

The background features a blurred image of a modern building facade with large windows. Overlaid on this are several white line-art icons: a gear with two smaller gears inside, and a gear with a stylized human figure inside. A horizontal dashed white line is also visible across the upper portion of the image.

# DCC Service Provider Performance Charges

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Consultation

**REC**  
RETAIL ENERGY CODE COMPANY

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## Background

The performance of REC Service Providers in their delivery of the REC Services (as defined and set out in the REC) is essential to the proper functioning of the market. The service levels for each REC Service are set out in the REC Service Definition<sup>1</sup> and the respective REC Service Providers are responsible, either through contract with RECCo or through the obligations set out in the REC, for meeting the defined Service Level Agreements (SLAs). REC Service Providers are also responsible for providing timely and quality impact assessments to change requests and delivering approved changes successfully in planned releases.

Where RECCo has procured a service on behalf of REC Parties or otherwise taken over the rights and obligations of an existing service as part of Retail Code Consolidation, RECCo is responsible for the effective management of those contracts and services, including REC Service Providers adherence to agreed service levels. Where those service levels are not met, RECCo will utilise such remedies as may be provided for under contract, including service credits.

Although some services are provided by REC Parties in accordance with the conditions of their licence, and therefore not contracted to RECCo through a commercial contract, they are nonetheless subject to service management by RECCo and must deliver the services in line with any SLAs set out in the REC Service Definition. In addition, REC Service providers are subject to the broader REC Performance Assurance Framework. The REC will therefore place service delivery obligations and SLAs on the Data Communications Company (DCC) in its capacity as CSS Provider, reflecting those which it has in place in contracts with its own Service Providers.<sup>2</sup> At the point of CSS go-live these service levels will be consistent with those set out within the Switching Programme design baseline and reflected in the REC Service Definitions given effect with REC version 3.0. As the CSS evolves and potentially moves away from that design baseline, any approved changes to the REC Service Definitions would be expected to be backed off in complementary contractual arrangements. This consultation is therefore not concerned with the actual SLAs of the relevant non-RECCo managed services, but only with the Performance Assurance Techniques that may be applied to ensure they are adhered to. In particular, it focuses on the potential application of performance charges for the DCC where they have not achieved the agreed SLAs.

## Scope

Building upon the principles established within REC version 1.1, a REC Change Proposal, [R0025 – Service Provider Performance Charges \(ERDS, GRDS, CSS\)](#), has been raised by the REC Code Manager to introduce a performance charge regime for those Service Providers provided by Parties. This includes:

- DCC Services:

<sup>1</sup> [REC V3 - Baselined Documents - REC Portal](#)

<sup>2</sup> Ofgem: [The Retail Energy Code – proposals for version 1.1, Chapter 3.](#)

- Central Switching Service (CSS);
- CSS Certificate Authority; and
- Switching Operator.
- DNO Services:
  - Electricity Retail Data Service (EDRS).
- GT Services:
  - Gas Retail Data Service (GRDS).

R0025 proposes that there are two areas where Performance Charges should apply:

- a) Performance against Service Level Agreements (SLAs); and
- b) Change Proposal performance:
  - a. Responses to impact assessments within agreed timescales; and
  - b. Successful delivery of changes on a planned release date.

In order to avoid a potential *double jeopardy* scenario where a Service Provider may be held liable twice for a single failure, it is proposed that any metrics that are already subject to regulatory price control will be excluded from the REC performance charges. However, it should also be noted that the application of REC performance charges would in no way indemnify a licensee from its obligation under licence or the REC and is without prejudice to any action that the Authority or the REC PAB may wish to take in respect of a serious and/or systemic failure to discharge those obligations. These proposals are intended to provide a relatively quick, proportionate and light touch remedy to situations before they reach a point at which regulatory intervention may be warranted.

## Charging arrangements

DCC's funding for the Switching Programme has been recovered through the Smart Energy Code, at levels determined by Ofgem as part of its price control. From 1 April 2023, funding for the operational costs of the CSS will be recovered through the REC. These charges will initially be levied upon RECCo, which will then pass them through to Suppliers in accordance with the normal RECCo cost recovery mechanism. Once the CSS is operational we would expect its steady state cost to be predictable.

