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Date: 25 November 2016

Dear Mark

Direction to revise DCC Procurement Strategy under licence condition 16 Part E 16.25

This letter outlines our decision on the proposed revisions to Smart DCC's Ltd (DCC) procurement strategy.

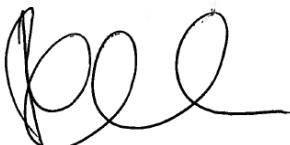
The Smart Meter Communication Licence (the "Licence")¹ requires DCC to review the procurement strategy and propose to the Authority any revisions that DCC deems appropriate or necessary for better complying with the requirements as outlined under licence condition 16. The Authority may then direct the licensee to revise its procurement strategy with effect from a time and to an extent as outlined in the direction.

We² considered your initial proposed revisions to the DCC Procurement strategy which you provided to us on 26 January 2016. We agreed with the majority of the proposed revisions but provided the following feedback:

- We would not approve the suggested revisions on the chapter on internal support functions and shared services. The original text should remain.
- The procurement strategy should reference the latest version of the internal DCC procurement policy and procedure document which provides the day-to-day detail on procurement procedures.

You provided a further revised version of the strategy on 13 October 2016 which we consider acceptable. The direction attached to this letter requires DCC to make the proposed revisions as of the version presented to the Authority.

Yours sincerely



Rob Salter-Church
Partner, Consumers and Competition

¹ Licence Condition 16, Appendix 1, paragraph A5, of the Smart Meter Communication Licence

² The terms "We", "Ofgem" and "the Authority" are used interchangeably

Direction to revise the Licensee's procurement strategy
Notice of reasons for the Direction under section 49A Electricity Act 1989 and section 38A Gas Act 1986

To: Smart DCC Limited

1. This Direction is issued by the Gas and Electricity Markets Authority³ ("the Authority") under the Licence⁴ granted to Smart DCC Limited⁵ ("the Licensee").⁶

Purpose of this Direction

2. The Licensee must within twelve months after the Licence Commencement Date have in place a statement of its Procurement Strategy for Relevant Service Capability as set out in condition 16 of the Licence. This statement was approved by the Secretary of State on 22 September 2014.
3. Licence condition 16 Part E outlines the procedure for reviewing the procurement strategy. The Licensee must propose to the Authority such revisions (if any) of the strategy as the Licensee thinks are appropriate or necessary for the purpose of better complying with the requirements as stated in Licence Condition 16 Part D.
4. The Licensee proposed to the Authority to revise the procurement strategy to a version sent to the Authority on 13 October 2016. On the 27 October 2016 the Authority then consulted with the licensee on the proposed revisions to the procurement strategy which included:
 - a) Further clarity on which internal support functions are directly paid for and which are a benefit received shared service charge/ overhead
 - b) Confirmation that where Capita bids to provide services to DCC, DCC considers the Special Position in the Licence and ensures that there is no preferential treatment for Capita.
 - c) The Status of Procurement requirements reported in 14/15 strategy
 - d) New procurement requirements for RSC External provider contracts
 - e) Updated procurement forward plan
5. This Direction also serves as Notice of our reasons for directing these changes, pursuant to section 49A Electricity Act 1989 and section 38A as Act 1986. We consider that the changes made in accordance with this direction will update the procurement strategy and better achieve the requirements of licence.

Direction to revise the Procurement Strategy for Relevant Service Capability

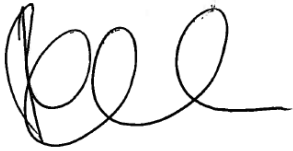
6. The Authority hereby directs, pursuant to Licence Condition 16.25, the Licensee to revise its Procurement Strategy for Relevant Service capability to reflect the amendments outlined in paragraph 4 such that the document is identical to the version the Authority consulted the Licensee on 27 October 2016 with immediate effect.

³ The Office of the Gas and Electricity Markets (Ofgem) supports the Authority in its day to day work. In this document 'we', 'us', 'Ofgem' and 'Authority' are used interchangeably.

⁴ The Smart Meter Communications Licences granted pursuant to Section 7AB(2) and (4) of the Electricity Act 1989 and Sections 6(1A) and (1C) of the Gas Act 1986 (such licences together referred to as 'the Licence').

⁵ Smart DCC Ltd is registered in England and Wales under Company Number 08641679.

⁶ All terms used in this Direction shall have the meaning given to them under the Licence, unless expressly stated otherwise.

A handwritten signature in black ink, appearing to read 'Rob Salter-Church', with a long horizontal tail extending to the right.

Rob Salter-Church
Partner, Consumers and Competition

Duly authorised on behalf of the Gas and Electricity Markets Authority