

Corporate Management – RY22/23 Variances Overview

Cost Centre Variance in RY22/23 by GL

The table below provides a breakdown of incurred and forecasted costs in Price Control format i.e. mapping costs directly against the price control General Ledger codes (GLs).

Total Corporate Management			RY22/23	RY23/24	RY24/25
Baseline		£m	11.638	10.553	2.802
Payroll costs	PR	£m	6.226	5.236	1.073
Non-payroll costs	NP	£m	0.206	0.202	0.091
Recruitment	RC	£m	0.011	-	0.075
Accommodation	AC	£m	4.312	4.237	1.525
External services	ES	£m	0.242	0.242	0.014
Internal services	IS	£m	0.642	0.637	0.026
Incurred		£m	18.142	16.274	15.734
Payroll costs	PR	£m	8.197	9.161	9.669
Non-payroll costs	NP	£m	0.214	0.236	0.251
Recruitment	RC	£m	0.548	0.107	-
Accommodation	AC	£m	5.250	5.887	4.930
External services	ES	£m	3.789	0.677	0.677
Internal services	IS	£m	0.130	0.207	0.207
IT Services	IT	£m	0.014	-	-
Variance		£m	6.504	5.721	12.932
Payroll costs	PR	£m	1.971	3.925	8.597
Non-payroll costs	NP	£m	0.008	0.034	0.161
Recruitment	RC	£m	0.538	0.107	-0.075
Accommodation	AC	£m	0.938	1.650	3.405
External services	ES	£m	3.547	0.435	0.663
Internal services	IS	£m	-0.512	-0.429	-
IT Services	IT	£m	0.014	-	-

Cost Centre Variance by Staff Type and Team

The table below shows the payroll variance by sub-team within the Corporate Management cost centre.

Corporate Management Payroll Costs		RY22/23	RY23/24	RY24/25
Baseline	£m	6.226	5.236	1.073
Communications	£m	1.101	1.054	0.000
Corporate & Business Planning	£m	0.553	0.531	0.126
Customer Experience	£m	0.281	0.281	0.000
Economic Regulation	£m	0.606	0.606	0.000
Executive and Board	£m	0.578	0.582	0.588
Regulatory Affairs Office	£m	0.341	0.182	0.000
Regulatory Design and Delivery	£m	0.837	0.817	0.358
Regulatory Governance	£m	0.387	0.387	0.000
Regulatory Strategy and Performance Management	£m	0.767	0.767	0.000
Strategic Customer Engagement	£m	0.775	0.031	0.000
Incurred	£m	8.197	9.161	9.669
Communications	£m	1.170	1.250	1.250
Corporate & Business Planning	£m	0.539	0.704	0.704
Customer Experience	£m	0.598	1.268	1.916
Economic Regulation	£m	0.485	0.718	0.718
Executive and Board	£m	0.935	0.717	0.717
Regulatory Affairs Office	£m	0.431	0.283	0.251
Regulatory Design and Delivery	£m	1.277	1.376	1.376
Regulatory Governance	£m	0.331	0.425	0.425
Regulatory Strategy and Performance Management	£m	0.780	1.127	1.082
Strategic Customer Engagement	£m	1.380	1.293	1.229
Transformation	£m	0.270	0.000	0.000
Variance	£m	1.971	3.925	8.597
Communications	£m	0.069	0.197	1.250
Corporate & Business Planning	£m	-0.014	0.173	0.578
Customer Experience	£m	0.317	0.987	1.916
Economic Regulation	£m	-0.120	0.112	-
Executive and Board	£m	0.357	0.135	0.129
Regulatory Affairs Office	£m	0.091	0.101	-
Regulatory Design and Delivery	£m	0.440	0.560	1.018
Regulatory Governance	£m	-0.056	0.037	-
Regulatory Strategy and Performance Management	£m	0.013	0.361	-
Strategic Customer Engagement	£m	0.605	1.262	-
Transformation	£m	0.270	0.000	0.000

Summary

- The Corporate Management cost centre has existed since the Licence Application Business Plan (LABP) and includes some of DCC's key enabling functions (Corporate Affairs, Customer Engagement, Strategy and Regulation).
- As the nature of DCC's programmes continues to change, and in response to clear requirement from the Government (and with clear support from customers), the main change this year has been establishing a Centre of Excellence (CoE) for processing regulatory Business Cases under the Chief Customer Officer.
- The creation of a CoE was also one of the key recommendations of the 'Lighthouse Programme' report carried out collaboratively by DCC, Ofgem, DESNZ and SEC Panel throughout 2022 to perform a diagnostic of the programme delivery function of DCC and how it operates across our industry.
- We have made a step change in our use of Green Book for business cases, with training for over 40 staff from Executive to more junior and the establishment of a business case's Centre of Excellence (CoE) with an expert partner. The CoE is now being used both to develop key business cases (such as the DSP) and to implement a methodology with a clear RACI matrix, to ensure all parties have a better understanding of their role and responsibilities.
- The CoE (together with the submission to DESNZ of DCC's quarterly 'commercial pipeline') has been hugely beneficial to DCC, with the quality and engagement on our business cases being recognised as improving significantly, as we build our skills and prepare ourselves for the future pipeline of activity.
- In terms of costs and activities, the corporate management area was relatively stable in the reporting year, encompassing the Strategy, Regulation, Corporate Affairs and Strategic Customer Engagement functions (as mentioned above, the Customer Experience team was the area of most marked change, as DCC responded to Ofgem and industry stakeholder requests to make improvements in this area).

1.1 Purpose, Scope, and Structure

The Corporate Management cost centre in RY22/23 included primary regulatory and strategy functions and broader corporate capabilities, such as communications, and aspects of customer engagement. The capabilities can broadly be classified into three different areas:

- **Strategy and Regulation** – including economic regulation (including price control), preparation of regulatory documents (including response to industry consultations), engagement in regulatory forums, consideration of the future regulatory regime, support to the Board and CEO in developing our corporate strategy, regulatory stakeholder engagement and code development. The team is now described as Strategy and Regulation.
- **Corporate Affairs** – including the management of internal and external communications, website and social media management and broader stakeholder engagement.
- **Customer Experience** – following a restructuring of the Corporate Management cost centre in 2022, Strategic Customer Engagement and most of the Regulatory Stakeholder Engagement were transferred from Strategy and Regulation to Customer Engagement, a newly combined team reporting into a newly created Executive position, the Chief Customer Officer. This superseded the former Executive position of Chief Risk and Improvement Officer. All activities formerly under the Chief Risk and Improvement

Officers were transferred to the Finance cost centre. The full function overseen by the Chief Customer Officer was renamed to Customer Experience.

There is a separate 'sub-cost centre' for each of these functions and each area has a separate business plan that also sets out its responsibilities.

Corporate Management also includes several corporate costs including:

- Accommodation costs including rent, rates, office supplies and equipment
- Test Labs
- Price Control delivery for the organisation
- Cross DCC transformation activities

Key events and objectives driving activity and cost

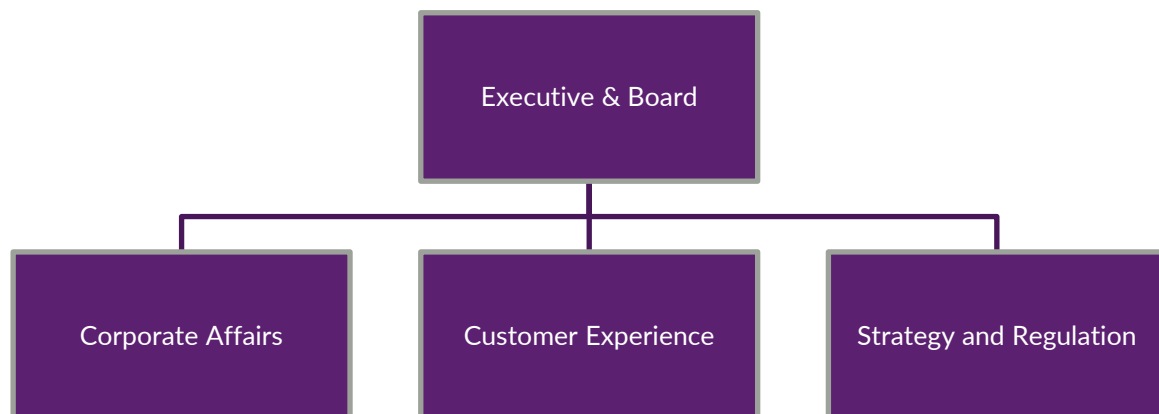
The main deliverables, and therefore the drivers of costs over the course of RY22/23 include:

- Delivering new capability within DCC to create quality business cases which align to HMT Green Book approach and meet DESNZ expectation of quality.
- Continuing to implement the restructured Customer Experience function.
- Creation of a Transformation team to optimise DCC's resource demands.
- Consolidation of the Strategy and Regulation function with a reduction from four directors to three.
- Support to deliver the annual Price Control submission.

