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PROPOSED CRS PROVIDER PERFORMANCE CHARGES 2025/26

AUTHORED BY: SODIQ LAWAL - SERVICE ASSURANCE LEAD, REC CODE MANAGER.

REVIEWED BY: ANTON MODEN – PERFORMANCE ASSURANCE LEAD, REC CODE MANAGER

FOR DECISION 	The Code Manager requests the PAB to: • **APPROVE** the amount of the maximum Performance Charges which can be applied to the CRS Provider in respect of each Quarter of the given Financial Year (2025/26), as well as the full table of charges. The Code Manager will publish this information after the meeting.
APPENDICES 	**Appendix A** – Calculation of maximum Quarterly Performance Charges and table of charges.

1 CRS PROVIDER PERFORMANCE CHARGES FOR APRIL 2025 TO MARCH 2026

1.1 BACKGROUND TO THE CRS PERFORMANCE CHARGES

DCC are the REC Party that provide critical services, the Central Switching Service, the Central Switching Service Certificate Authority and the Switching Operator service (collectively referred to as the Centralised Registration Service or CRS). DCC operate this under licence, with many of their obligations flowing directly from their accession to the REC. DCC are paid by RECCo for this service, but do not have a contract with RECCo. Any performance management regimes therefore need to be part of the REC, unlike other providers such as the enquiry services whose performance is managed under their respective contracts.

The change R0025 established a performance charge regime, which was implemented from 1 April 2023. This placed requirements on DCC, the PAB, RECCo and the Code Manager to implement this performance charge regime. In March 2023 and 2024, the PAB approved the amount of the maximum Performance Charges which can be applied to the Centralised Registration Service (CRS) Provider in respect of each Quarter of the Financial Year 2023/24 and 2024/25 respectively.

This paper is set out to present the amount of the maximum Performance Charges which can be applied to the Centralised Registration Service (CRS) Provider in respect of each Quarter of the Financial Year 2025/26 for the approval of the PAB.

1.2 SETTING PERFORMANCE CHARGES

The Performance Assurance schedule sets out a formula for setting these charges. This is based on 'Performance Levels' which are defined as:

The Performance Charges for the CRS Provider are based on the CRS Provider's performance against the Performance Levels set out in the Central Switching Service Definition, the CSS Certificate Authority Service Definition, and the Switching Operator Service Definition.

The change R0210 established an evolution of the CRS Performance Charge, which was implemented on 28 February 2025 and will come into effect on 1 April 2025. The change seeks to optimise the performance charge function by incentivising performance in areas where underperformance carries a higher risk compared to other areas by applying a differential weighting. Existing performance charges are applied uniformly across all service areas regardless of their relative importance to the Centralised Registration Service.

We have calculated the charges for 2025/26 and set them out in the table below in line with R0210 changes:

Performance Measure Groups	Relative Weighting	Performance charge each quarter 2025/26
User Support	30%	£14,400
Service Availability	50%	£24,000
Responsiveness and BCDR	20%	£9,600
Maximum Performance Charge for each quarter		**£48,000**

The Performance Levels for each Performance Measure Group are set out in the table below:

	User Support			Service Availability			Responsiveness and BCDR			
	No of failure	Margin at stake	Value (£)	No of failure	Margin at stake	Value (£)	No of responsiveness failure	No of BCDR failure	Margin at stake	Value (£)
On target	0-3	0%	**£0**	0	0%	**£0**	0-2	0	0%	**£0**
Minor failure	4	4.5%	**£2,160**	n/a	n/a	**n/a**	3	n/a	3%	**£1,440**
Serious failure	n/a	9%	**£4,320**	1	15%	**£7,200**	4	n/a	6%	**£2,880**
Severe failure	5	18%	**£8,640**	2	30%	**£14,400**	5	n/a	12%	**£5,760**
Fundamental failure	6+	30%	**£14,400**	3+	50%	**£24,000**	6+	1	20%	**£9,600**

We have set out the way in which we have calculated these charges in Appendix A. Please note, the maximum Quarterly CRS Performance Charge for the Year 2024/25 was £70,500 based on the forecast Internal costs for FY 2024/25 provided by DCC as confirmed by RECCo. The Charge for this year is based on the forecast Internal costs for FY 2025/26, which is lower compared to the forecast internal cost of FY 2024/25. The reduction is due to DCC removing cost associated with Key Suppliers and Netcompany from their operating costs and including them as part of the cost of responding to changes.

These charges have been subject to review by the Code Manager, shared with RECCo, Ofgem and DCC for comment.

PAB Decision

Based on the information provided in this paper, we request that PAB **APPROVE** the amount of £48,000 as the maximum Performance Charges which can be applied to the CRS Provider in respect of each Quarter of the given Financial Year (2025/26), as well as the full table of charges. The Code Manager will publish this information after the meeting.

