



By email only

Colin Down
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13th February 2015

Dear Colin

Consultation on proposed updated form of Smart DCC Ltd's Charging Statement for Service Charges ('Charging Statement').

Thank you for the opportunity to comment on the proposed updated form of Smart DCC Ltd's Charging Statement for Service Charges. We have no objection to our response being placed in the public domain.

Turning to the questions asked:

Does the charging statement provide sufficient clarity on the charges that service users will face?

Whilst the Charging Statement provides some level of detail, more in depth information is required to provide transparency and clarification regarding the charges being proposed. Such additional information is needed in order for us to determine whether we fully agree with the costs the DCC has put forward and whether these costs are justified.

Suppliers need transparency and predictability of charges in order to account for them in a timely manner. Whilst the chosen methodology provides the predictability required (ie set monthly payments), additional detail is required and therefore, does not provide sufficient clarification.

For example, we would like the DCC to provide an itemised cost breakdown of its charges. Currently, the DCC itemises the reasons/elements that comprise the charges, but does not allocate or specify the cost associated with each reason/element.

Whilst the Charging Statement provides a breadth of information it still lacks the depth required by the end customer to be able to fully understand the reasons behind the increase in charges that it is being asked to pay. For example, the budgetary assumption relating to the introduction of dual-band Communications Hubs is included as part of a proposed increase in internal cost of £15.8m (table 8) due to new scope items that also include a large range of other items, such as:

- Changes to Integrated Solution Delivery Plan (ISDP) due to GBCS delivery;
- Costs of operating the SMKI Service and Parse and Correlate software;
- Increased resource requirements to cover planning, coordination and assuring testing and emerging complexities of the DCC programme etc.

Whilst this information is anecdotally useful, we would like to see further detail to help to understand where most activity is expected to take place or costs incurred in the Regulatory Year.

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The Prudent Estimate developed for RY 2014/15 proved to be a £6m over-estimate. This was to cover the relatively stable period of the DCC set-up. As the industry progresses to the more complicated stages of Programme developments, we would like to see assurances that the Prudent Estimate will be made against transparent, sensible assumptions and closely monitored.

Is the charging statement in a coherent and easy to navigate format?

We consider that there has been a great improvement in the content, layout and level of information provided for RY 2015/2016 when compared to the RY 2014/15 equivalent. However, as explained above, we believe that further detail is necessary in order to provide the clarity and transparency that is required by DCC Users.

A minor point to note regarding the layout of the Charging Statement is that some defined terms do not appear to have been included in the Glossary (for example, External Service Providers and Fundamental Service Providers).

Is the charging statement accurate in all material respects?

We cannot confirm the accuracy (or otherwise) of the information provided, as we do not have sufficient additional supporting information to be able to validate or corroborate the estimated costs or assumptions as outlined within the draft Charging Statement.

If you would like to discuss any aspect of our response, please contact me or Amie Charalambous (email: amie.charalambous@npower.com or phone 07917 271763).

I have copied this letter to Tricia Quinn, as requested.

Yours sincerely

Sasha Pearce

Sasha Pearce
Current Regulatory Developments Manager