1.1.1 Cost Centre Structure

Current and forecast structure of Corporate Management

The structure of the Corporate Management cost centre has remained broadly similar over this reporting period as shown in the figure below.



As we highlighted in the RY21/22 submission, in March 2022 the Business Improvement and Internal Audit team was moved to the Finance cost centre and renamed Risk and Assurance. The prior ExCo member for the Business Improvement and Internal Audit team changed role to take on customer engagement activities as the Chief Customer Officer.

Because of these restructures, the approved Ofgem baselines have been moved into the relevant cost centres.

1.2 Cost Centre Variances

Variance by GLs in the RIGs

The table below provides a breakdown of incurred and forecast costs in price control format below i.e. mapping costs directly against the price control General Ledger codes (GLs). Non-pay related costs are explained in a subsequent section. Payroll and Recruitment are justified within the next section.

Table 1: Variance from the RIGs by GL

Total Corporate Management			RY22/23	RY23/24	RY24/25
Baseline		£m	11.638	10.553	2.802
Incurred		£m	18.142	16.274	15.734
Variance		£m	6.504	5.721	12.932
Payroll costs	PR	£m	1.971	3.925	8.597
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Recruitment	RC	£m	0.538	0.107	-0.075
Accommodation	AC	£m	0.938	1.650	3.405
External services	ES	£m	3.547	0.435	0.663
Internal services	IS	£m	-0.512	-0.429	0.181
IT Services	IT	£m	0.014	-	-

Payroll costs variance

Total payroll variance in RY22/23 was £1.97m. The table below provides an overview of the payroll variances by sub-team in the Corporate Management cost centre. As is the case with most of DCC's sub-team's there is very little baseline in the final year of the forecast because the costs revert to LABP.

Table 2: Variance from the RIGs by sub-team

Corporate Management Payroll Costs		RY22/23	RY23/24	RY24/25
Variance	£m	1.971	3.925	8.597
Communications	£m	0.069	0.197	1.250
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Transformation	£m	0.270	0.000	0.000

1.3 Drivers for Variance

1.3.1 Communications (Corporate Affairs)

The Communications team is responsible for the following:

- Managing DCC's visual content and development of high-quality digital content explaining the role and function of the DCC.
- Improving knowledge of DCC as smart metering expert across the industry; driven by additional digital content to improve social media channels and significantly improved data accessibility on website.

- Delivering and maintaining automated dashboards on website showing progress in the smart meter roll-out.
- Maintaining DCC's social media channels.
- Managing DCC's media monitoring service and leading improvements to the service.
- Media and public speaking training for key DCC spokespeople.
- Arranging key external facing engagements such as site visits for Ministers and local government officials.
- Crisis scenario planning, workshops and media training, including with external partner organisations.
- Stakeholder engagement and external thought leadership activities e.g. maintaining strategic direction and delivering engagement programme for senior staff.
- Digitisation of DCC through improvements to the employee intranet, management of a related employee app, and investment in on-site comms.

Activities driving change in resource in RY22/23

DCC's Communications team has remained largely static in terms of costs and personnel. There have been some minor changes to the team this year including the backfill of maternity leave and the replacement of two permanent members of staff. Total incurred costs in RY22/23 were around £0.07m higher than the baseline, in part because the baseline was reduced due to us applying reductions to it for staff leavers. The core team's activities and structure were largely the same as the prior year.

Activities driving change in resource in RY23/24 and RY24/25

In RY23/24 we are forecasting a small increase to the cost of the team, rising from £1.17m to £1.25m. The bulk of this increase arises from one member of staff's salary being forecast for the full year rather than part year.

1.3.2 Corporate and Business Planning

The team's responsibilities in RY22/23 were the same as RY21/22, and were comprised of:

- Support for Exco and the Board from the Executive Business Manager and Deputy Chief of Staff
- Administrative support for Exco from the Senior PA and PAs across DCC
- Business Planning support through two Business Planning Managers

Activities driving change in resource in RY22/23

There were no material variances in RY22/23, with the team coming in under baseline by £0.014m.

Activities driving change in resource in RY23/24 and RY24/25

In RY23/24, DCC is forecasting the inclusion of two roles within this sub-team: Head of Sustainability and Sustainability Analyst. Ignoring these roles there would be no variance in this sub-team. The planned recruitment of these roles is the result of an increase in DCC's environmental reporting requirements.

In RY24/25, DCC is forecasting a continuation of the same roles and associated salaries as RY23/24. As this team did not incur any costs in the LABP, there is no baseline meaning that all costs are incurred.

In RY23/24 and RY24/25 the business planning responsibilities of this team will be part of the Finance cost centre in an Enterprise Planning team. Consequently, the two Business Planning Manager roles have been closed.

1.3.3 Customer Experience

The Customer Experience function headed by the Chief Customer Officer leads on:

- Engaging DCC's customers on DCC's strategy and programme portfolio
- Ensuring DCC delivers quality engagement through SEC and DESNZ governance forums

- Managing DCC's pipeline of Licence Condition 16-compliant Business Cases (LC16)
- Developing partnerships to onboard new DCC users
- Strategic Transformation

The Customer Engagement team within Customer Experience comprises two teams formerly in Strategy and Regulation – Strategic Customer Engagement and Regulatory Stakeholder Engagement. This change occurred in October 2021, with a new operating model formally implemented in May 2022. This resulted in 6 FTEs moving from Regulatory Affairs (as it was named at the time) to what would become the Customer Experience function. The current Customer Engagement sub-team will be reported against Strategic Customer Engagement to allow easier comparisons with prior years, although it must be noted this only represents part of the current team.

Activities driving change in resource in RY22/23, RY23/24 and RY24/25

As this team has been created from a restructure, the baseline represents the movement of the Chief Customer Officer from Business Improvement and Internal Audit into the new team. The activities are set out below.

Green Book Business Cases

Over the next two reporting years, DCC has a large volume of business cases to deliver to the Department, following HM Treasury's Green Book process. This requires skills and experience which DCC does not currently have in-house although plans to build in 2024. To ensure recruitment timelines didn't delay our move to producing HMT business cases, we are utilising consultancy support combined with internal resources across DCC. We have contracted a dedicated team of consultants – see the non-resource section below on the Centre of Excellence – and feedback received to date has confirmed a significant improvement in business case quality.

It should be added that the creation of a CoE was one of the key recommendations of the 'Lighthouse Programme' report. In early 2022, we set up an external and independent team (led by PA Consulting) to perform a diagnostic of the programme delivery function of DCC and how it operates across our industry. Using the collaborative change method 'Lighthouse', the objective was to identify key areas where improvement can be achieved jointly between DCC and its key stakeholders.

Throughout 2022, DCC, Ofgem, the Department for Energy Security and Net Zero and SEC Panel have worked collaboratively to identify and progress initiatives to address the Lighthouse findings, one of the key outcomes being the creation of a Centre of Excellence for producing Business Cases.

While there are currently no dedicated business case resources in the team in RY22/23, we intend to recruit five business case managers and a Director for the Business Case Centre of Excellence in RY23/24 to manage the pipeline of business cases. The move to insource this capability will result in a saving over time as we move away from relying on external consultants. These resources would continue into RY24/25 and contribute a variance of £0.45m in RY23/24 and £0.60m in RY24/25. There is no baseline for these resources in either year.

Partnerships

Under LC17 of the Smart Meter Communication Licence, DCC is required to offer terms for the provision of services to SEC parties, REC parties and "otherwise".¹ Regardless of whether the requestor accepts those terms, DCC must assess the request and its impacts – this inevitably creates costs through engagement and impact assessment activities. As part of its enduring objectives, DCC is also required to support innovation activity that benefits DCC users and GB consumers and businesses. When the licence requirements are taken together, DCC therefore must be sufficiently well-resourced to assess requests from a range of different parties, covering a myriad of potential services.

¹ Otherwise is not defined but covers non-SEC and REC parties' requests.

The number of external queries from industry has risen over the reporting year reflecting increasing interest from the wider market about how the smart metering system can be leveraged to tackle the cost-of-living crisis and support the pressing need to decarbonise GB's housing stock. This has been matched by a significant increase in use of the smart metering network by existing user categories, particularly Other DCC Users, as well as a rise in the number of organisations seeking to on-board as DCC Other Users in their own right.

To service this market demand a new Partnerships Director role was required (and it was established within the Customer Experience Directorate). This role is focused on driving improvements to the DCC's Other User onboarding process (which has not been substantially updated or reviewed since DCC was established), fielding external queries and supporting related changes to DCC practices (such as pricing – which is subject to a current SEC modification²).

