

Commercial Workstream Update

EDAG
18 July 2016

ofgem

Key features of the approach

- “Ex-post plus” price control for DCC’s activities in the transitional period
- Involves ex-post review of DCC costs (applying the ‘economic and efficient’ test)
- Also incorporates elements of an ex-ante approach:
 - DCC Switching Business Case for its design and procurement activities
 - Within-year monitoring and reporting against a Baseline DCC Switching Business Case

Key steps in the process

- DCC to develop Business Case with input from stakeholders (Commercial UG, EDAG)
- DCC’s Business Case to be scrutinised by Ofgem and updated by DCC
- Ofgem to consult end- 2016
 - DCC’s Business Case
 - Ofgem’s margin and incentives proposals
- Ofgem to publish summary of stakeholder views and direct DCC’s margin and incentives (early 2017)
- DCC to publish its Baseline Business Case (pre- April 2017)

Content

Objective, Purpose and
Scope
Programme requirements
Solution content
Costs
Managing change
Return

Approach

- DCC developing discussion papers and drafted sections to test with stakeholders
- Weekly Design Team meetings
- Monthly Commercial UG meetings

Coming up...

- 18th August EDAG meeting
- Review of DCC Business Case draft sections
 - High-level estimates in the 'Costs' section
 - Key focus on testing DCC's Programme requirements, approach to delivery, managing uncertainty and change, and return proposals

- DCC required by its licence to make all relevant preparations and to procure the CRS
- DCC has general Procurement Principles in its licence. These are further developed in its published Procurement Strategy
- We want DCC to consider how best to meet its obligations and the Programme requirements while giving the SRO and other stakeholders sufficient confidence in the success of the outcome
- Commercial Workstream is developing a Procurement Framework
 - Describes how the end-to-end procurement process will be conducted
 - Tailored to meet Switching Programme requirements

- Procurement Framework has two distinct sections
- The first section describes the regulatory and programme requirements:
 - DCC's licence obligations
 - Additional considerations that Ofgem thinks DCC should take into account when meeting its licence obligations
 - Governance requirements
- The second section describes how DCC intends to conduct the procurement
- DCC will be asked to agree the Procurement Framework
- SRO will then be asked approve it

Coming up...

- 15th September EDAG meeting
 - Full review of Procurement Framework

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