

Key changes to DCC Switching Business Case

1 Purpose

The purpose of this document is to identify the key changes between the following versions of the DCC Switching Business Case:

- Version 2.0, which was published for consultation in November 2016
- Version 3.0, which was baselined in March 2017 following approval by the DCC Switching Programme Board.

2 Key changes to document

This section summarises the key changes to the DCC Switching Business Case document. Changes to the associated costs are summarised in the Financial Variance section below.

Item changed	Driver	Section(s) affected
Increased clarity on scope and requirements	Joint planning with Ofgem	<p>Section 6 – Requirements:</p> <ul style="list-style-type: none"> ▪ clarified requirements in relation to DCC’s role in design, delivery strategy, security and service management design activities ▪ clarified DCC and Ofgem roles in owning, leading or contributing to each product <p>Section 7 – Scope scenarios:</p> <ul style="list-style-type: none"> ▪ updated to reflect CRS scope uncertainty and scope of DCC activities as the two key drivers of uncertainty ▪ areas of scope uncertainty reduced from 17 to 3 <p>Section 8 – Solution: delivery and resourcing approach:</p> <ul style="list-style-type: none"> ▪ incorporated revised Work Breakdown Structure ▪ reflected DCC’s updated role, e.g. in relation to design, delivery strategy, security and service management design activities <p>Section 10 – RAIDO:</p> <ul style="list-style-type: none"> ▪ closed 16 risks ▪ opened 16 new risks ▪ closed 11 opportunities <p>Appendix A – Requirements Traceability Matrix</p> <p>Appendix B – Product Breakdown Structure</p>

Item changed	Driver	Section(s) affected
Reduced plan timescales by around 5 months, greater overlapping of activities and clarification that the plan is non-contingent	Joint planning with Ofgem	Section 8 – Solution: delivery and resourcing approach Appendix C – DCC Switching Programme Plan NB increased overlapping of activities has not resulted in a significant spike in the level of resource required
Baseline planning assumptions aligned to reform package 2	DCC response to Blueprint RFI	Section 6 – Requirements Section 7 – Scope scenarios: baseline, high and low scope scenarios aligned to a potential CRS solution to support reform package 2 Section 8 – Solution: delivery and resourcing approach
Inclusion of additional scope scenario aligned to reform package 3	DCC response to Blueprint RFI	Section 7 – Scope scenarios: added new scope scenario aligned to a potential CRS solution to support reform package 3
Updated mapping of roles to workstreams	Joint planning with Ofgem	Section 8 – Solution: delivery and resourcing approach: <ul style="list-style-type: none"> ▪ moved security roles from Design to new Security workstream ▪ moved Business Architect and price control roles from Commercial workstream to Programme workstream ▪ moved finance, recruitment and industry liaison roles from Support Service workstream to Programme workstream ▪ moved commercial and legal roles from Support Services workstream to Procurement workstream
Incorporation of individual rates of roles already recruited to create a more accurate forecast	DCC	Section 8 – Solution: delivery and resourcing approach Section 9 – Costs
Incorporation of actual costs to date (April 2016 to February 2017)	DCC	Section 9 – Costs
Reduced margin from 15% to 12%	Ofgem direction published	Section 9 – Costs Removed Margin appendix

Item changed	Driver	Section(s) affected
Clarified time-based incentives	Ofgem direction published	Removed Incentives appendix
Explanation of overhead justification for the Switching Programme	Ofgem 15/16 DCC price control determination	Section – 9.4 Corporate overhead
Removed the term 'management reserve' and consolidated all risks and uncertainty in a single Contingency fund	Industry consultation	Section 11 – Materiality threshold Section 9 – Costs
Revised Contingency fund calculation to reflect post-mitigation probability	DCC	Section 11 – Materiality threshold Section 10 – RAIDO
Monitoring and reporting arrangements finalised	Joint planning with Ofgem	Section 12 – Monitoring and reporting
Aligned objectives to the SOC (previously aligned with the TOM)	Ofgem SOC published	Section 5 – Objectives

3 Financial variance

This section summarises the key changes to the costs within the DCC Switching Business Case.

Figure 1 summarises the cost movement within each cost category. An explanation of the key drivers of each change is included below. The four FTE columns refer to months of FTE effort.

DCC Switching Programme costs and variance	Staff Costs	Consultancy Costs	Other Non-Staff Costs	Total Base Costs	Contingency	Overhead	Margin	Total Charge to Industry	Permanent FTE months	Contractor FTE months	Consultancy FTE months	Absorbed Capacity FTE months
DCC Switching Cost Model v2.0 (v60)	£ 10,421k	£ 4,928k	£ 1,891k	£ 17,240k	£ 6,146k	£ 2,222k	£ 4,519k	£ 30,127k	909.00	94.00	176.97	15.43
	▼£ 3,921k	▲£ 1,827k	▼£ 217k	▼£ 2,310k	▼£ 1,685k	▼£ 399k	▼£ 1,653k	▼£ 6,047k	▼ 274.00	▲ 4.00	▲ 100.04	▼ 15.43
DCC Switching Cost Model v2.0 (v.92)	£ 6,500k	£ 6,755k	£ 1,674k	£ 14,930k	£ 4,461k	£ 1,823k	£ 2,866k	£ 24,079k	635.00	98.00	277.02	-

Figure 1 – Summary of cost movements

Staff costs reduction

- Run costs of the programme team reduced by five months as a result of reduced plan timescales
- As a result of shorter activities within the plan, fewer activities are sufficiently long to justify the recruitment of permanent resource (see FTE profile reduction)
- Actuals to date (April 2016 – February 2017) are lower than previously forecast in version 2.0 due to:
 - Roles sourced at lower rates than the benchmarked rates included in the cost model
 - DCC resourcing some roles from existing capacity, where their contribution is not forecast to be material enough to allocate their costs to the Switching Programme
 - Some activities did not commence as early as anticipated
 - Some risks did not materialise
- Inclusion of specific rates for roles already recruited to generate forecast costs – some rates are lower than the benchmark rates anticipated.

Consultancy costs increase

- Increased use of temporary resource to undertake shorter and parallel activity dictated by the new plan (see FTE profile increase)

Non-staff cost reduction

- Delay to the start date of cost incurrence of certain items

Contingency reduction

- Risk allocation removed for historic period (April 2016 – February 2017)

- Unallocated contingency percentage reduced in forecast due to clarity around DCC scope
- Unallocated contingency percentage reduced as calculated revised to reflect post-mitigation probability
- Removed the term 'management reserve' and consolidated all risks and uncertainty in a single Contingency fund
- Some risk retired following joint planning with Ofgem

Overhead reduction

- Reduced in line with overall cost reduction as it is forecast as a fixed percentage of base costs

Margin reduction

- Reduced in line with overall cost reduction as a fixed percentage of base costs
- Reduced margin from 15% previously forecast to 12%, in line with Ofgem's Direction.