



Q46. Do you agree with the approach described for the treatment of DCC internal costs for any extension period?

91. Yes, the proposals would allow for DECC and stakeholders to take into account the costs for an extension period as part of the initial DCC procurement and protect stakeholders from potential costs in 10 years time.

Q47. Do you agree that DCC should be required to ensure that any critical services can be transferred to a successor?

92. Yes, continuity of services will be crucial to stakeholders and the transition of DCC should be managed in a smooth a way as possible.

Q48. What scope of matters governing the handover to a successor do you think need to be included in DCC's licence?

93. We believe the list of activities highlighted in the consultation cover those that we would expect to see in the DCC licence to ensure a successful handover to a subsequent DCC provider.

Q49. Do you agree that DCC's licence should be capable of being revoked in the event of a repeated or material failure to meet service levels?

94. Yes, although the value of financial transactions that the DCC will process is high, in itself the organisation will be fairly small. This will limit the financial sanctions that will be possible to be levied against it within the Service Level Agreement's within the SEC.
95. Persistent failure to provide a reasonable level of services will therefore in the future leave the industry with little choice but to revoke the licence of the DCC and appoint an alternative provider.

Q50. Do you agree that the DCC licence should contain a condition which gives it a high-level obligation in relation to foundation and subsequent rollout, activities and that the detailed obligations can be dealt with as part of the development of the SEC?

96. Yes, the initial phase of the DCC existence will be unlike its enduring role and is difficult to define at this stage of the programme with certainty. Therefore allowing the provisions of



these services to be included with the SEC should allow the programme the flexibility it will need.

Q51. Do you agree that DCC should have a high-level obligation, albeit initially "switched off", relating to the provision of meter point/supplier registration services?

97. Yes, ensuring the delivery of the Impact Assessment benefits from smart meters includes the evolution of industry (gas and electricity) meter point/supplier registration services. Without an explicit requirement in the DCC licence to provide these services there is a risk that they may not be delivered.
98. Simplification of industry processes is important to the full delivery of the benefits available from smart metering for customer experience. Enhancements to the switching processes are an important step towards transformation of industry processes and should be recorded as a high level obligation. It is hoped that changes to data processing and aggregation will be added as future stages.

Q52. Do you agree that conditions should be introduced in other licences providing the ability to release other licensees from the requirement to provide meter point/supplier registration services at some point in the future?

99. Yes, the transfer of the obligation to provide these services from electricity and gas network licence holders is crucial in ensuring that the process is achieved.

Q53. Do you agree that DCC and other relevant licensees should be subject to an obligation requiring the licensee to take steps to facilitate the transfer of meter point/supplier registration activities to DCC?

100. Yes, the transfer and evolution of registration services will be a challenging task requiring commitment and resources from organisations. Without regulatory requirements to undertake this activity there is a risk that organisations will be unwilling to assist and the consumer benefits may be lost.

Q54. What dispute mechanism would be appropriate to apply to disputes involving DCC and who should be enabled to determine such disputes ?

101. As the DCC will be a licensed activity it would seem appropriate that Ofgem mediate and determine upon any disputes involving the DCC and the services that it provides.



Q55. Do you believe that DCC should be required to operate its business in a way that ensures it does not restrict, prevent or distort competition in gas shipping, the generation of electricity and participation in the operation of an interconnector?

102. No, a requirement to operate in a way that does not restrict, prevent or distort competition in electricity and gas supply should be sufficient. Metering is the responsibility of the energy supplier and any obligations with regard to the DCC should focus upon this activity.
103. An obligation with regard to competition in supply should be sufficient to cover any metering activity that may be relevant to gas shipping or electricity generation.
104. It would not be sensible to include specific provisions with regard to metering operation and the provision of energy services. Neither of these activities is defined within the relevant legislation nor do they require a licence to operate.
105. A DCC licence condition regarding them would therefore require a definition of such activities which may be a difficult task and create unintended consequences. It would be better to rely upon a specific requirement with regard to competition in energy supply within the licence and the general provisions of the Competition Act to ensure that the DCC operates to facilitate competition with metering operators and energy service providers.

Q56. Do you have views on the additional conditions discussed above?

