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Dear Duncan

Consultation on DCC Incentives Open Letter

Thank you for the opportunity to comment on BEIS's consultation on proposed changes to the DCC Licence to enable the setting of specific DCC project incentives and extension to the date by which Ofgem must populate Schedule 4 of the DCC Licence (Operational Performance Regime (OPR)).

Please find below our response to the relevant questions:

| Question | Response |
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| 1. Do you agree that BEIS, rather than Ofgem, should set the incentive regime that places DCC's Baseline Margin associated with the Release 2.0 and SMETS1 Enrolment and Adoption projects at risk (and any potential BEIS driven future projects)? | <p>No. This arrangement would not be in keeping with the joint responsibilities letter from DECC and Ofgem to the industry, regarding the implementation and regulation of smart metering, published in December 2014. In the open letter, it is stated that Ofgem would be responsible for:</p> <ul style="list-style-type: none"> – the DCC's transitional incentive regime and making decisions on the DCC's price control; – applications to adjust the DCC's baseline margin values; and – would develop a new DCC incentive regime to apply once the DCC has begun providing operational services. <p>Ofgem is best placed to set the incentive regime as it is responsible for ensuring that the DCC complies with its licence obligations and as an independent organisation can act in accordance with its duties and powers to take enforcement action where necessary.</p> |
| 2. Do you agree with our proposed framework for introducing the new incentives? Please provide details of your views. | <p>Yes we agree with principle for the inclusion of the new incentives framework within the DCC Smart Meter Communication Licence which is in keeping with other regulatory</p> |

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| | frameworks such as RIIO. |
| 3. Do you agree with our proposal to extend the date by which the Ofgem must develop and implement the OPR using its powers of direction? Please provide details of your views | Yes we agree with the proposal to extend the date by which Ofgem must develop and implement the OPR to the 31 August 2020. However, we would not expect DCC to propose modifications to the SEC as a means to improve their volatile performance results, which would result in an increase to SEC party charges, prior to the commencement of an enduring OPR. |
| 4. Do you have any comments on the proposed legal drafting in Annex B? | Yes. The proposed legal drafting in Annex B should reflect our response to Question 1 and place responsibility with Ofgem (referred to in the licence as the Authority) not BEIS (referred to in the licence as the Secretary of State) to set the incentive regime that places DCC's Baseline Margin associated with projects at risk. |

I hope these comments are helpful. Please do not hesitate to contact Catherine Duggan on 08433 114304 or catherine.duggan@enwl.co.uk if you want to follow up on any particular point.

Yours sincerely

Paul Bircham
Commercial Strategy & Support Director