

Sid Cox
RECCo
CEO

By email

20 May 2022

Dear Sid,

Re: Response to DCC Service Provider Performance Charges Consultation

Thank you for the opportunity to comment on RECCo's consultation relating to DCC Performance Charges.

Overall, we very much welcome assessment and scrutiny of our performance and the opportunity to work with RECCo and Ofgem on the design of our performance management scheme, building on the experience of doing so that we have developed in other areas of our activity.

However, we do not support the introduction of the performance incentivisation scheme (as described on pages 3 and 4 of your consultation). The proposed scheme is insufficiently developed and uses inaccurate terminology (we assume, for example, that RECCo does not mean to refer to "revenue"). We believe that the link between performance levels and the levels of (dis)incentives is also insufficiently analysed and described.

In terms of implementing such a scheme, it is our understanding that RECCo does not have the legal powers to implement a performance incentivisation scheme such as the one proposed. The document mentions that RECCo would want to introduce the scheme under Change Proposal R25, although the information on that Change Proposal has not been made available and we do not see how RECCo would be able to take the powers needed through this Change Proposal.

The consultation document further provides insufficient evidence on the scope and the timetable for implementation for a scheme that RECCo could realistically deliver. For example, the introduction of RECCo scheme within this financial year seems unachievable, as this would



require code change and quite a number of further steps under the Performance Assurance Schedule, all of which will take time to get right.

The information comparing a notional Ofgem scheme with a notional RECCo scheme therefore looks unreliable, as both the nature of the proposed RECCo scheme and the timeline for implementation need further working through.

In the meantime, Ofgem has well understood powers and a track record in implementing economic incentive schemes and operational performance regimes. We will be happy to work with both Ofgem and RECCo on a performance management framework that makes best use of the organisations' roles with regard to DCC under the licence and the code, avoiding double jeopardy and ensuring coherence.

Detailed Performance Measures

Like RECCo and Ofgem, we will be interested to understand the service areas that are most important to REC parties. We will welcome information from the responses you receive to the consultation.

Two of the principles that are important to us with regard to performance incentive schemes are:

- We need to be able to have the necessary contractual arrangements in place with our service providers in order to manage their performance on the measures that are applied to us.
- Performance against the measure needs to be entirely under the control of DCC. This means that performance needs to take place entirely within DCC systems and must not be dependent upon the systems of other organisations or the behaviours of customers in using the systems.

Engagement

We are also concerned that RECCo did not engage earlier with us on the proposals in this consultation, particularly as they directly impact on DCC. Performance management of DCC systems and operations is important to us and we have significant experience of working with Government, Ofgem, code bodies and our customers on performance management frameworks.

We would very much welcome further consultation and discussion on the details of the performance framework with RECCo and Ofgem.



Please do not hesitate to contact us to discuss this further.

Kind Regards,

A handwritten signature in blue ink, appearing to read 'Steve Hervouet', written over a set of horizontal lines.

Stève Hervouet

Chief Strategy and Regulation Officer

Cc:

Jason Clark, Chief Financial Officer, DCC

Penny Brown, Chief Operations Officer, DCC

Rachel Clark, Deputy Director, Retail Systems and Processes, Ofgem