DCC incurred costs of £0.09m in RY22/23 on these activities and is forecast to incur £0.2m in RY23/24 and £0.25m in RY24/25. There is no baseline for these activities.

Strategic Transformation

The main activities of this team were to assess potential improvements to the DCC organisation in order to better prepare it for the future. The team had a broad objective at a strategic level initially, but as the analysis developed (supported by a consultant from [REDACTED] and opportunities for improvement were exposed, specific projects were started to investigate potential impact and benefit presented by those opportunities before more significant investment was requested/committed.

These projects included, but were not limited to:

- Project [REDACTED] (using resources from [REDACTED]) - now with the People function
- Capacity Management project (in collaboration with IBM) - now with the Ops function
- Competitive In-Life Change project (in collaboration with NetCompany) - now with the Commercial function
- Project [REDACTED] - now taken up by the Customer Experience function
- On-boarding improvement - now taken up by the Customer Experience function

The incurred costs in RY22/23 were £0.22m against a zero baseline. There are no forecast costs in later years as the team was closed.

Strategic Customer Engagement

The Strategic Customer Engagement team is focussed on ensuring DCCs customers have a clear and common understanding of DCCs strategy, the changes we're delivering and ensuring customers have sufficient opportunity to input and shape how these changes are delivered. The team also manage DCCs input to the SEC governance arrangements and delivering of key customer meetings such as the Quarterly Finance Forum.

The main activities for the Customer Engagement team were as follows:

- Supporting engagement on 16 programmes within DCCs portfolio, ensuring customers' views are reflected in DCCs decision-making.
- Leading the implementation of the Programme Assurance Policy, a jointly agreed policy between DCC and SECAS, as a mechanism for consistent engagement and transparency of programme lifecycle with customers.
- Managing DCCs input to all SEC governance forums, ensuring all DCC agenda items have a clear purpose and are accompanied by material which meets customers' quality expectations.

² SEC modification proposal DP218 – Cost-reflective charging.

- Leading various DCC led engagement meetings such as the Quarterly Finance Forum (QFF) and arranging customer events such as the Market-wide Half Hourly Settlement (MHHS) summit in February 2023.
- Broadening our reach of engagement to previously under-represented customer segments such as through the Small Supplier Forum.
- Designing and implementing a new customer performance framework which aims to track and measure DCCs delivery against customer commitments, both operational (e.g. incident comms) and change related (e.g. business case sharing).

Activities driving change in resource in RY22/23

A new operating model was implemented in May 2022 which formally brought together Strategic Customer Engagement, Customer Portal staff and Regulatory Stakeholder Engagement into a central Customer Engagement function. This was outlined in last year's Price Control submission.

There were 21 FTEs in the centralised Customer Engagement team that incurred costs in RY22/23. 13 FTE previously existed as Strategic Customer Engagement, 2 as Customer Portal staff and 6 FTE as Regulatory Stakeholder Engagement. The Customer Engagement team experienced personnel changes in the year although the roles have remained static since the introduction of the centralised operating model.

The incurred cost for the team was £1.380m in RY22/23, compared to last year's forecast for the year of £0.973m. Ofgem disallowed around £0.2m of this forecast figure, resulting in a revised baseline of £0.775m, hence the team is showing as materially variant by around £0.6m, through a combination of additional Major Change Partners and Engagement Partners to bolster the competency of the team in response to feedback from customers.

Activities driving change in resource in RY23/24

Ofgem imposed a disallowance on this team in RY23/24 amounting to £0.844m, resulting in a baseline of £0.031m, compared to incurred costs of £1.293m. This is a year-on-year decrease of £0.087m, primarily the result of a number of staff leavers not being replaced following restructuring of the wider Customer Experience team.

Activities driving change in resource in RY24/25

There is a slight year-on-year decrease in forecast costs in RY24/25. The reason for this is the reduction in the costs of a Major Change Partner. As this year's baseline comes from the LABP, the variance is the entire incurred cost for the team.

1.3.4 Executive and Board

The Executive and Board function covers the key leadership roles in the DCC and their support team, its function is to:

- Maintain strong leadership and direction to DCC.
- Maintain high standards of corporate governance, in accordance with the UK Corporate Governance Code.
- Ensure decisions are made in accordance with DCC policies.

Activities driving change in resource in RY22/23

There has been no change to the number of FTEs in the Executive and Board function. It is comprised of the CEO, Chairman, four Independent Directors and two PAs. The Chief Licence Renewal Officer position was created during the year in response to a growing need to devote resources to support Ofgem's licence renewal activities. There is also provision in the baseline for a Deputy Chief of Staff to support Exco and the Board.

Last year's submitted forecast for RY22/23 for this team was £0.58m, compared to an incurred figure of £0.94m. The bulk of this difference is accounted for by last year's forecast only including the committed spend

on the incumbent Independent Directors, most of whom were due to leave DCC as their tenures expired. The forecast did not include the costs of replacement Independent Directors.

The incurred costs in RY21/22 for this function was £0.78m. The increase between RY21/22 and RY22/23 of £0.19m can be attributed to the difference in the Chairman's salary in RY22/23 at £0.14m compared with £0.01m in RY21/22 as well as the Chief Licence Renewal Officer.

The reason for the difference in the incurred payroll for the Chairman was an accrual issue and will be returned in RY23/24's incurred costs.

Activities driving change in resource in RY23/24 and RY24/25

There are no material variances in either forecast year.

1.3.5 Regulatory Design and Delivery

The Regulatory Design and Delivery team sits within the Strategy and Regulation function. The team is responsible for:

- Ensuring DCC remains compliant with its key regulatory requirements, licence obligations and governance arrangements.
- Ensuring the delivery of regulatory requirements for customers and business change is met.
- Providing expert advice and guidance on the existing regulatory framework (licence and codes).
- Leading on DCC's engagement with stakeholders on (non-economic) regulatory matters, including compliance and change management.
- Facilitating DCC colleagues engagement with regulatory stakeholders.
- Working with internal stakeholders through business partnering, and external stakeholders through collaboration, to navigate or adapt the regulatory framework to meet new requirements.
- Delivering regulatory governance documentation for DCC programmes and releases on time and to quality standards.

Activities driving change in resource in RY22/23

There have been no notable changes to the activities of the team in RY22/23, with variances triggered by prior disallowances.

The forecast payroll expenditure for Regulatory Design and Delivery for RY22/23 in last year's Price Control submission was £1.29m. The disallowance of the Document Writing Unit reduced the baseline by £0.44m to £0.84m for RY22/23 – as a result there is a variance of £0.44m.³ The Document Writing Unit was the team responsible for assembling HMT Green Book compliant business cases while the new Centre of Excellence was being established. The unit was formed of three full time members of DCC staff who had been in Regulatory Design and Delivery for several years, including the Head of Regulatory Engagement, Senior Business Case Writer and Economic Modelling Analyst – all of them played an integral role in supporting the progression of the CH&N business cases required under LC16. Two further roles were not recruited and were closed this year when we took the decision to establish the Business Case Centre of Excellence.

Activities driving change in resource in RY23/24 and 24/25

The activities of the team are not forecast to change in RY23/24 or RY24/25, but again the variance is triggered by reduced baselines.

³ Accounting for rounding.

There is a modest increase between the incurred costs of £1.28m in RY22/23 and the forecast costs in RY23/24 and RY24/25 of £1.38m. The increase is due to full year payroll being incurred for new team members who joined part way through RY22/23.

1.3.6 Regulatory Strategy and Performance Management

The Regulatory Strategy and Performance Management team are responsible for:

- Supporting the executive to develop and articulate DCC corporate strategy, including communicating this internally and externally across our diverse stakeholder landscape.
- Taking a medium-term view of developments within DCC, its customer base and the external environment and articulating this through the annual five-year Business and Development Plan.
- Understanding the wider policy landscape as it impacts upon DCC, providing responses to policy consultations where DCC can provide a valuable perspective (e.g. Ofgem's recent Call for Input on the Future of Distributed Flexibility).
- Act as an initial point of contact to support other industry participants with new services that depend on or could leverage the smart metering network (e.g. close engagement with National Grid ESO teams during the Demand Flexibility Service, oversight of DCC involvement in Government's Net Zero Innovation Portfolio projects).
- To provide a central point of contact when participating in corporate processes on behalf of the wider Strategy and Regulation team, such as business planning and corporate reporting.

Activities driving change in resource in RY22/23

There is no material variance for this sub-team in RY22/23.

Activities driving change in resource in RY23/24 and RY24/25

The variance of £0.36m in RY23/24 is largely the result of a combination of the payroll costs of two legacy roles: Director of Policy and Market Analysis and an Innovation Delivery Manager. Both of these roles were closed after the production of the forecast on which the Price Control is based, and we do not intend to replace them.