106. Comments below:

Licensee's payments to the Authority – It is not clear why Ofgem would recover costs from the DCC rather than via the established routes. If there is no immediate desire to amend the funding regime of Ofgem then it is not appropriate to include such a condition. If in the future this situation should change then this can be considered as part of a specific consultation exercise by Ofgem.

Provision of information – Agreed, this would be sensible.

Compliance with Core Industry Documents – Agreed, it is likely that this provision will be required and that the exact nature of the requirement should be subject to further analysis by the programme.

Theft damage and meter interference – Agreed, this should not form part of the initial DCC licence requirement.



Regulatory accounts - Agreed, this would be sensible.

Business Carbon Footprint Reporting - Possibly, this issue was not considered as part of the DCCG working group, there would appear to be potential value in the proposal but the detail of what would be required is far from clear at this stage. We would therefore suggest that this not be included at this stage as a specific licence requirement but be developed under the auspices of the governance of the SEC.

Reporting of Revenue Restriction Information and Revenue Restriction Cost Information - Agreed, this would be sensible.

Q57. Are there any additional conditions that you would wish to see included?

107. No, the list of conditions would seem comprehensive.



Revenue requirements

Q58. Is it appropriate to consider extending the Secretary of State's powers to provide equivalent powers to modify DCC's licence conditions as it does for other energy licences for the purposes of implementing smart metering?

108. Yes, it is likely that there will be aspects of the smart metering programme that will not be entirely concluded by 2014 and therefore extending the powers of the Secretary of State to amend the DCC licence until 2018 would be sensible. It would provide the DECC programme with the required flexibility to deliver any required changes after the DCC was initially appointed.
109. Allowing for the DCC to be able to recover any additional costs that this may occur is therefore reasonable.

Q59. Do you consider that it is practicable for DCC licence applicants to provide costs for undertaking meter point/supplier registration? Or is it more appropriate to include a specific reopener for DCC's costs of undertaking meter point/supplier registration?

110. The activity with regard to meter point/supplier registration is clear and has been operating in the market in Great Britain since the mid 1990's. The intention for the DCC to take on the function has also been made clear to potential DCC and DCC service providers via DECC statements and consultations.
111. It would therefore seem entirely appropriate and beneficial for stakeholders to consider what these future costs maybe as part of the initial tender exercise for the DCC and DCC data service providers.
112. There is a significant risk that without this early clarity potential DCC and DCC data service providers may structure their bids with low access control costs and subsequently, after being awarded the DCC contract, high registration service costs.
113. However, in order for DCC licence applicants to provide costs for undertaking registration activities they would need to understand requirements to provide a binding offer. Unless detailed requirements are available at the time of the bid it will be necessary to include the option of future price renegotiation.

Q60. Do you have views on the relative benefits of the two options (cost pass through and volume drivers) for recovery of DCC internal costs associated with SEC modifications?

114. It is very difficult to determine a level of costs to be associated with managing SEC modifications. Experience from existing industry codes shows just how varied each modification's administration effort is.

115. It would therefore be sensible for the DCC's internal costs for administering modifications to be treated as a pass through cost with an oversight via the SEC governance process. The 10 year DCC award duration should provide the motivation and incentive for the DCC to provide an efficient and effective service.

Q61. Do you have a view on the appropriate materiality threshold (trigger) for the revenue reopener?

116. We agree that a revenue reopener mechanism should exist for the DCC. It would seem sensible to set this threshold based upon a certain percentage of the DCC revenue. The basis of this percentage should form part of the discussion with potential service providers.

Q62. Do you consider that any other cost areas may require mechanisms to deal with uncertainty?

117. It may not be clear to potential DCC providers as to how the financial ring fencing requirements and revenue reopener mechanisms would impact upon its ability to provide Value Added Services outside of the energy industry. Clarity on what the future scope for opportunities the DCC may have would no doubt help with the initial procurement of a DCC.

Q63. Do you agree that market share should be based on MPANs and MPRNs that are mandated to receive smart metering systems, rather than all MPANs and MPRNs?

118. No, initially the costs for the DCC should be recovered from all those suppliers mandated to use smart metering (i.e. domestic suppliers) and all those non-domestic suppliers who elect to use its services.

119. Once the DCC undertakes registration activity then all internal costs for the DCC should be charged to all suppliers. What proportion of DCC costs is allocated and charged for DCC smart metering services and what is recovered for registration can be determined via the charging methodology.



