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Smart Metering Implementation Programme - Regulation  
Department of Energy & Climate Change  
Orchard 3, Lower Ground Floor  
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1<sup>st</sup> September 2014

Dear Sir / Madam,

**British Gas response to DECC's consultation on "Consultation on the DCC's Procurement Strategy and Statement of Service Exemptions" (URN 14D/272)**

Thank you for the opportunity to respond to DECC's above consultation.

We are in broad agreement with the proposed DCC documents but have comments on specific areas that we feel may need to be addressed prior to approval by the Secretary of State. We have addressed our concerns in the responses to the questions and would be happy to discuss with you further should you wish to.

**Question 1. Do you have any comments on the DCC's Procurement Strategy for Relevant Service Capability? In particular:**

- Do you agree that the Strategy meets the requirements of the DCC licence? And
- Do you agree that the Strategy is suitable for approval by the Secretary of State?

If you do not agree, please explain your rationale.

- 1.1. We broadly agree that the Procurement Strategy document meets the requirements of the DCC licence. However, we have some concerns over the transparency of decisions that the DCC may take in determining whether a procurement exercise is

- required, whether a service should be provided from its own resources or whether it should be provided by an affiliate organisation (such as Capita plc).
- 1.2. The DCC must ensure that any decision not to procure a service externally is “*the most economical and efficient option; or would be immaterial in terms of its value or use of resources within the overall context of the Mandatory Business*”. It is not clear to us what is the process that will ensure this or how the DCC intend to demonstrate this to stakeholders, in particular to Ofgem during the post period review. It would be useful for the DCC to clarify what value is considered immaterial and to demonstrate that materiality is not considered against the Service Providers costs or the price control allowance as a whole.
- 1.3. The procurement activities to date have mostly been out of the DCC’s control as the procurement activity for the main DSP and CSP service provision was carried out by DECC. The DCC has procured additional service capability since the licence award and those procurement activities do appear to have been conducted within the bounds of the licence. We also have no concerns with the current list of activities (2.2) that have been sourced from the Capita Shared Service Infrastructure.
- 1.4. Regardless of whether a service has been procured by DECC prior to licence award, procured externally by the DCC, or is a service being provided by Capita plc, we would expect the ‘economic and efficiency’ basis of these contracts to form part of the annual Ofgem cost assessment. It is important that Ofgem offers the assurance to DCC Users that the service provision for which they are already paying has been done on the most economical and efficient basis. We would not expect the DCC to have to divulge detailed, and possibly commercially sensitive, information from their procurement activities to DCC Users and therefore this additional protection is vital.
- 1.5. We therefore propose that, prior to Secretary of State approval, the DCC Procurement Strategy is amended to include:
- 1) an explanation on the process used by the DCC to determine whether a service should be procured externally or internally that also demonstrates full transparency on such decisions;
  - 2) the guarantee that evidence of such decisions is retained and made available to Ofgem for their scrutiny on an annual basis and also shared with stakeholders;

- 3) a commitment to provide Ofgem with sufficient information in relation to the arrangements and cost of any in-house service or affiliate provided service; and
- 4) a commitment to carry out periodic benchmarking of any in-house service or affiliate-provided service against external service provision to ensure ongoing economical and efficient provision of services.

**Question 2. Do you have any comments on the DCC's Statement of Service Exemptions?**  
**In particular:**

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

If you do not agree, please explain your rationale?

2.1. We agree that the document sets out the relevant information in terms of category exemptions and of coverage percentages, during the Mass Rollout phase. However, we do have the following concerns:

- 1) we have been provided with conflicting information on coverage commitments; and
- 2) the DCC are relying on material, such as postcode data, to be provided by other means to discharge parts of this licence obligation (rather than being contained within this document and to the same timescales).

2.2. Although we have not been party to the full details of the CSP and DCC contractual terms, we have previously been provided with coverage information at DCC design forums<sup>1</sup>. Back in March 2014, the DCC informed Users that the CSPs have to define the Coverage Areas which must include:

- 80% of all premises at the start of Mass Rollout;
- The same proportion of premises as the Committed Connectivity Level by the end of Mass Rollout; and
- The final Committed Connectivity Level minus 1.5% by the end of 2016.

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<sup>1</sup> Coverage information was provided in a presentation titled "CSP Solution Summary Session" at a DCC Design Forum meeting on 12<sup>th</sup> March 2014.

- 2.3. When comparing the three bullet points above with the three tables provided in the draft DCC document there appears to be a discrepancy. Looking at the coverage commitments for the North region, Arqiva have a final Committed Connectivity Level of 99.5%. This means that by the end of 2016 we expect the coverage to be at 98%; being 1.5% lower than the final 99.5%. However, table 1 within the draft DCC document states that even by 1<sup>st</sup> March 2017 the coverage will only be at 95.75%.
- 2.4. We would also expect the DCC to include in this document, details around the service-exempt properties that will fall outside of the final 99.25% and 99.5% committed coverage. We assume that certain areas of Great Britain were identified as part of the CSP procurement exercise and should therefore be made available to suppliers. This will enable suppliers to manage their rollout plans more effectively and, more importantly, able to manage customer expectation within those exempt areas.
- 2.5. Whilst we are supportive of the DCC providing more detail as they learn from the operational experience that the rollout will provide, it is important to ensure that the DCC can be measured accurately against both exemption categories on an ongoing basis. The document does not explain how the DCC will do this nor does it explain how they will report against the two separate exemption categories. Suppliers will want to know that the 1% allowance for exemption category 1 is accurate and that, based upon this, and the expectation of reliable exemption category 2 data, that operational rollout issues and customer inconvenience will be minimised.
- 2.6. We therefore propose that, prior to Secretary of State approval, the following amendments are introduced:
- 1) DECC ensure that the coverage percentages being used for the North region are aligned to the contractual requirements agreed with the CSP and that this document is updated if required;
  - 2) The document is amended to include detail pertaining to the 0.5% and 0.75% of properties that will be outside of the committed coverage; and
  - 3) The document is amended to include provision for monitoring and reporting the overall coverage and performance against each exemption category and a suitable mechanism is proposed for communicating this to relevant stakeholders.

BG Response to DCC Procurement Strategy and Statement of Service Exemption Consultation

Please do not hesitate to contact me or [redacted] if you  
require any further detail on our response.

Yours sincerely