2 PAB ACTION

PAB Members are invited to:

- **APPROVE** the amount of the maximum Performance Charges which can be applied to the CRS Provider in respect of each Quarter of the given Financial Year.

3 APPENDIX A - CALCULATION OF MAXIMUM QUARTERLY PERFORMANCE CHARGES AND TABLE OF CHARGES

The Switching Incentive Regime guidance sets out the calculation of the Centralised Registration Service Margin, which is in turn used to calculate the CRS Provider's maximum revenue at risk in respect of Performance Charges, in line with the Performance Assurance Schedule paragraphs 5.3 (a – c). This states:

The REC PAB shall determine the Maximum Quarterly CRS Performance Charge using:

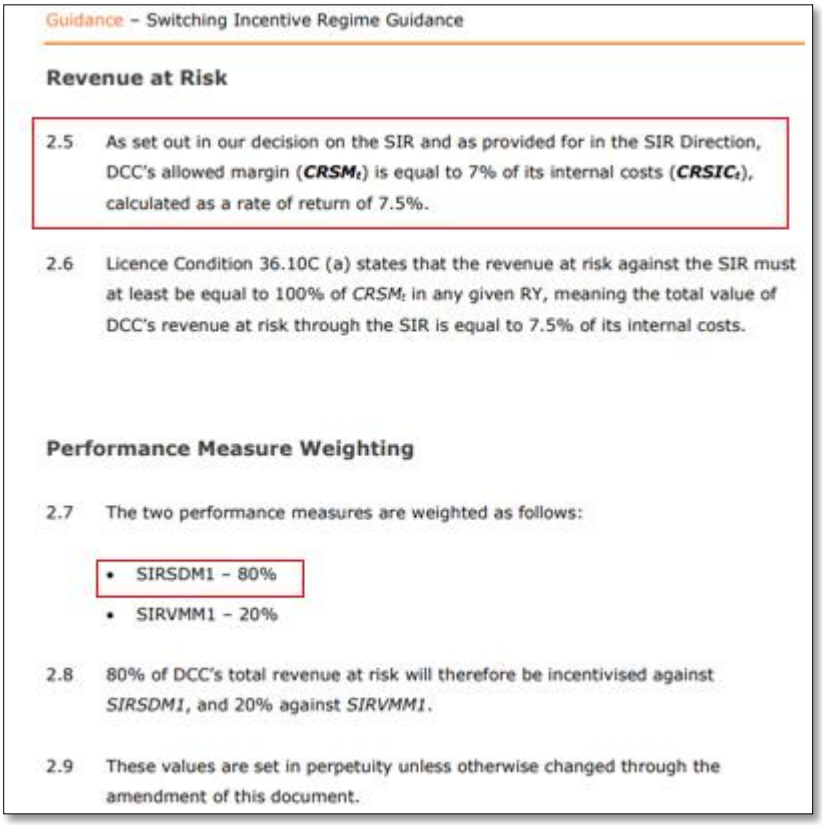
a. *the CRS Provider's forecast of its costs and margin provided under Clause 9 of the main body of this Code;*
b. *the percentage referred to in Paragraph 5.2 above; and 25% of the annual figure for each Quarter (or pro rata if the Financial Year is less than 12 months).*

Paragraph 5.2 of the REC Performance Assurance Schedule states:

The CRS Provider's maximum revenue at risk in respect of Performance Charges is determined under the DCC Licence pursuant to the Switching Incentive Regime Guidance (as defined in the DCC Licence), which sets out the percentage of the Centralised Registration Service Margin (as defined in the DCC Licence) which is at risk in respect of the Performance Levels under this Code.

Note, the above text was introduced to the REC as part of approved REC change CP-R0025, that was implemented on 1 April 2023.

This is based on the highlighted text in the Switching Incentive Regime[1] guidance shown below:



Guidance – Switching Incentive Regime Guidance

Revenue at Risk

2.5 As set out in our decision on the SIR and as provided for in the SIR Direction, DCC's allowed margin (***CRSM$_t$***) is equal to 7% of its internal costs (***CRSIC$_t$***), calculated as a rate of return of 7.5%.

2.6 Licence Condition 36.10C (a) states that the revenue at risk against the SIR must at least be equal to 100% of *CRSM$_t$* in any given RY, meaning the total value of DCC's revenue at risk through the SIR is equal to 7.5% of its internal costs.

Performance Measure Weighting

2.7 The two performance measures are weighted as follows:

- SIRSDM1 – 80%
- SIRVMM1 – 20%

2.8 80% of DCC's total revenue at risk will therefore be incentivised against *SIRSDM1*, and 20% against *SIRVMM1*.