120. ESCO's can be charged a proportion, as and when they use DCC services, based upon the same methodology applied to suppliers.

121. For all internal costs the DCC recovers it is sensible to charge for these services based upon a market share of MPAN/MPRNs.

Q64. Do you have a view on whether suppliers of only larger non-domestic customers should be charged a proportion of DCC internal costs?

122. Yes. This would seem sensible and can be considered as an element of the DCC charging methodology.

Q65. We welcome views from stakeholders in regards to charges on network operators for DCC internal costs pre-"go-live" and whether they should charge DCC for services provided to DCC.

123. If network operators are charged for pre "go-live" DCC services then it would seem likely that they would request additional network revenue to recover these costs. This would then flow through to suppliers via increased network costs and may include higher costs than if the suppliers are charged directly (e.g. inclusion of network business margin). Therefore it would seem sensible for suppliers only to pay for pre-"go-live" DCC services.

124. Network providers should not be able to charge the DCC for services that they provide to it (e.g. provision of registration information for access control functions). Network businesses already have within their price control allowances amounts for the provision of registration services to the industry and for the development and amendments of these services. This allowance therefore already takes into consideration the delivery of services to the DCC.

Q66. Do you agree that DCC should only begin to charge users for communication service providers' costs from "go-live"? Please provide reasons as to why this is or is not appropriate.

125. Yes, it is reasonable to expect a DCC communication service provider to plan for and finance any capital costs that they incur across the timescale of the contract that they provide.

Q67. Do you have a view on whether the data service provider(s) should be treated differently from communication service providers and be allowed to recover its fixed costs evenly over the length of its contract from "go-live"? Please provide reasons why this is or is not appropriate.

126. No, the data services provider will potentially incur a similar profile of costs to the communication provider. An initial upfront cost to develop a system followed by ongoing maintenance and development costs.

127. The service provider will understand this commitment and profile the cost recovery over the contract period based upon the number of smart meters and the inclusion of industry registration activity in 2016/17.

Q68. Is it appropriate that the allocation of costs on suppliers during rollout be based on the suppliers' rollout plan for the year plus actual smart meters installed in preceding years? If so, how can this option for allocating costs during rollout be improved? If not, what is your preferred option and why?

128. Yes, this provides a practical method of determining the costs that are appropriate for each supplier.

129. DCC negotiations during the procurement phase of WAN communications and data may impact the overall costs that industry pay for DCC services.

130. It is therefore important that rollout plans provided by suppliers are as accurate as possible, to aid such discussions and that a mechanism is developed to incentivise parties to accurately deliver to such plans.

Q69. Do you have a view on how any additional costs resulting from suppliers exceeding their rollout plans should be allocated? Should DCC be able to pass through to the relevant supplier any higher costs resulting from this (or should such costs be averaged across all users)?

131. Considering the relatively tight timescales for suppliers to roll out smart meters and practical implications that this has (e.g. numbers of meter operators employed, meter procured etc) we believe that Suppliers roll out plans should be relatively accurate. However, there remains some uncertainty over the level of customer demand at this time.

132. Should a supplier materially exceed their plans and the costs incurred by the DCC are significant then it would seem sensible to allocate these costs to them. The additional costs in providing the services would it is assumed be required at some point before 2019 anyway and therefore these higher costs should only be small.



133. The availability of DCC smart metering services is going to be crucial to all suppliers and therefore we assume that there will be clear visibility of when services are available and any restrictions that may be applied. This management of the roll out process should ensure that these sorts of issues are minimised.

Q70. Do you agree that network operators should be charged in line with their market share?

134. Yes, It is assumed that all network operators should use smart metering services and should have similar requirements therefore charging in line with market share would seem appropriate.



Charging Methodology

Q71. Do you agree that a standing charge should cover the service providers' fixed costs for providing core services, DCC's internal costs and the SEC management funding requirements?

135. Yes, this would seem a sensible approach.

Q72. Do you agree that a proportion of service providers' fixed operating expenditure should be converted to volumetric charges?

136. Yes, this would seem a sensible approach and the exact volumetric charging can be determined once the communication service provider is chosen.

Q73. Do you agree that the proposal for postage stamp charging is consistent with the objectives of the smart metering programme?