1.3.7 Transformation

This sub-team was temporarily created in RY22/23 to think creatively about how to reduce DCC's overall cost of running the organisation (including around personnel). DCC's Chief Delivery Officer was seconded on an interim basis to a new role of Chief Transformation Officer, with her prior role being performed by an existing Service Delivery director – in other words there has been no increase in headcount as a result of the temporary secondment. The Chief Transformation Officer role was tasked with accelerating business improvements via a partnership model of using third party suppliers to build, mature and run key capabilities for DCC. Over time these will fold back into the operations of our business.

The main activity for the Transformation team was to do some of the 'heavy lifting' and define DCC's strategy in these areas, how we set ourselves up to succeed, and to ensure it gets the dedicated focus required. The Transformation team led on the policy behind DCC's managed service provider pilot with North Highland, as well as having significant involvement in the development of Project [REDACTED] (alternative resourcing models for central functions).

Activities driving change in resource in RY22/23

As a newly created sub-team formed from seconding existing staff, there was no baseline for the Transformation team, and all activities mentioned above appear as a variance.

Activities driving change in resource in RY23/24 and RY24/25

The Chief Transformation Officer resigned from DCC at the end of March 2023 and given a large part of the work was completed, the decision was taken to close the team and transfer its responsibilities, particularly in relation to Project [REDACTED] back into other teams in DCC where the key conclusions of the work will be fed into strategic business planning activities.

1.4 Drivers for Variance – Non-Resource

1.4.1 Accommodation Costs

Although there are a number of variances set out below for the accommodation GL code, only Project Gold represents a material increase in costs relative to prior years. All of the accommodation costs for Brabazon, Ibex and Ruddington are largely unchanged, and in totality are not materially variant.

The rationale for Project Gold is set out below and constitutes a necessary response to the ongoing challenges faced by DCC's post-pandemic working practices to ensure greater collaboration, improved security of DCC information and systems and a general improvement in the welfare of our staff.

Table 3: Material variances for Corporate Management non-resources internal costs – Accommodation Costs

	Corporate Management		RY22/23	RY23/24	RY24/25	
GL	Incurred	£m	5.250	5.887	4.930	Procurement type
AC	Brabazon Facilities	£m	0.648	0.704	0.704	[REDACTED]
AC	Brabazon Rates	£m	0.195	0.233	0.192	[REDACTED]
AC	Brabazon Service Charge	£m	0.138	0.269	0.275	[REDACTED]
AC	Ibex Facilities	£m	0.246	0.243	0.243	[REDACTED]
AC	Ibex Rates	£m	0.479	0.327	0.327	[REDACTED]
AC	Project Gold - Refurbishment Project	£m	0.274	0.587	0.000	[REDACTED]
AC	Ruddington Rent	£m	0.463	0.486	0.505	[REDACTED]
AC	Test Lab Operator	£m	1.770	2.125	1.785	[REDACTED]
GL	Variance	£m	0.938	1.650	3.459	Procurement type
AC	Brabazon Facilities	£m	0.648	0.704	0.704	
AC	Brabazon Rates	£m	-0.039	0.000	0.192	
AC	Brabazon Service Charge	£m	0.073	0.204	0.275	
AC	Ibex Facilities	£m	-0.122	-0.125	0.243	
AC	Ibex Rates	£m	0.152	0.000	0.123	
AC	Project Gold - Refurbishment Project	£m	0.274	0.587	0.000	
AC	Ruddington Rent	£m	0.000	0.023	0.505	
AC	Test Lab Operator	£m	0.353	0.783	1.785	

1.4.2 Brabazon Facilities

DCC incurred £0.648m on Brabazon Facilities in RY22/23. In RY21/22 the forecast for this item of expenditure was marked as discretionary rather than committed and did not meet the criteria for including in the Price Control forecast. This was an error in our financial forecasts.

This year's incurred figure is £0.2m lower than the last forecast number for RY22/23 – i.e. had DCC marked it as committed and Ofgem accepted the forecast in the baseline it would not be variant. Following feedback from Ofgem, we have reviewed and made changes to the way in which we categorise expenditure into committed and discretionary, and consequently Brabazon Facilities has been marked as committed for both forecast years.

1.4.3 Brabazon Rates

Brabazon Rates remain stable during the three-year period of the Price Control submission at around £0.2m. Neither RY22/23 nor RY23/24 are variant, but because of there being no baseline in RY24/25 as it reverts to the numbers in the LABP, the expenditure is showing as variant. Brabazon Rates will continue to cost around £0.2m for the remainder of the licence period, as it is charged at £19,456 a month, subject to indexation.

1.4.4 Brabazon Service Charge

Due to an error in last year's forecast for Brabazon Service Charge this item is materially variant this year. The Service Charge contract costs around £0.2m per month and will do so until it expires. We had forecast that this item would incur costs of £65k per year until the expiry of the licence. Unfortunately, this does not reflect the values in the contract. This has now been amended and forms the basis of this year's forecast.

1.4.5 Ibex Facilities

Ibex Facilities is comprised of the costs of furniture, repairs, and maintenance – historically this has summed to around £0.24m per annum. In RY22/23 and RY23/24, DCC's incurred expenditure has not been variant as there has been a positive baseline. In RY24/25, the item is showing as variant as there is a zero baseline as it defaults to the value in the LABP.

1.4.6 Ibex Rates

Due to unprecedented increases in global energy prices, Ibex Rates are variant in RY22/23 at £0.479m against a baseline of £0.327m. The main reason for this is that power charges have increased from £82k in RY21/22 to £146k in RY22/23. Ibex Rates last year were £0.420m, so although power prices have increased, other components have decreased.

DCC's ongoing forecast for Ibex Rates is £0.327m, which may need to be revised in the event that energy prices do not stabilise.

1.4.7 Project Gold - Refurbishment Project

During the Covid pandemic, DCC's office occupancy levels fell significantly as a result of both mandated stay at home orders and voluntary changes to staff working patterns. As the pandemic waned, DCC initiated Project Gold to encourage more staff to work from DCC's offices rather than from home (this is very much aligned to what occurred in other organisations). In addition to ensuring value for money from the leases DCC was paying for, we believe that greater face-to-face collaboration is better for the organisation and its staff. DCC consulted extensively with staff to understand what more could be done to improve the working environment in a post-covid world, with many wanting a more collaborative working space after working in relative isolation for a significant period of time.

To encourage greater attendance, we redesigned DCC's office space to include greater collaboration spaces, improved furniture and technology, increased the number of informal meeting rooms and quiet rooms and made a number of improvements to the kitchen spaces across all three DCC sites.

None of these items of expenditure were individually variant, with the largest item of spend being on lunch incentive provisions for all DCC staff across all sites, summing to [REDACTED].

In RY23/24 there is a variance of £0.59m, comprised of:

- [REDACTED] for purchasing of new furniture, Board room refresh, opening of the Ibex House office to be fully open plan, purchase of quiet booths and pods, IT improvements to allow MS teams call from the booths, pods, and other collaboration spaces.

- [REDACTED] for the ongoing costs of maintaining refreshment machines across DCC's sites. The costs of these machines do not appear in the Project Gold forecast in RY24/25 as they will transfer to business as usual.

1.4.8 Ruddington Rent

Ruddington Rent in RY22/23 and RY23/24 is £0.46m and £0.49m respectively, neither of which is variant against the baseline of £0.46m. In RY24/25 the baseline drops back to the LABP value, which is £0, resulting in a variance. The rent on Ruddington increases each January until the end of the licence period as follows:

- January 2023 to December 2023: [REDACTED] per month
- January 2024 to December 2024: [REDACTED] per month
- January 2025 until the end of DCC's current forecast of August 2025: [REDACTED] per month

1.4.9 Test Lab Operator costs

RY22/23 was the fourth year of operation for the Test Labs which are located at Brabazon House. Total costs in RY22/23 were £1.77m compared with £1.79m in RY21/22. Although the costs have not increased year-on-year, last year we were forecasting incurred expenditure of £1.42m for RY22/23. There have been a small number of additional cost items this year which were not forecast last year which explains the RY22/23 variance. The bulk of the difference is explained by the cost of change requests, which DCC does not include in the committed forecast for the Price Control. In RY22/23, DCC incurred around £0.2m of change request-related costs from CR018 and CR020. Overtime and additional support are also variable and while we include a forecast, we cannot do so with complete accuracy.

In RY23/24, the forecast cost increases to £2.03m. The increase over the incurred cost of around £0.3m in RY22/23 is due to the inclusion of further MDUST functionality in the Test Labs at a forecast cost of £340,219. Costs for the final year of the forecast, RY24/25, revert back to £1.7m, but as there is no baseline for the year, the entire incurred costs show as a variance.

