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Rachel Clark
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

By email to: switchingprogramme@ofgem.gov.uk

16 November 2018

Dear Rachel,

**DCC RESPONSE TO OFGEM CONSULTATION ON THE SWITCHING PROGRAMME:
REGULATION AND GOVERNANCE – WAY FORWARD AND STATUTORY
CONSULTATION ON LICENCE MODIFICATIONS**

DCC welcomes the opportunity to respond to Ofgem's consultation seeking views on the proposed governance for the new switching arrangements.

DCC LICENCE CHANGES

We welcome the modification to the Smart Meter Communication Licence (DCC licence), and support the amendments that enable and require DCC to manage the Central Switching Service (CSS) contracts, as the programme transitions through Design, Build and Test (DBT) and into early years of live operations. Given DCC's work in the design and the contracting of the CSS, we believe we are well placed to successfully deliver and manage the CSS.

For the price control framework, DCC is in agreement with the proposals. We additionally welcome Ofgem's proposed direction for the margin and incentive regime for DCC during the DBT phase of the programme. Subject to agreement of this approach, we look forward to working with Ofgem to develop the detailed mechanism.

RETAIL ENERGY CODE (REC)

REC Content

We welcome the proposed content for the Retail Energy Code (REC). In relation to the transitional REC (REC v1.0), we support the principle that transitional code requirements should be in place to strengthen governance for the DBT phase of the programme.

DCC is currently procuring new services that will constitute the core of a faster, more reliable switching framework. Our consideration of latest REC drafting both reflects our views on how regulation can best support Ofgem's objectives and also specifically what will flow down from DCC to the contracts we will put in place.

We have provided detailed feedback on the drafting (see Annex). Our concern, which is significant for the programme, is that a number of the provisions cannot be flowed down to CSS contracts for valid commercial reasons. We would welcome further discussion on this concern as we believe the REC Main Body drafting should be reconsidered before it is designated.

Furthermore, as we move to contract the CSS in early 2019, we will require clarity on the REC requirements. It is much preferable for these to be fully defined ahead of contract rather than modifications being applied at a later date, post designation. This is to ensure that the REC and CSS contracts are aligned, which will benefit both the REC and the procured services.

In relation to the enduring REC (REC v2.0), we are broadly supportive of the proposed content. Some comments on the drafting of the REC schedules are also set out in the annex to this letter.

REC Governance

We welcome the proposals on governance arrangements for the REC, and recognise that Ofgem's proposals will be developed further as the programme transitions through DBT to live service.

In our response to Ofgem's June 2018 consultation, we noted that as the enduring REC governance will have significant influence over the operation of the CSS, it is important that DCC is a member of the appropriate governance body and able to input into the decisions that impact the operation of the CSS. Furthermore, as DCC will be a party to the REC, and required to comply with the rules of the REC, it must be confident that its interests are accurately understood and reflected in decision made by REC governance bodies.

We consider it would be appropriate for DCC to be a member of the RECCo, and able to contribute to its oversight of the contract with the REC Manager, with whom DCC will need to work effectively and closely. We also consider there are key benefits (and mitigations to key risks) to our involvement in the governance of the REC during this transitional period, during which time DCC will need to respond to decisions made by REC governance whilst simultaneously working directly with Ofgem during the DBT phase of the programme.

In the annex to this letter, we provide a more detailed response to the consultation proposals.

If you have any questions on our response, please do not hesitate to contact Bushra Ali (Bushra.Ali@smartdcc.co.uk) in the first instance, or me.

Yours Sincerely,

A handwritten signature in black ink, appearing to be 'Julian Rudd', written in a cursive style.

Julian Rudd
Interim Director of Regulatory Affairs