137. Yes, smart metering is being mandated for all domestic customers and therefore it would be inequitable not to charge in 'postage stamp' manner were costs are socialised across all customers.

Q74. Should postage stamp charging apply to all users including network operators?

138. Possibly, charging for network operators may need to vary depending upon what services smart grids require. Any amendments for network operators can be developed in conjunction with the relevant price controls where corresponding benefits for them from smart grid deployment will be considered.

Q75. Do you agree with the proposed charging principles?

139. Yes, the proposed principles and objectives for the DCC charging methodology seem correct.

Q76. Do you consider that an objective for the charging methodology should be to promote innovation in the supply of energy, provision of energy related services and energy distribution?

140. No, innovation in supply, energy related services and distribution will be driven by market developments and customer needs. What is critical to allowing this to happen are prices from the DCC for services that are predictable in their nature. This allows businesses to develop and innovate by giving them a clear view as to what services will cost.



Q77. Do stakeholders have views on whether DCC's internal costs should be allocated across the different types to users on the same basis as service provider fixed costs?

141. Yes, this would seem to be a fair and equitable way of charging for costs from the outset. If this proves not be the case then the charging methodology can be amended over time.

Q78. Do you agree with the proposals to charge users for extensive assessment and design work in relation to AMRs? Should a similar approach be adopted for other elective services offered by DCC, regardless of the user accepting the service?

142. Yes, AMR users should be charged for any assessment and design work that the DCC is required to undertake to allow them to use its services. This ensures smart meter customers are not unfairly penalised by unnecessary costs and targets them instead at the non-domestic customers who have opted not to have a standard approach to metering.

143. Whether a similar approach is applied to Elective Services is unclear. A high cost for the assessment of these services may stop their development. As described previously the status of Elective Services remains a little unclear. They would appear to be similar to Core Services in their transparency of service description and cost but elective in terms of whether they are provided to a user.

144. A high cost of any potential assessment for Elective Services may therefore see potential new services classified as Core Services. It would therefore seem sensible for the costs for Elective Services not to be charged to the proposing user as a matter of course but instead left to the discretion of the SEC governance process to decide. They could perhaps include a cap on assessment costs for proposed Elective Services that would be funded by all users; any assessment costs for a change exceeding the cap could then be charged to the proposing user.

Q79. Do you agree that "a second comer principle" can be applied?

145. Yes, the costs for the provision of Elective Services will be dependent upon the number of users who take the service. As more of the service is used it is assumed that the costs for providing this, including recovery of initial development, will change. The charging methodology should reflect this and how it would evolve be made clear when the Elective Service is introduced.



Core Services - WAN requirements

Q80. Please indicate whether the Minimum Core Service Requirements (i.e. message size, frequency, response time and coverage) for each of the message flows in the above tables can be modified to reduce the potential impact on the WAN cost without compromising the corresponding benefits. Please quantify the additional Programme benefit that could be realised by including each of this message flows in the aggregate Minimum Core Service Requirements.

146. The assumptions made to date seem reasonable. We do not yet know the transportation, application and security layer for these messages which would include headers and trailers. Therefore to accurately predict message size is difficult. This will not be fully understood until the procurement phase has established preferred technology provider(s). It is likely that a mix of technologies will be required across G.B. so message sizes may even vary dependent on the regional or property specific technology required to deliver efficient connectivity to and from the DCC.
147. Electricity Meter read (on demand) should also apply to gas. In addition the on demand read will not need to bring back the same amount of data as the scheduled read. An on demand read will only require meter register readings (those required to bill) not the full half hourly data. Therefore the message size can be reduced. We suggest this may be the same size as other "small" messages e.g. 160 bytes.
148. We recognise that there will likely be a trade off between costs, user requirements and timescales to deliver once potential service providers charges become better understood through the procurement exercise.
149. We recognise that some technologies today may struggle to meet the user target times for example on demand reads. These services will likely be required to answer customer queries over the phone. It is therefore important that a very short round trip time is required if service improvements for end customers are to be delivered.
150. The table at 6.1 does not contain any prepayment/pay as you go (PAYG) services which may have a significant market share over time. Whilst PAYG messages of themselves are not classed as high impact, their critical nature and volume could potentially impact WAN requirements over time.