As Ofgem is aware, DCC's Test Labs have generated significant cost reductions to customers and will continue to do so for many years. The costs submitted in this year's Price Control reflect the business case costs and benefits that Ofgem has scrutinised as part of DCC's gainshare application.

1.4.10 External Services

In RY22/23, there were five variant External Service procurements. By far the most significant of these is the Business Case Centre of Excellence, which is a direct consequence of the requirements now on DCC under its licence, as well as clear feedback from the Department to strictly follow Green Book processes for any business case above a particular threshold. The sections below explain these variances, while the table below provides the incurred and variance numbers (note the total figure includes other items that are not variant).

Table 4: Material variances for Corporate Management non-resources internal costs – External Services GL Code

	Total Corporate Management		RY22/23	RY23/24	RY24/25	
GL	Incurred	£m	3.789	0.677	0.677	Procurement type
ES	Business Case Centre of Excellence	£m	0.733	0.000	0.000	[REDACTED]
ES	Customer Engagement Performance Framework	£m	0.239	0.000	0.000	[REDACTED]
ES	Customer Engagement Portal	£m	0.163	0.000	0.000	[REDACTED]
ES	Price Control improvement/support	£m	0.573	0.470	0.470	[REDACTED]
ES	Project Sky	£m	0.432	0.000	0.000	[REDACTED]
GL	Variance	£m	3.574	0.435	0.663	
ES	Business Case Centre of Excellence	£m	0.733	0.000	0.000	

ES	Customer Engagement Performance Framework	£m	0.239	0.000	0.000	
ES	Customer Engagement Portal	£m	0.163	0.000	0.000	
ES	Price Control improvement/support	£m	0.373	0.270	0.470	
ES	Project Sky	£m	0.432	0.000	0.000	

1.4.11 Business Case Centre of Excellence

Following amendment to LC16.6 of the Smart Meter Communication Licence, DCC is now required to complete HMT Green Book-style business cases for relevant procurements above £10m. The 4G Comms Hub and Network business case lessons-learned review completed by [REDACTED] in September 2022 highlighted that DCC does not have the skills or capability necessary for HMT Green Book business case development and recommended that DCC implement a business case Centre of Excellence. Necessary skills for a Centre of Excellence include:

- Technical authoring skills, bringing expertise in TGB standard, structure and format
- Experience of TGB Best-practice and benchmarking to gauge appropriate detail and evidence, and appropriate TGB approach to use where flexibility is available
- Quality assurance of the robustness and completeness of key business case inputs, including business rationale and case for change, requirements and expected outcomes
- Structured options definition, options evaluation and evidencing of analysis
- Structured financial and commercial model development, testing and quality assurance
- Scenario and sensitivity analysis to establish confidence limits or conditions and risks

DCC's business case delivery schedule does not allow time for the organisation to grow and develop a 'centre of excellence' competency organically. Therefore, following a competitive procurement, DCC appointed [REDACTED] to provide a flexible Centre of Excellence (COE) team and capability which is now mobilised. The [REDACTED] team has already made a significant improvement to our business case development, with feedback from DESNZ that the recent DSP economic case represented a step-change in DCC performance and quality. The COE also supports DCC to develop a simple, graded business case approach for activities where a full Green Book approach is not required or appropriate.

The COE has a vital role to play within DCC, working across the functions to:

- Rapidly understand the context and background for each relevant Business Case, including artifacts, detail and analysis completed to date or in progress
- Establish, define, agree, and clearly communicate appropriate business case content, scope, and quality standards. Ensure relevant DCC subject matter experts and content leads fully understand what is required from them at each stage of business case development
- Establish and manage a development plan for each business case, ensuring the development process allows for sufficient customer and regulatory engagement to ensure transparency and appropriate input, and build support from key DCC stakeholders
- Develop and deliver components and content for the business case as required, including additional supporting documents as required for effective customer or regulatory stakeholder engagement
- Act as the overall central point of leadership and coordination for development, writing and completion of the business case document, ensuring coherence, consistency, and appropriate detail
- Provide the central coordination point to track and report progress for each business case. Ensure robust risk management against delivery to time, quality and compliance standards and criteria

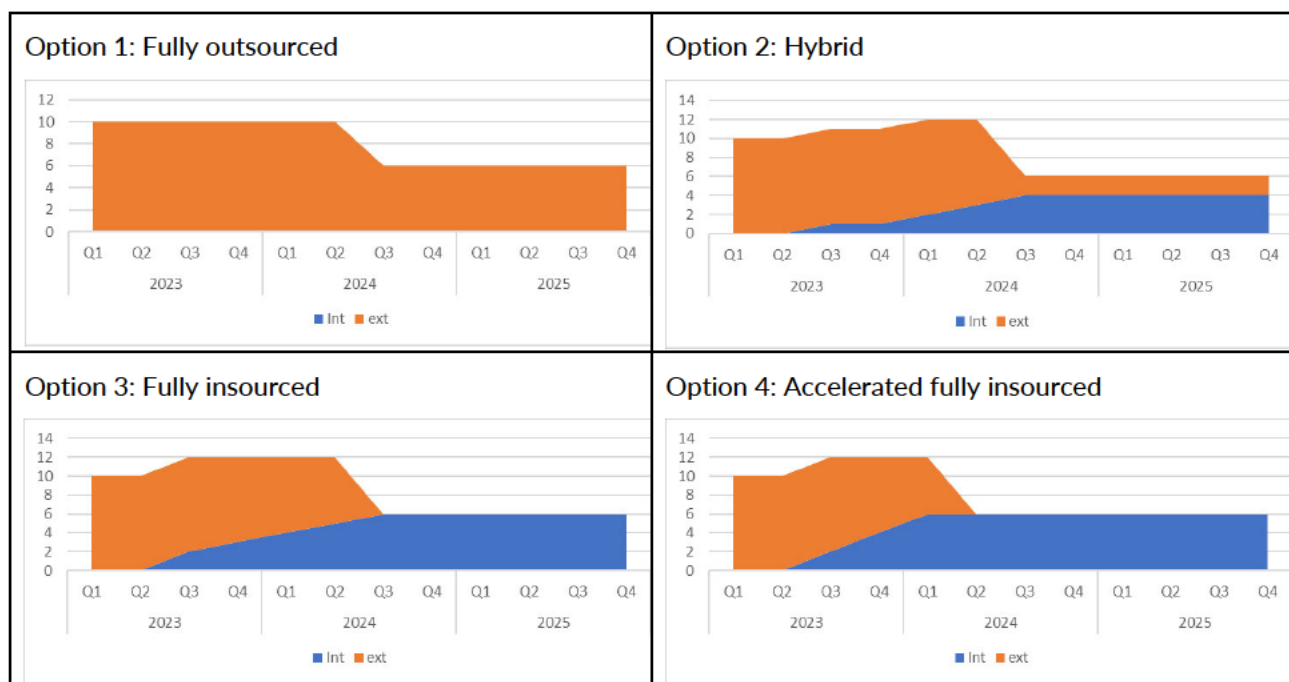
The COE was originally contracted for a period of up to 3 months, subject to performance. During this time, the COE team was expected to consolidate feedback, lessons-learned and recommendations from the business case development work as input to help DCC shape and implement a sustainable internal business case capability.

Value for money

In considering how to deliver the resources needed for the COE, DCC went through an options evaluation process. Four COE capability delivery options were considered:

- Ongoing operation of a fully outsourced service model, with flexibility to increase or decrease total capacity or skills mix as required on an ongoing basis
- Transition to a hybrid model including internal capability with ongoing supplement by outsourced service which also provides additional burst capacity when required, or ability to reduce total capacity if future demand is lower than forecast
- Transition to a fully internal capability and delivery model, supplemented by external consultancy for burst capacity only when required (e.g. on a call-off contract)
- Accelerated transition to a fully internal capability and delivery model, otherwise as Option 3 above

An outline of the estimated COE resource profile (FTE) for each option is shown below:



Each of the options was evaluated against five criteria as below:

Evaluation criteria	Description
Feasibility	Confidence in DCC ability to implement the option, including recruitment and training to meet necessary capacity, skills and experience and delivery output quality standard
Flexibility	Flexibility of the model to adapt to uncertain or changing demand profile and requirements, or changes in capacity of skills mix
Cost	Estimated COE costs for the period to end Q4 2025, including internal and external COE cost and excluding wider DCC internal costs (same in all scenarios)

Knowledge retention	Development and retention of business case knowledge and expertise within DCC to provide continuity of context, assumptions, and decisions over the fully business case lifecycle, which can extend over several years
Benchmark	Evidence for use of each option in other comparable organisations – with UK government executive agencies and non-departmental public bodies providing the closest comparator to DCC (e.g Network Rail, National Highways, NHS Digital)

The results of the evaluation exercise were as follows:

Option	Options evaluation						
	Feasibility	Relative flexibility	Knowledge retention	Estimated costs (£m)			
				Total cost from Q1 2023 to Q4 2025			Annual run-rate from Q3 2024
				Internal	External	Total	
1. Fully outsourced	Certain	High	Low	0	5.1	5.1	1.4
2. Hybrid	High	Med	High	0.8 – 1.2	3.6	4.3 – 4.7	0.8 – 1.0
3. Fully insourced	Med	Low	High	1.3 – 1.9	2.7	4.0 – 4.6	0.6 – 0.9
4. Accelerated insource	Low	Low	High	1.4 – 2.0	2.2	3.6 – 4.2	0.6 – 0.9

Notes: External costs are total for the period to end Q4 2025 and include COE costs already committed between Jan-Mar 2023. Internal cost estimate based on fully allocated FTE cost range between £100k (DCC standard) to £150k.