RECCo has agreed processes for oversight of the charges. DCC's expected charges to RECCo for operating the CSS will be shared with the RECCo Board in advance of each financial year in accordance with Clause 9.27 of REC v3.0 and to the extent that they are agreed, subsequently feed into the RECCo budget. If the RECCo Board does not consider that DCC has taken sufficient account of its comments and no agreement is reached, it may refer the forecast charges to the Authority for determination in accordance with Clause 9.29 of REC v3.0.

The DCC charges will include its relevant costs, whether internal or external, as permitted under its licence. RECCo will not itself have visibility of those DCC costs, so will continue to rely upon the oversight of the Authority to ensure that its charges are cost-reflective, including any adjustment that may be allowed to correct for any over or under recovery.

The DCC's charges to RECCo will also include a margin to be determined by the Authority in accordance with the DCC licence. We understand that it is the Authority's intention that the full recovery of the margin will be subject to the DCC fully meeting its obligations, including any switching related incentives.

Such an approach would be consistent with the principle that DCC is subject to performance charges under the REC. A key difference between such incentives being operated under the REC rather than subject to review of the Authority would be in the timing of their application. For example, failure by the DCC to meet an SLA could be reviewed by the PAB and if appropriate a performance charge quickly applied. This would ensure that the problem can be quickly remedied or further escalated, and that any performance charges would be returned to affected Parties in the form of reduced RECCo charges within the same period, or at least one period, within proximity of the failure occurring. In contrast, we would expect that any review by the Authority would continue to be on annual and an ex-ante basis, taking into account DCC's performance for the reporting year as a whole. Any reduced margin only taking effect through an adjustment to allowed charges in the financial year following the determination, i.e. up to two years after the failure occurred.

## DCC Service Level Agreements (SLA) Performance Charges

Since the development of R0025, Ofgem has highlighted to RECCo that it believes that some of the key SLAs relating to the DCC could be monitored through a proposed Switching Incentive Regime (SIR) set out in the DCC's Smart Meter Communication Licence, rather than through the REC Performance Assurance Framework (PAF). This would work in a similar manner to the existing Operational Performance Regime (OPR) currently in effect. Only the SLAs set out in the REC Service Definitions for DCC Services are in scope of this proposal. All charges relating to the ERDS and GRDS, and Change Proposal performance charges for the DCC, will still be progressed through R0025 and assured through the REC PAF.

While this could introduce opportunities for additional scrutiny of key service levels, it should be noted that it may also introduce challenges and complexities for RECCo and the REC PAB in assuring performance of these REC Services. RECCo are concerned that creating a principle where a REC Service is accountable directly to a third party (in this case, the Authority), rather than to RECCo, could create challenges in holding the DCC to account for the end-to-end delivery of their services and could undermine RECCo's ability to undertake one of its core functions.

The current thinking under R0025, which is still under development by the REC Code Manager and REC PAB, is that the DCC would be subject to Performance Charges of between 1%-5% of their expected revenue where they fail 2 or more of their SLAs during each quarter (relevant service period):

<b>Performance Level</b>	<b>Description</b>	<b>% charge level (based on expected level of revenue during the relevant Service period)</b>
Target performance level	All service levels met (with a tolerance of one missed service level per reporting period)	None
Minor service level failure	2 service levels missed	1%
Serious service level failure	3 service levels missed	2%
Severe service level failure	4 service levels missed	3%
Service level failure threshold	5 or more service levels missed	5%

Table 1: Proposed DCC Performance Charge Levels under R0025

Under the proposed SIR, the Authority will apply a Performance Adjustment to the DCC's allowed revenue for any failed SLAs under the regime. This would result in a reduction of the costs the DCC would be allowed to recover in their role as the CSS Provider.

The methodology for calculating the DCC's allowed revenue is set out in Condition 36 of the Smart Meter Communication Licence. In order to introduce a change to this methodology, this would require a change to the DCC Licence to either include this in the existing CRS Performance Adjustment mechanism or introduce new provisions that are deducted from the relevant allowed revenue. If this option was taken forward, Ofgem would set out the details in a statutory consultation.

It is expected that the SIR in the DCC Licence would only be operational from the beginning of regulatory year 2023/24 (i.e. from 01 April 2023). If any SLAs / services are to be operated under the SIR on an enduring basis, one option could be that they are operated under the REC PAF on a temporary basis before being transferred across to the SIR at a later date, so as not to create a gap in the assurance framework.