Q81. Please quantify the additional benefit, if any, that could be realised by using the 'User Target' rather than the 'Minimum Core Service Requirement' in table 6.1. as basis for the procurement of DCC communication services.

151. Use of the user target for on demand meter reads and diagnostics (gas and electricity) may further reduce call handling times thus realising and or exceeding I.A. benefits.

Q82. Please provide views on whether the Service Requirements described in the above table represent the Minimum Core Service Requirements. Please also indicate whether in your view there are any additional Minimum Core Service Requirements not identified in the above table, and for any such requirement please quantify the additional benefits, if any, that could be realised.

152. Whilst the table has been presented for information only, we find some of the data contained confusing. For example Battery Status has a frequency per day listed as 365 and Electricity Quality Read has a daily frequency listed of 17,520. We therefore do not understand what is driving this volume and therefore comment effectively.

153. The table is missing the following requirements;

- i. Requirement for Half Hourly (HH) readings for settlement purposes. Whilst this may not be required from day 1, this is likely to be required over the life of the service provider contract. This maybe satisfied via a single packet of data per day containing 48 half hourly advances rather than a packet of data each half hour per fuel. However it may be possible that Energy Service Companies (ESCOs) may have a requirement for half hourly advance intra day.
- ii. Last Gasp outage detection; a requirement for parties to be informed when a supply outage occurs.
- iii. Radio Teleswitch replacement. Messages will be required to replicate the services currently provided by the BBC long wave transmission and due to terminate when the current agreement between the BBC and the Electricity Networks Association expires c.2016.

154. We assume the line "credit balance update" refers to a meter operating in PAYG mode and not credit metering. Even so we do not understand why this would need updating 12 times a day. A meter operating in PAYG mode should automatically update its display balance as credit is added and the balance decrements according to business rules configured in the meter.



155. Gas calorific value updates would be applied to all gas meters not 5% coverage as indicated in the table. However, there maybe little customer benefit in the provision of this information direct to the gas meter. The values of any such adjustment are minor and this activity is currently carried out retrospectively when adjustments are made to billing.



Performance Incentives

Q83. Please provide comments on the incentive regime proposed for DCC.

156. The incentive regime for the DCC, as described in figure 7.1 in the consultation, is conceptually sound.

157. The fact that DECC is choosing the initial DCC service providers does complicate the regime somewhat and will probably make it difficult for the incentive regime to completely function as expected in the first 10 year DCC award period.

Q84. Do you consider it appropriate and feasible for the SEC panel and DCC to negotiate KPI targets?

158. Yes, especially once the service has been established and operating for a number of years stakeholders involved with the SEC Panel should be capable of negotiating KPI targets with the DCC.

Q85. Do you have views on the use of an independent audit of DCC performance? Should this be on a regular and/or ad hoc basis?

159. This would seem a good idea to provide clarity to all stakeholders with regard to the DCC performance. It would seem sensible to establish the concept of an independent audit regime for the DCC within the SEC governance at the outset but only to enact it at the discretion of the SEC Panel or Ofgem.

Q86. Do you consider that a sharing mechanism should be in place for DCC internal costs? Should a sharing mechanism be included in the contracts with the service providers?

160. Yes, a similar concept has operated to good effect under the services provided to electricity Suppliers and Distributors via the MRA. Here outsourced services for the ECOES online portal service have been managed for MRASCo by Gemserv (the MRA service provider) on a sharing mechanism. This has incentivised appropriate behaviours in the service providers and delivered benefits for suppliers.

Q87. Do you consider that it is appropriate to invite DCC licence applicants to propose KPIs?

161. Yes, this would be an interesting approach to procuring the initial DCC and if found to be unsuccessful then a more traditional route of DECC and stakeholders determining KPIs. What



will be important is engagement with stakeholders during the process of setting KPIs to ensure that everyone's requirements are considered.

Q88. Are the criteria for adoption of contracts discussed in paragraphs 8.8 and 8.9 appropriate? Are there any additional criteria that should be included? Can quantitative thresholds for any or all of criterion be defined and, if so, how?

