%
1	Evidence that DCC meets the required standard but inconsistent with some material areas of concern.	33.33%
0	Limited evidence that the DCC has met the required standard with multiple material issues of concern.	0%

- 7.4. By way of an example, if DCC achieves an overall score of 2.4 for Specified Step D, this would mean that DCC would be permitted to retain 80% of the Baseline Margin allocated to that Specified Step and the associated value of QF_D would be set to 0.8.

²⁴ <https://www.ofgem.gov.uk/publications/decision-opr-guidance-march-2021>