Option 1 (fully outsourced) represented the most flexible option, but with highest cost and low knowledge retention. This option would allow DCC to adapt quickly to changes in business case delivery capacity or skills mix, or to decommission the COE if the LC16 or HMT Green Book (TGB) requirement no longer applies. This option is typically adopted by agencies with sporadic or occasional TGB business case development requirements, where a permanent internal capability is not justified or would be below critical mass.

Option 2 (hybrid) retains most of the flexibility of option 1 but at a reduced longer-term cost and improved knowledge retention. This option would enable DCC to establish an internal COE with minimum 'critical mass' and enable internal knowledge management and retention on business case skills which could be deployed to improve wider DCC business case development even if the LC16 or TGB requirement is eventually removed. Implementation risk and capacity for peak demand or specialist skills would be mitigated through continued use of an external consultancy service to supplement the core internal team. This model is more commonly adopted by agencies with an ongoing but less consistent or predictable business case demand profile.

Option 3 (fully insourced) represents a lower long-run cost than Option 1 or 2 and maximises knowledge retention. Flexibility for burst capacity can be retained through (for example) implementation of a call-off support contract, however flexibility is lower than option 1 or 2 if long-run demand emerges as lower than expected. Implementation is dependent on recruitment, development, and transition to a new, internal team over c12 months, and is therefore higher risk than Option 1. This model is typically adopted by larger agencies with a significant pipeline of complex, high-value business cases (e.g. Network Rail).

Option 4 (accelerated insource) is essentially the same as Option 3, but with an accelerated recruitment and transition to the new, internal team. This represents the lowest total cost for the period, but with the highest risk to implement and the same flexibility drawbacks as Option 3.

DCC presented the above analysis to the Board in February 2023, including a recommendation that we would transition to a fully insourced model (Option 3) by end Q3 2024, supported by an ongoing call-off contract for burst-capacity. This allows reasonable time for recruitment, onboarding, training and development of the new internal COE team, and knowledge transfer from the in-place external COE. Opportunity to accelerate recruitment and development can be managed on an operational basis (and dependent on market availability of good candidates), which may allow transition to complete earlier and reduce total external COE costs.

In parallel with recruitment, the Board approved the recommendation that the existing COE business case services with [REDACTED] continue during the transition period up to end Q3 2024 (or earlier, as required), based on (i) previously established best value-for-money compared to alternative service providers, based on the recent RFP assessment in November 2022, and (ii) the high standard of [REDACTED] COE delivery performance to date since mobilisation in January 2023.

The Customer Experience function business plan includes FTE allocation for recruitment of an internal business case capability by end of 2024, and recruitment process for the senior role is in progress.

Evaluation approach

The Chief Customer Officer, Chief Financial Officer and Director of Regulatory Affairs evaluated the submissions and conducted scoring between 7th and 17th November 2022. Following this, a moderation workshop was held on 22nd November 2022.

The outcome of the moderations highlighted that the written quality responses were relatively strong from [REDACTED] and [REDACTED] but [REDACTED] provided a very generic response. Very little detail was provided on how the COE will be established. They focussed more on generic transformation language/concepts rather than applied specifically to business cases. Commercial Evaluation Following the RFP response submissions, evaluations of the commercials and assumptions were carried out by the Procurement Manager. A Dun and Bradstreet Check was also carried out on all suppliers. The panel decided to shortlist [REDACTED] and [REDACTED] for the interview stage. The interviews were held on 25th and 28th November 2022.

[REDACTED] approach to the requirements of the Supplier Assurance was well received by the panel. [REDACTED] demonstrated a good understanding of the requirement and recent assignments aligned them well for this requirement. They also demonstrated that their team had the technical expertise required to complete the work. [REDACTED] provided a clear plan of how they would execute the project and they have a clear grasp of what Smart DCC require as part of this service. [REDACTED] are highly experienced and offered an excellent approach that was relevant to DCC's needs. The panel were impressed with the proposal that [REDACTED] submitted and were of the view that they would be able to meet Smart DCC's requirements and provide good value for money overall.

Procurement – Business Case Centre of Excellence		
Number of Bids received	3 ([REDACTED])	
Number of Bids shortlisted	3	
Strengths of Selected Bidder	Successful bidder's approach was technically superior to the others.	
Challenge by DCC	Initial Price	BAFO
	[REDACTED]	[REDACTED]

DCC extended the contract with [REDACTED] for a further period due to government and customer feedback that there had been a large improvement in the quality of LC16 business cases since deployment of the contract.

1.4.12 Customer Engagement Performance Framework

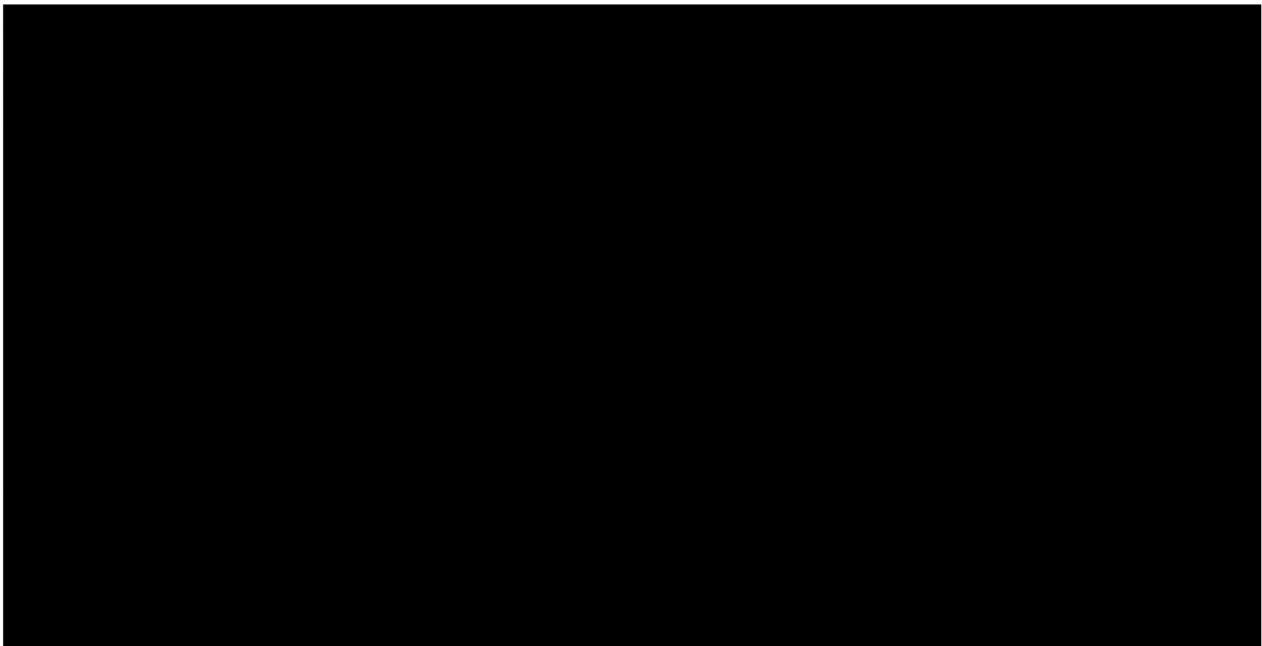
Customer Engagement has been highlighted by Ofgem as an area of improvement required by DCC and as such has been included in the Operational Performance Regime, providing a financial incentive for DCC to improve. Ofgem and the OPR questions provide clear and helpful guidance on the aspects of customer engagement which industry is seeking DCC to improve on. DCC have made strides in improving all aspects of engagement and initiated a procurement to develop a performance framework to allow us to better quantify the improvements being made and ensure we continue to focus our efforts in areas which drive greatest value for our customers.

