

Smart Metering Implementation Programme

Consultation on the Regulatory Information and Guidance – Response

23 April 2014

1 Introduction

The DCC is delighted to respond to Ofgem's consultation on the Regulatory Information and Guidance. Our response is below. If you have any questions regarding these responses please address them to:

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Director of Regulation & Communication

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2 DCC Response

RIG cost capture

Q1	Do the RIGs and templates capture the significant cost and expenditure items?
A1	<p>DCC agrees that the RIGs capture the significant cost and expenditure items.</p> <p>However, it should be considered that for the analysis of External Service Provider New Scope work carried out, it may be more appropriate if it was reviewed at a Project/Change Request level. This would provide more clarity and detail of the changes to the original business plan.</p> <p>To allow for greater transparency, DCC propose to deliver analysis of financial variances and supporting explanations in the form of a written document additional to the RIG excel template.</p>

Definition review

Q2	Do you have any comments on the definitions used in the RIGs?
A2	<p>DCC agrees in principle with the definitions used in the RIGs. However following an internal review we would suggest that the following two definitions are changed to better reflect their purpose. Proposed text is included below:</p> <p>Corporate management: this shall include costs associated with the function and providing direct support to the Managing Director, Senior Management team and DCC Board of the Licensee in discharging DCC Licence obligations. Also included is the cost of internal support functions provided by Capita plc Shared Services.</p> <p>Commercial: this shall include the cost of leading the contract and commercial management of External Service Providers, leading the procurement strategy and providing legal and regulatory advice.</p>

Flexibility of templates

Q3	Given the evolving role of the DCC, do you think the templates are flexible enough?
A3	DCC agrees in principle that the templates are flexible enough, considering the evolving role of the DCC. However, we believe that with the fast

evolving environment that we are operating in that Ofgem should revisit the design after Year One to ensure we have the correct approach and enable any changes to be made.

Q4 Do you think the breakdown of the information described in the RIGs is sufficient to enable a determination of whether costs have been economically and efficiently incurred, while maintaining an appropriate level of regulatory burden on DCC?

A4 DCC considers that the format allows a progressive explanation of events and projects that have taken place over the Regulatory Year, supported by financial information and variance analysis. This approach will provide a detailed reasoning for decisions taken by DCC and will indicate whether costs have been economically and efficiently incurred on a material basis.

The DCC Operating Model runs on a functional department and External Service Provider basis with deviations from the initial Licence Application Business Plan analysed under New Scope. Aligning this with DCC internal finance systems and the Regulatory Information and Guidance minimises the regulatory burden and associated costs for DCC.