



SCOTTISHPOWER
The Energy People

Smart Metering Implementation Programme - Regulation
Department of Energy & Climate Change
Orchard 3, Lower Ground Floor
1 Victoria Street
London, SW1H 0ET

28 August 2014

Dear Sir or Madam,

**Consultation on the DCC's Procurement Strategy and Statement of Service
Exemptions - URN 14D/272**

Thank you for the opportunity to respond to the above consultation.

The questions posed in the consultation seek stakeholders' views on the DCC's Procurement Strategy for Relevant Service Capability and its Statement of Service Exemptions. While we broadly accept the DCC's proposals in both cases, it is not without some qualification; our detailed views are set out in the annex to this letter.

Should you wish to discuss any aspect of this response please do not hesitate to contact me

Yours faithfully

Appendix

Q1. Do you have any comments on the DCC's Procurement Strategy for Relevant Service Capability? In particular:

- a) Do you agree that the Strategy meets the requirements of the DCC licence? and**
- b) Do you agree that the Strategy is suitable for approval by the Secretary of State?**

If you do not agree, please explain your rationale.

Answer:

- a) We agree that the strategy meets the Condition 16 requirements of the DCC Licence.
- b) We generally agree that the aspects of the strategy regarding FSC are suitable for approval. However, with regard to DCC's proposals for, non-contested, self-provision of non-FSC elements, we are less persuaded. While we can certainly see merit in the DCC's arguments, we nonetheless feel that contestable works ought to be subject to some form of competitive tension, or they risk an erosion of quality over time. Of course, we recognise these services will fall within the ambit of the retrospective price control arrangements, but the efficacy of these has yet to be tested.

Q2. Do you have any comments on the DCC's Statement of Service Exemptions? In particular:

- a) Do you agree that the Statement meets the requirements of the DCC licence?**
- b) Do you agree that it is reasonable that more detail is provided as the DCC and its CSPs learn from operational experience? and**
- c) Do you agree that the Statement is suitable for approval by the Secretary of State?**

If you do not agree, please explain your rationale.

Answer:

- a) We agree that the statement appears to satisfy the relevant DCC licence condition, and also welcome DCC's commitment to increasing coverage as the rollout programme progresses.
- b) We also agree the DCC cannot be expected to provide any great detail without operational experience to draw upon. However, we would be very surprised if the CSPs were not required, as a qualification in the tender process, to demonstrate a significant degree of operational experience. We therefore expect the DCC to be able to leverage the experience of its service providers to offer the most granular assessment it can.
- c) Notwithstanding the above, we accept the Statement as suitable for approval, on the understanding that its annual update cycle results in increasingly granular data being made available.