DCC therefore instigated work to:

- Design measures to track achievement of good customer engagement, focusing on both hard and soft measures (e.g., sentiment)
- Design and implement a method of tracking against these measures with information available
- Establish a monitoring and reporting process which enables DCC to proactively manage any engagement performance issues and which feeds the annual OPR report

The contractor was tasked with supporting DCC in developing its customer engagement performance reporting framework, putting the foundations in place to build a broader understanding of how DCC was delivering against customer commitments and thus whether DCC was building trust with the customer base.

The work was delivered through four steps as per the graphic below.



Approach

DCC followed a competitive process for this procurement and selected the following suppliers from Lot 1.1 Policy and Advice Development of our Consultancy Framework to participate in this procurement project.

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- 
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The following suppliers submitted a proposal on 18 October 2022:

- [REDACTED]
- [REDACTED]

The DCC Moderation Panel met on 25 October, where we discussed each of the individual bidder proposals and scoring, [REDACTED] scored the highest overall.

Bidder Name	Quality Score/%	Commercial Score/%	Total Score/%	Ranking
[REDACTED]	56%	21.33%	77.33%	1
[REDACTED]	45%	30%	75%	2

Customer Engagement Performance Framework		
Number of Bids received	2	
Number of Bids shortlisted	2	
Strengths of Selected Bidder	[REDACTED] have a mature understanding of DCC and of our challenges, so are best placed to meet our requirements, in this instance.	
Challenge by DCC	Initial Price	BAFO
	[REDACTED]	[REDACTED]

Following successful completion of the first phase of work, DCC extended the contract to build another layer of the framework. The requirements were:

- Develop the Target Operating Model (TOM) for the monthly measurement process and roll it out; build selected dashboards.
- Design the detailed approach and artefacts for Customer Sentiment measurement – specifically the ‘Trust score’ and, in addition, have advisory support on optimisation of Customer Effort and Customer Satisfaction measurement.

Approach

TOM and Dashboard Creation

[REDACTED] were tasked with the following activities and outputs:

- a) Support on the measurement and reporting process design and development. Includes detailed visualisation of monthly process, Target Operating Model, RACI, and support in the development of key artefacts e.g. data collection, reporting templates (although these will be led by DCC staff).
 - a. Output: One page visualisation of monthly process to share with stakeholders, detailed summary ppt of monthly measurement process approach, operating model and governance. Artefact templates developed in collaboration with DCC.
- b) Data assurance and data governance advisory support – establishing principles of good practice and governance approach.
 - a. Output: Summary of recommendations on good practice and governance.

- c) Simple dashboard design and build.
 - a. Output: simple dashboard built in Excel or Power BI.
- d) Support in Stakeholder mapping and engagement plan creation: Support in mapping stakeholders, identifying engagement channels and opportunities by stakeholder group, launch recommendations and typical monthly stakeholder engagement cadence.
 - a. Output: Supporting stakeholder engagement templates and recommendations doc.
- e) Recommendations for future optimisation in Q1&2 of 2023.
 - a. Output: Summary word document of recommendations.
- f) Support pilot runs of MVP dashboard: Once MVP and data collection are ready, DCC will run the dashboard on a fortnightly basis and ■■■ will support the run and interpretation of the results. Early results may not be very meaningful given the limited data and early stage of the process, but it will help DCC validate the direction and understand which areas need to be focused upon in order to derive meaning and insight. It will give DCC a good opportunity to bed this in with ■■■ support.
 - a. Output: Proven MVP and a repeatable approach the DCC team can then run for March onwards.

Customer sentiment development and engagement strategy advice

■■■ will undertake the following tasks and provide the following outputs:

- a) Design of the detailed journey for the closed loop feedback & trust score survey process.
 - a. Output: visualisation of journey and document target operating model plus cost of delivery if relevant.
- b) Creation of key templates e.g. survey questionnaire and customer communications materials to support process.
 - a. Output: Comms templates, detailed survey questionnaire and measurement mechanics approach.
- c) Attendance at Qualtrics one-day session and report creation on opportunities for Customer sentiment measurement systems.
 - a. Output: Summary of key recommendations re: CE measurement systems.
- d) Support on EXCO paper detailing Sentiment measurement proposal, rollout and key EXCO asks.
 - a. Output: EXCO board paper contribution.
- e) Development of launch and rollout out plan for paper prototype.
 - a. Output: launch roadmap and supporting recommendations document.
- f) Optimisation recommendations for January 2024 Trust survey and closed loop process
 - a. Output: Summary proposal in Word.
- g) Advisory support to aid design and development of Data and Insight team structure and Data and Insight strategy and 2023 roadmap of prioritised initiatives.
 - a. Output: Input into 2023/24 Customer Engagement roadmap.

1.4.13 Customer Engagement Portal

In last year's submission, we made provision in our forecast for Salesforce licences for the Customer Engagement Portal of £0.195m in RY22/23 and RY23/24. Ofgem reduced the forecast to zero in its decision on the RY21/22 Price Control, meaning there was no baseline for portal. As we have an ongoing obligation to maintain a portal for our customers to access documentation and respond to consultations etc, we have incurred £0.162m in RY22/23. Salesforce licences are not negotiable.

1.4.14 Price Control Improvement/Support

Preparing the DCC Price Control submission, and the associated products, is a significant undertaking which requires information to be sourced from individuals and systems across the entirety of DCC's organisation. This information then has to be shaped into a coherent narrative which enables DCC to justify its incurred and forecast costs.

It is made harder by the fact that the risks may well only emerge as information is gathered and the evidence assembled. It is also heavily dependent on the time and contributions of DCC staff, many of whom are extremely busy with their day-to-day responsibilities.

As a result, it is important that the many dependencies which will impact the development of the submissions are managed actively.

DCC has an in-house economic regulation team which is accountable for managing the Price Control processes throughout the year and is skilled in creating the content for the annual submission to Ofgem. However, this is a small team with other responsibilities in addition to Price Control, and hence this team is supplemented by the use of external support during the critical period between April and August.

It should also be added that while the scope and nature of the company has significantly evolved over the years, and its size has significantly increased, the price control continues to be carried out every year, and extra resources need to be dedicated to comply with the very tight timescales imposed by Ofgem.

As in prior years, the Price Control team in DCC needs support in two areas of competence: Project Management and compiling and authoring of submission content.

In relation to Project Management, we require expertise to:

- Develop the detailed project plan for delivery of the submission and associated products.
- Monitor progress and maintain the plan.
- Assemble and maintain logs of project risks, assumptions and dependencies.
- Prepare reporting for the day-to-day use of the project team, but also for upward presentation to the Project Board and other Executives, including the CEO.
- Create a communications plan and take overall responsibility for delivery of any communications initiatives, working with the project team.
- Ensure completion of sections in good time for review.
- Create and maintain the reviewing schedule, ensuring full review in good time for submission completed in hierarchical order.
- Ensure timely delivery of submission materials.
- Ensure materials are handed over to the DCC team upon expiration of the contract.

In relation to the compilation and authoring of submission content, we require expertise to:

- Assemble complex information on allocated areas of expenditure, which might take the form of cost centres, projects, change requests etc, from multiple sources and systems.
- Create a narrative, making use of the information gathered, which demonstrates that the decision-making processes which governed the expenditure resulted in an economic and efficient outcome.
- Bring creative thinking to the way in which narrative and evidence is presented to Ofgem (and potentially customers and external stakeholders) so as to achieve a balance between the effectiveness of the submission and the size and complexity of its development and production.

- Support DCC's developing Benchmarking work, including appropriate analysis and presentation to demonstrate economy and efficiency to Ofgem.
- Ensure relevant information and narrative sections are available early in the process to allow completion of full sections ready for review well ahead of submission.

In relation to the review and assurance of models, we require expertise to:

- Undertake light touch reviews of models, namely ECGS and BMA.
- Provide the information in the format required by Ofgem.
- Provide assurance that the models presented are accurate.

The outputs we sought from the engagement were:

- A well-managed project as evidenced through the production and ongoing maintenance of the management products described above.
- Completion of allocated work packages which form part of DCC's Price Control submission and /or associated applications.

Value for Money

DCC ran a competitive procurement to source support for the RY21/22 Price Control submission, and subsequently the clarification process and consultation response to Ofgem. Five contractors from DCC's Lot 3.5 were invited to submit a proposal. Three bids were received, with two proceeding to shortlisting following the Moderation Meeting. Following presentations from the two shortlisted bidders, DCC's Moderation Panel recommended the contract be awarded to [REDACTED]. The table below provides a summary.