RECCo expects that regardless of which regime the DCC's SLA's were assured under, the DCC would continue to provide performance reporting for all SLA's to the REC Code Manager and the PAB. The PAB would still review DCC performance against their SLAs, and could be responsible for providing a recommendation to the Authority on whether the DCC have or have not met their required service levels, should these be subject to the proposed SIR. The assessment of whether these have been achieved should be an objective assessment, and the PAB monitoring this would allow closer and more frequent monitoring of performance, regardless of where performance adjustments were managed. This would also allow the PAB to take into account external factors, outside of the DCC's control, that may have contributed to any service level failure.

As the methodology that Ofgem would use to calculate the performance adjustment for any SLAs included in the SIR is not available at this stage, there is no exact measure to compare the materiality of the two proposals. However, the high-level considerations between the two regimes are:

REC Performance Charges	Switching Incentive Regime
<ul style="list-style-type: none"> <li>• Performance monitored by the Code Manager and Performance Assurance Board</li> <li>• Charges linked to number of failed SLAs in each reporting period and set out in REC Performance Assurance Schedule</li> <li>• Performance Charges recovered by RECCo directly through service credits and offset against REC service charges paid by REC Parties</li> <li>• Changes managed through REC Change Management Schedule</li> <li>• Additional Performance Assurance Techniques could be applied for continued poor performance if escalation is required</li> </ul>	<ul style="list-style-type: none"> <li>• Performance monitored by the Code Manager and PAB; and reported to the Authority</li> <li>• Failed SLAs would result in a performance adjustment resulting in a reduction of allowed revenue for CSS services</li> <li>• Methodology for calculating relevant performance adjustments would be consulted on by the Authority</li> <li>• Changes managed through statutory consultation to amend the Smart Meter Communication Licence</li> <li>• Clarification required on how continued poor performance would be addressed through the SIR or the REC PAF</li> </ul>

This consultation is seeking views from industry on:

- a) Which DCC SLAs users consider are the most material and impactful should these be failed.
- b) Whether some DCC SLAs, if any, should be subject to charges under the SIR rather than the REC Performance Assurance Framework;
- c) Whether the SIR should consider individual SLAs across all three DCC Services, or individual DCC Services in their entirety, noting that a single service being subject to assurance under two regimes may be complex given the proposal to link the level of charge to the number of failed SLAs;
- d) RECCo's concerns that splitting the assurance of the DCC, as a REC Service, between two regimes could undermine RECCo's ability to hold its Service Provider to account for the end-to-end delivery of its services; and
- e) Whether the DCC switching incentive regime should be considered an interim arrangement, pending the outcome of the wider review of the DCC licence.<sup>3</sup>

<sup>3</sup> Ofgem: [Call for evidence – Review of the DCC licence arrangements](#)

## DCC Service Level Agreements

Below is an extract of the current DCC SLAs set out in the baselined Service Definitions. The DCC has other obligations under the REC in its role as a REC Party, such as the achievement of the Address Management Objective (set out in the Address Management Schedule), which are not defined as SLAs in the Service Definitions. While these will also be monitored by the PAB, and may be subject to Performance Assurance Techniques (PATs), these are out of scope of the proposals in this Consultation and in Change Proposal R0025. Under the REC PAF, SLAs are monitored in conjunction with monitoring of Retail Risks set out in the Retail Risk Register to ensure they are achieving the desired outcomes and the root cause of any adverse outcomes are appropriately addressed.