162. The adoption criteria set out in 8.8 and 8.9 are sensible. In setting an acceptable price for the contract it is important to be mindful that Foundation contracts will be for a limited duration and volume and will be subject to churn risk. It should be expected that there will be some variance from the much longer term, higher volume, guaranteed service that will be delivered by DCC. Some tolerance will therefore be necessary to deliver the objective of facilitating early roll out.

Q89. Do you agree with our approach to identifying the guaranteed adoption volume of Foundation Stage smart metering systems? Are the factors we have identified the appropriate ones? What are your views as to the appropriate values of the various parameters identified in Table 8.1?

163. In order to encourage investment to participate in Foundation activity it is necessary to provide as much certainty as possible over avoidance of future costs and over minimisation of inconvenience to customers. It is appropriate to provide certainty that there will be no cost or inconvenience of making second visits to replace communications hubs which are capable of delivering programme requirements. It is also appropriate to place a limit on the number of contracts that DCC should be obliged to adopt. Suppliers should be able to carry out extensive testing and trialling during the Foundation period and also not face restrictions once compliant smart meters are available and commercial interoperability rules have been introduced.

164. If 3 regions are established it is important that adoption limits reflect the suppliers market share within each region.

165. The table assessing costs and benefits should include the installation and stranded assets costs of any non smart meters installed, once compliant smart meters are available.

166. It is important not to underplay the benefits of learning during Foundation. For example learning includes development of customer journeys to improve access to properties and development of ways of working to deliver operational efficiencies.



167. The costs and benefits table rightly identifies the benefit of reducing peak installation which is relevant from a labour and training cost perspective. We also have significant concerns over the ability to achieve a roll out by 2019 if any significant volume activity were to be delayed until DCC "go live".

168. Our trialling to date has identified limitations to the volumes of staff who can be trained and the importance of then regularly using the new skills which in itself drives volume. We have also identified from our limited trials to date a range of technical, process, system and data issues many of which are unlikely to be peculiar to E.ON and take a number of months to resolve. This practical experience validates early activity.

Q90. Do you agree that DCC should be able to decide to adopt communication contracts associated with Foundation Stage smart metering systems in excess of the guaranteed adoption volume providing there is a net benefit to doing so? If so, does DCC need to be provided with additional obligations and incentives to encourage DCC to actively pursue such contracts and what factors should DCC take into account in making its assessments? Should we specifically provide for suppliers to compensate directly DCC for any costs incurred by DCC or its service providers in the adoption of additional contracts?

169. DCC should be able to make a commercial judgement on whether to adopt additional contracts above the adoption limit. This should be based on a cost benefit reflecting the cost of the visit, replacement of the communication hub and costs associated with adopting the contracts against the cost and benefits of operating the comms providers preferred solution. The cost benefit could include the outcome of any commercial arrangements between DCC and the supplier and should be sufficient to cover any shortfall.

170. Prior to DCC customers will receive a lesser service on change of supplier. It is therefore important that a cap is set on activity which enables suppliers to carry out sufficient trials and enables smart meters to be fitted as the norm once fully compliant meters are available. We believe the appropriate level should be 12.5% of meters based on DCC "go live" in April 2014. If this date were to slip the level should be increased to enable fully compliant meters to continue to be fitted during this period.

Q91. What in your view is the most appropriate option for allocating the guaranteed adoption volume across energy suppliers and on the mechanism, including timing and frequency, by which any allocation unused by one supplier should be redistributed to other suppliers?



171. There should be a limit set so that suppliers are able to carry out extensive testing and trialling during the Foundation period and also not face restrictions once compliant smart meters are available and commercial interoperability rules have been introduced.
172. We have assessed this level at 12.5% across our portfolio which should be apportioned based on market share within each region. We suggest all suppliers are limited to this level. This would provide a maximum of 6.25m meters during Foundation if all suppliers submitted a request for their full allocation but a lower figure would seem likely.
173. All suppliers should be given equal opportunity to participate in Foundation activity so adoption of contracts based on market share within each region is the fairest approach. Some suppliers may however choose to not to use their allocation and this could lead to lost opportunities. This could be reallocated and applied to other suppliers.

Q92. Do you have views as to when Foundation Stage communication contracts should be adopted?

174. A plan for the adoption of contracts should be agreed between DCC and the supplier. It is important to avoid placing too high a migration obligations on DCC immediately after "go live" as it would make sense to allow for a ramp up of activity. It is possible that some customers may choose to move supplier before migration has occurred and it is suggested that under such circumstances a change of supplier event should be a trigger for migration to enable customers to retain the full benefits of smart metering.



