



Department for
Business, Energy
& Industrial Strategy

28 August 2018

Julian Rudd
Ibex House
2nd Floor
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London
EC3N 1DY

Dear Julian,

DCC's application to the Secretary of State to reconsider the determination of implementation milestone 1B of the R2.0 Baseline Margin Project Performance Adjustment Scheme

I refer to your letter of 27 July 2018 to Duncan Stone through which DCC made a formal application to the Secretary of State to make a fresh determination of the date that milestone 1B of the R2.0 Baseline Margin Project Performance Adjustment (BMPPA) Scheme was met as determined by the SEC Panel on 13 July 2018. As has been discussed with representatives of DCC and the SEC Panel, I have been asked to consider and determine DCC's application on behalf of the Secretary of State.

SEC Panel's determination

I have read the minutes of the SEC Panel meeting on 13 July 2018 and the minutes of the Testing Advisory Group (TAG) on 27 June 2018.

The SEC Panel determined that milestone 1B of the R2.0 BMPPA Scheme was met on 19 June 2018. On the basis of a recommendation from TAG, the SEC Panel concluded that testing undertaken before 19 June 2018 took place in an environment that was not reflective of the target live configuration, and thus Supplier regression testing undertaken in this period may have been invalid.

As I understand it, DCC had not, by this point, provided TAG and the SEC Panel with sufficient assurance and evidence that the "feature toggling" approach is sound, that changes behind the toggle were of no consequence to Testing Participants, that the toggle itself had been fully tested, and of the precise means by which toggling was to be deployed in this instance. TAG and the SEC Panel were therefore unable to find that DCC's approach did not present a material shortfall in the provision of a suitable testing environment.

DCC's points of disagreement

In Annex A to your letter of 27 July 2018, which I have carefully considered, you set out under three headings DCC's points of disagreement with the SEC Panel's determination, to which I respond as follows:

- 1) The determination sets a policy precedent that prohibits DCC's ability to deliver in accordance with its Licence

This head of disagreement rests on the functionality of "feature toggles" applied to code in the user testing environment. The use of a toggle allows DCC to introduce and amend code in a user-facing environment that remains inaccessible whilst the toggle is "off", as Testing Participants are not affected by any changes DCC makes behind a toggle that is turned off. As such, DCC contends that the introduction to the test environment of additional code behind such a toggle on 19 June 2018 should not invalidate the testing environment that was made available on 21 May 2018.

DCC disagrees with the SEC Panel's determination because they are concerned that this may set a precedent that prevents DCC from operating feature toggles in the future – a principle which DCC had understood to be established, and important to timely and cost-effective delivery of future releases on behalf of industry.

In light of discussions I have had with the SEC Panel Chair and TAG Chair, it is clear to me that the principle of using feature toggles in the testing environment is not disputed: it is acceptable for DCC to use feature toggles, and to enable, disable or amend functionality behind a toggle as required, once sufficient technical assurance and evidence has been presented to the SEC Panel (via TAG) that this is a sound approach, and where sufficient notice is given of these changes. In future, DCC will need to inform TAG of the details of the implementation of the toggle specific to each instance of its use, to ensure transparency and a common technical understanding in each case.

I address below how I believe the approach to use of the toggle functionality should be addressed going forwards.

- 2) The advice from TAG fails to adequately reflect that active Testing Participants had been successfully executing tests from 21 May 2018

I understand that this may be the case for some Testing Participants, but that others decided to re-run tests executed between 21 May and 19 June 2018 to ensure that the changed code behind the toggle was indeed isolated from the rest of the code. Although DCC may contend that this is not necessary, for the purposes of this application I have concluded that sufficient assurance and evidence had arguably not been provided to Testing Participants to ensure that this was a universal or at least commonly-held view. In reaching this conclusion, I have also been mindful that TAG members are the technical and testing experts in this field. I therefore consider that there is a high threshold to be met in order to overturn their recommendations.

- 3) The process for making this determination fails adequately to address the conflict of interest faced by decision makers

The involvement of DCC Service Users in the determination of DCC's financial reward is intentional: as a licensed monopoly, DCC is not subject to its customers' expression of satisfaction through the market, and so this is instead expressed through the SEC Panel's determination and through Ofgem's approach to cost assessment under the DCC Price Control. I also note that members of the TAG and the SEC Panel are required to act independently, and without undue regard to the interests of other parties. Finally, I note that the principle of the SEC Panel being the determinant of the BMPPA was established in previous BPMMA Scheme consultations, to which DCC did not object.

Conclusion

Accordingly, I find that TAG's recommendation and the SEC Panel's conclusion based on this are sound, and for the reasons I have explained, the date that I determine for milestone 1B of the R2.0 BMPPA Scheme is the same as that which was determined by the SEC Panel, namely 19 June 2018.

However, I have also concluded that Testing Participants represented in TAG were not as well informed of the operation of functional toggles as they might have been, and had arguably not received sufficient evidence and assurance that the code behind a toggle was isolated for them to be confident in DCC's approach in the period from 21 May to 19 June 2018.

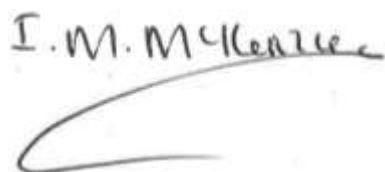
Next steps

In order to address this issue, I recommend that, with the support of the TAG Secretariat, DCC could present to TAG for consideration and discussion material on the functioning of the feature toggles that they intend to use in future with the aim of providing assurance and evidence that there should be no impact on a Testing Participant of changes to code behind a toggle. This should aim to establish this delivery principle for future releases, and to resolve any remaining concerns of Testing Participants with this approach to help inform future decision taken by TAG where the toggle functionality is deployed.

I ask that, with support of the TAG Secretariat, DCC aims to hold this session with TAG by the end of November 2018, and that DCC informs me and the SEC Panel of the outcome that they have reached with TAG thereafter.

I have copied this letter to Peter Davies (SEC Panel Chair) and to Rob Salter-Church and Jacqui Russell at Ofgem.

Yours sincerely,

A handwritten signature in black ink that reads "I. M. McKenzie". The signature is written in a cursive style and is positioned above a large, sweeping horizontal line that underlines the signature.

Ian McKenzie

Deputy Director Stewardship, Smart Metering Implementation Programme

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