### Central Switching Service

Service	Paragraph	Service Level
CSS	6.1	<p>Following receipt of Market Messages from CSS Users, the CSS Provider shall carry out synchronous validation and provide a response within the following times:</p> <ul style="list-style-type: none"> <li>• Average daily volume - mean time of two seconds or less</li> <li>• Average daily volume - 90th percentile time of four seconds or less</li> <li>• Peak daily volume - mean time of three seconds or less</li> <li>• Peak daily volume - 90th percentile time of six seconds or less</li> </ul>
CSS	6.2	<p>The CSS Provider shall process a Registration Service Request (from the point of receipt by CSS to the point where CSS sends out the response of either "Validated" or "Rejected") as follows:</p> <ul style="list-style-type: none"> <li>• Average hourly volume - mean time of three seconds or less</li> <li>• Average hourly volume - 90th percentile time of six seconds or less</li> <li>• Peak hourly volume - mean time of five seconds or less</li> <li>• Peak hourly volume - 90th percentile time of eight seconds or less</li> </ul>
CSS	6.3	<p>The CSS Provider shall process the securing of Switches and send synchronisation messages of secured Switches at Gate Closure to each relevant Switching Data Service Provider (from the time of Gate Closure to the point at which CSS sends the last message) as follows:</p> <ul style="list-style-type: none"> <li>• Average daily volume - mean response time of 20 minutes or less</li> <li>• Average daily volume - 90th percentile response time of 25 minutes or less</li> <li>• Peak daily volume - mean response time of 35 minutes or less</li> <li>• Peak daily volume - 90th percentile response time of 40 minutes or less</li> </ul>



CSS	6.4	The Address Management Service shall apply updates to its GB Standardised Address List within three Working Days of receipt.
CSS	6.5	The relevant data for reporting in the software solution shall be available to generate adhoc reports within two Working Hours of a request for that data.
CSS	6.6	Where a BCDR event is invoked, the Recovery Time Objective for the Registration Service and Address Management Service will be: (a) four hours target time; and (b) eight hours maximum time.
CSS	6.7	The Recovery Point Objective for the Registration Service shall be: (a) target – 15 minutes (b) maximum – 30 minutes
CSS	6.8	The Recovery Point Objective for the Address Management Service shall be: (a) target – 60 minutes (b) maximum – 120 minutes

### CSS Certificate Authority

Service	Paragraph	Service Level
CSS CA	6.2	Where a security certificate is compromised, the CSS Certificate Authority will revoke the relevant certificate and update the Certificate Revocation List within one hour of the Certificate Revocation Request being received by the CSS Certificate Authority.
CSS CA	6.3	Where a BCDR event is invoked, the Recovery Time Objective for the CSS Certificate Authority will be: (a) four hours target time; and (b) eight hours maximum time.
CSS CA	6.4	Where a BCDR event is invoked, the Recovery Point Objective for the CSS Certificate Authority will be 15 minutes.

### Switching Operator

Service	Paragraph	Service Level
Switching Operator	5.1/5.2	Response time and resolution time of Switching Incidents. Priority 1: (a) response time – 30 minutes

		<p>(b) resolution time – four hours</p> <p>Priority 2:</p> <p>(a) response time – one hour</p> <p>(b) resolution time – 24 hours</p> <p>Priority 3:</p> <p>(a) response time – three Working Hours</p> <p>(b) resolution time – three Working Days</p> <p>Priority 4:</p> <p>(a) response time – one Working Day</p> <p>(b) resolution time – 10 Working Days</p>
Switching Operator	5.4	<p>Target Fulfilment Time for Switching Service Requests.</p> <p>Priority 1 – Target Fulfilment Time: one Working Day</p> <p>Priority 2 – Target Fulfilment Time: two Working Days</p> <p>Priority 3 – Target Fulfilment Time: three Working Days</p> <p>Priority 4 – Target Fulfilment Time: 10 Working Days</p>
Switching Operator	5.6	<p>Where a BCDR event is invoked, the Recovery Time Objective for the Switching Operator Service shall be:</p> <p>(a) four hours target time; and</p> <p>(b) eight hours maximum time.</p>
Switching Operator	5.7	<p>Where a BCDR event is invoked, the Recovery Point Objective for the Switching Operator Service shall be:</p> <p>(a) target – 15 minutes</p> <p>(b) maximum – 30 minutes</p>

## Responding to this Consultation

RECCo welcomes responses in the attached consultation response template, which should be returned to [info@retailenergycode.co.uk](mailto:info@retailenergycode.co.uk) by 5pm on Monday 16<sup>th</sup> May 2022.

All responses will be treated as non-confidential unless indicated otherwise. Responses marked as confidential will be shared with RECCo, the Code Manager and the Authority but will not be published to REC Parties, Service Providers or wider stakeholders.

Anonymous responses will omit the detail of the submitting Organisation, but the content of the response will be published.