Competitive Licence Application Process

Q93. Do you agree that a four stage process as outlined in paragraph 9.10 is appropriate for appointment of DCC?

175. Yes, the suggested process seems sensible. The final award will be for a monopoly national infrastructure so it is important that progressively more evidence is obtained at each stage to ensure that the selected solution is technically robust and can deliver the full range of UK smart metering requirements.

Q94. Do you consider that applicants should commit to lodge a form of financial security at the invitation to apply stage that would take effect if the licence was granted to the applicant?

176. Yes, as long as this neither prolonged the appointment process or discouraged suitable candidates from bidding.

Q95. Do you agree with the proposals for dealing with changes to consortia including allowing changes up to but not beyond submission of responses to the ITA?

177. Yes, this would seem to provide sufficient flexibility to potential bidders.

Q96. Do you agree with the proposal for one overarching confidentiality agreement for each applicant group rather than individual confidentiality agreements for each member of an applicant group?

178. Yes, this would seem sensible.

Q97. Do you have any comments on the approach to clarifications and dialogue with prospective applicants?

179. Yes, this would seem sensible.

Q98. Do you agree with the proposed approach to the pre-qualification stage including the timescale, the information required and the assessment methodology and criteria?

180. Yes, the pre-qualification approach seems sensible.

Q99. Do you have any comment on the documentation to be provided by applicants for the DCC licence? Is there any other information that you think should be made available to applicants?

181. The list of required documentation from applicants is comprehensive.

182. It maybe challenging for potential service providers to respond within some of the timescales described. We understand the implications on the overall implementation timescales should these be extended and therefore believe that they are appropriate.

Q100. Do you agree with the proposed approach to the Invitation to Apply stage including the timescales, the assessment criteria and their weightings?

183. Yes, this seems sensible.

Q101. Do you agree with the proposals for appointing one or more preferred applicants as well as one or more reserve applicants to ensure that there are alternatives in the event that a preferred applicant withdraws or is disqualified?

184. Yes, from experience of tender exercises with the late withdrawal of bidders, the inclusion of an additional applicant in reserve has proved most useful.

Q102. Do you agree with the proposal for an optional best and final offer stage in the event that two or more applicants have similar positions?

185. This seems pragmatic and complements the approach in question 101.

Q103. Are there any other specific issues that you think should be considered before grant of the licence?

186. We have nothing further to add at this time.

Q104. Do you agree that in the event of DCC losing its licence the Authority should have the power to fast track the appointment of a temporary DCC? If so, is eighteen months an appropriate maximum time period for the temporary DCC to hold a licence before a new DCC can be appointed via a full competitive process? Which elements of the licence application process could be accelerated or eliminated to ensure rapid appointment of a temporary DCC?

187. The proposals seem complicated. Perhaps experiences can be taken from similar arrangements in other industries, for example rail.

188. Within rail Franchise Agreements there is an opportunity for the government to "step in" in instances where, for whatever reason, a Train Operating Company defaults on the terms of its franchise.



189. The right of step in allows Government to take whatever action is appropriate in the particular circumstance without prescribing what and when if an urgent replacement to the current provider is required (e.g. a company goes into administration or repeatedly performs badly).
190. Arrangements could be applied to the DCC with the Authority having ability to "step in" and take appropriate action. Given that the services provided by DCC will form part of the critical national infrastructure for Great Britain and will be crucial to the successful functions of the retail energy markets, such arrangements may be appropriate.
191. Given the criticality of the services the DCC will perform we are concerned that there is no reference to security management or security governance arrangements in this consultation.
192. It is not clear how security requirements will be managed across 5 entities (DCC, Data and 3 Wide Area Network Communications providers). Integrating security across these different organisations, technologies, company cultures and geographies is of itself challenging and will be compounded further, with the requirements for DCC to offer value added services and access control for 3rd Parties.
193. We are encouraged by the attention paid to date to DCC information security albeit this has been limited to essentially technical issues to date. We are concerned that whilst the "Advanced Persistent Threat" is recognised by the programme, requirements for the necessary capability to address such a threat are still to be completed.