2.9 These values are set in perpetuity unless otherwise changed through the amendment of this document.

Therefore, the Centralised Registration Service Margin will be calculated as 7.5% of total internal switching costs, as per Revenue at Risk[1] 80% of which is the maximum value of Performance Charges the CRS Provider may incur in any one year as determined under the Performance Assurance Schedule.

Centralised Registration Service Margin = Centralised Registration Service Costs * CRSMt (7.5%) * % weighting of SIRSDM1 in the SIR (80%)

a) As per the REC Performance Assurance Schedule:

with Paragraph 5.3 in the annex stating that "*Before the start of each given Financial Year, the REC PAB shall determine the amount of the maximum Performance Charges which can be applied to the CRS Provider in respect of each Quarter of the given Financial Year (which shall be known as the Maximum Quarterly CRS Performance Charge)".* ***The REC PAB shall determine the Maximum Quarterly CRS Performance Charge using:***

a) ***the CRS Provider's forecast of its costs and margin provided under Clause 9 of the main body of this Code***
b) *the percentage referred to in Paragraph 5.2 above; and*
c) *25% of the annual figure for each Quarter (or pro rata if the Financial Year is less than 12 months).*

RECCo have provided us DCC's forecast of costs and margin, as provided to them by DCC within the document 'DCC CRS 2526 Budget Submission_v2_27012025_Final' and confirmed as part of the RECCo budget process. This sets out that DCC forecast £3.2m of internal costs for the financial year 2025/26.

Using the allowed margin above of 7.5% from the Switching Incentive Regime Guidance[1] and multiplying that by the total Centralised Registration Service Internal Costs means that the total Centralised Registration Service **Margin for RY25/26 is £240,000 (being 7.5% of £3,200,000)**. Please note in our source material this is presented as a rounded value.

b) the percentage referred to in Paragraph 5.2 above

With Paragraph 5.2 stating:

> ***The CRS Provider's maximum revenue at risk in respect of Performance Charges is determined under the DCC Licence pursuant to the Switching OPR Guidance (as defined in the DCC Licence), which sets out the percentage of the Switching Baseline Margin (as defined in the DCC Licence) which is at risk in respect of the Performance Levels under this Code.***

As per 5.3 b) of the schedule, we must use the Switching Incentive Regime Guidance[1] which sets out 80% as percentage for the Centralised Registration Services Margin that is at risk in respect of Performance Charges under the Code. Therefore, we calculate the proportion of the **Centralised Registration Service Margin that can be applied to Performance Charges incurred by the CRS Provider for 2025/26 as £192,000** (being 80% of £240,000).

The remaining 20% is subject to separate incentivisation administered by Ofgem.

c) 25% of the annual figure for each Quarter (or pro rata if the Financial Year is less than 12 months)

As per 5.3 c) we will split the annual figure for **maximum value of the CRS Provider's Performance Charges for RY2025/26 into 25% for each quarter which gives £48,000** (25% of £192,000).

d) Ofgem's role following the end of the Regulatory year

As detailed in paragraph 2.13 onwards of the Switching Incentive Regime guidance, Ofgem's Price Control process includes a year-end reconciliation of the Performance Charge. This process refers to the exemptions process within the REC and provides an additional opportunity for DCC to provide exemption requests.

e) Performance charge table in line with R0210 – Evolution of the CRS Performance Charge changes

The Change Proposal was introduced off the back of the development of R0025 to help ensure that the performance charge is applied to reflect areas where missed target have critical impact on the Centralised Registration service. The solution introduced a differential weighting between different Performance Measure Groups as per the table below:

Performance Measure Groups	Total Number of Metrics in the Group	Relative Weighting
User Support	18 metrics	30%
Service Availability	7 metrics	50%
Responsiveness and BCDR	16 metrics	20%

The CRS Provider's Performance Charges shall be calculated in accordance with the following table:

	User Support			Service Availability			Responsiveness and BCDR			
	No of failure	Margin at stake	Value (£)	No of failure	Margin at stake	Value (£)	No of responsiveness failure	No of BCDR failure	Margin at stake	Value (£)
On target	0-3	0%	**£0**	0	0%	**£0**	0-2	0	0%	**£0**
Minor failure	4	4.5%	**£2,160**	n/a	n/a	**n/a**	3	n/a	3%	**£1,440**
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Fundamental failure	6+	30%	**£14,400**	3+	50%	**£24,000**	6+	1	20%	**£9,600**

References:

1. Switching Incentive Regime Guidance - Switching Incentive Regime Guidance (ofgem.gov.uk)
2. R0210 – Evolution of the CRS Performance Charge – Change Report