Table 5: Procurement Evaluation Breakdown – Price Control Improvement/Support

Procurement – Price Control Improvement/Support		
Number of Bids received	3	
Number of Bids shortlisted	2	
Strengths of Selected Bidder	<p>[REDACTED] have been supporting DCC with price control for a number of years following successful outcomes from the competitive procurement process. They therefore have the best insight and can hit the ground running with what's required of them.</p> <p>[REDACTED] scored the highest in terms of quality of the 3 proposals and following a commercial revision, also in terms of price.</p>	
Challenge by DCC	Initial Price	BAFO
	[REDACTED]	[REDACTED]

Due to the departure of personnel during the period from April to July 2022, DCC needed to supplement the existing team with further resources from [REDACTED]. This resulted in additional costs in two phases:

- Onboarding additional narrators to replace the lost resource in the final stages of the submission, as well as the clarification questions – this cost [REDACTED]

- Extending an existing author and onboarding a further author for the clarification question stage – this cost [REDACTED]

Given the situation, it was our considered view that it was the most economic and efficient thing to do to bring onboard further [REDACTED] resources given their extensive experience of working on the Price Control. We assessed whether there would be an advantage in procuring resources competitively, but it was clear the lead time associated with bringing onboard additional resources from another supplier, as well as the technical and legal challenges of two competing consultancy companies working on the same project would be impractical and inefficient. As we had also competed the award of the Price Control Support contract, we already had cost and quality benchmarks to compare.

Finally, we have adjusted our forecasting approach for the Price Control and have amended our financial data such that it is now committed expenditure and will appear in the forecast this year. As there is no baseline, the entire amount of DCC's forecast for this item appears as a variance. It is however highly likely that DCC will continue to need support particularly during the challenging April to end July window when the programme resource requirements increase significantly.

1.4.15 Project Sky

Project Sky is a forensic review to establish the chronologies and course of events related to three key aspects of the government's Smart Metering Implementation Programme:

- 2G/3G sunsetting.
- CSP North capacity limitations.
- Reprourement of the Data Service Provider (DSP) contract.

In order to assist with the identification of key facts and associated chronologies DCC asked for support in the following areas:

- Prepare for and undertake a series of fact-finding interviews with DCC employees.
- Perform a review, using a specialist document review platform of the following data sources:
 - emails
 - presentations
 - minutes of meetings
 - technical reports
 - internal communications
 - other media

DCC requested proposals from [REDACTED] and [REDACTED] as part of a competitive RFP process. DCC requested that the submissions included the approach to be taken to support DCC in collecting and reviewing internal documents to build these chronologies.

Following the evaluation of proposals by two senior colleagues (including one ExCo member) in DCC, it was agreed that [REDACTED] proposed a far more tailored approach to DCC's requirements in comparison to the [REDACTED] proposal which was far more generic. [REDACTED] also had a greater understanding of DCC requirements overall.

[REDACTED] presentation of the results and their flexibility in how they would approach the work gave DCC more confidence in their capability to provide the services effectively. They also proposed a team with specific Smart Metering subject matter expertise.

The total cost of the procurement was calculated on an estimate of the volume of materials needed to be reviewed and their complexity. The estimated cost was assembled bottom-up from fees per GB for the forensic document search. There were further fees related to the utilisation of bespoke software. The indicative fee

range for the [REDACTED] offer is set out below. The final cost was higher as the volume of materials that were reviewed was higher than the assumptions in the RFP.

Procurement – Project Sky		
Number of Bids received	2	
Number of Bids shortlisted	2	
Strengths of Selected Bidder	[REDACTED] proposed a far more tailored approach to DCC's requirements in comparison to the [REDACTED] proposal which was far more generic. [REDACTED] also had a greater understanding of DCC requirements overall.	
Challenge by DCC	Initial Price	BAFO
	[REDACTED]	[REDACTED]

Commercial- RY22/23 Variances Overview

Cost Centre Variance in RY22/23 by GL

The table below provides a breakdown of incurred and forecasted costs in price control format i.e. mapping costs directly against the price control General Ledger codes (GLs).

Baseline (£m)		RY22/23	RY23/24	RY24/25
Total Commercial		4.991	4.565	0.708
Payroll costs	PR	4.639	4.299	0.589
Non-payroll costs	NP	0.100	0.096	0.015
Recruitment	RC	0.032	-	-
External services	ES	0.220	0.170	0.104
Incurred (£m)		RY22/23	RY23/24	RY24/25
Total Commercial		6.791	8.163	7.883
Payroll costs	PR	5.070	7.003	7.256
Non-payroll costs	NP	0.104	0.165	0.177
Recruitment	RC	0.250	0.147	-
External services	ES	1.367	0.549	0.150
IT services	IT	-	0.300	0.300
Variance (£m)		RY22/23	RY23/24	RY24/25
Total Commercial		1.800	3.599	7.175
Payroll costs	PR	0.431	2.703	6.667
Non-payroll costs	NP	0.004	0.069	0.162
Recruitment	RC	0.217	0.147	-
External services	ES	1.147	0.379	0.046
IT services	IT	-	0.300	0.300

Cost Centre Variance by Staff Type and Team

The table below shows the payroll variance by sub-team within the Commercial cost centre.

Baseline (£m)	RY22/23	RY23/24	RY24/25
Commercial Payroll costs	4.639	4.299	0.589
Commercial Operations	1.346	1.184	0.000
Procurement	0.950	0.940	0.136
Vendor Management	2.343	2.175	0.452
Incurred (£m)	RY22/23	RY23/24	RY24/25
Commercial Payroll costs	5.070	7.003	7.256
Commercial Operations	1.064	2.201	2.336
Procurement	1.130	1.479	1.617
Vendor Management	2.875	3.323	3.302
Variance (£m)	RY22/23	RY23/24	RY24/25
Commercial Payroll costs	0.431	2.703	6.667
Commercial Operations	-0.281	1.017	2.336
Procurement	0.180	0.539	1.481
Vendor Management	0.532	1.147	2.850

1 Commercial

Summary

- Our Commercial team leads on our procurement, contract management and supplier performance and relationship management with an overarching aim to drive commercial excellence with our external partners.
- Given the nature of DCC's operations, commercial performance is critical. Therefore, and following feedback from customers and Ofgem, we commenced a commercial transformation programme to:
 - Improve and streamline core processes that identify, deliver and sustain better business outcomes.
 - Enhance our digital capabilities to improve operational efficiency and visibility.
 - Uplift supplier relationship management and contract management, embedding industry best practice to drive value for money.
 - Promote a culture of continuous improvement to support DCC's delivery of service excellence and value for money.
- This investment has required the recruitment of additional capacity and capability in the team, at all levels, and the support of external contractors to help embed industry best practice across key processes and systems.
- While the transformation will continue into RY23/24, and as we have previously discussed with Ofgem, the benefits are beginning to be realised. In line with recommendations from the Lighthouse report, we are now regularly sharing a Commercial pipeline with DESNZ, Ofgem and SEC Panel improving the transparency and visibility of DCC's activity.
- As outlined in our letter to Ofgem in April this year, DCC undertakes a range of procurement approaches in order to deliver the best business outcome (either from a time, cost or quality perspective). We accept that the onus is on DCC to justify and evidence to both customers and Ofgem whichever procurement approach we decide to adopt. We believe the greater level of engagement now underway (as highlighted through the course of this submission) can support earlier alignment between all parties.

1.1 Purpose, Scope and Structure

The Commercial function is responsible for the commercial management of DCC's strategic External Service Providers including contract and supplier relationship management, contractual frameworks, and procurement of new service contracts. This critical function ensures that DCC receives value for money on the services procured and that service providers fully support the DCC and meet wider energy industry needs. The broad scope of the Commercial function is to:

- Undertake procurements and negotiate all contracts and contract renewals valued over £100k (Typical value between £1m and £10m as well as major programmes between £10m and £500m)
- Manage the Commercial and Procurement activity for our Major Programmes (SMETS1, Switching, ECoS and Network Evolution)
- Manage successful contractual partnerships through the life of DCC's strategic and high value contracts and supplier relationships, including the effective management of the commercial relationship with our Fundamental Service Providers (FSPs)
- Drive cost efficiency with our suppliers
- Effectively manage SEC modifications and contract and project changes whilst demonstrating value for money

- Provide support to the business on procuring goods and services and support the business in the management of contracts and suppliers where the value is under £100k
- Implement appropriate cost controls in a regulated and audited environment
- Provide new workstreams such as Value-Added Services and Product Development with Commercial and Procurement Support.

Key events and objectives driving activity and cost

Procurement

- Procurement activity related to the major programmes listed below
- Specialist consultancy resource required to support with Project [REDACTED] activity
- Lower allocation of resource out to programmes to support with Commercial Transformation activity e.g. Procurement policy, process mapping, commercial pipeline, iValua design, new Master Services Agreement
- Use of consultancy to augment the procurement function whilst the Commercial restructure and TOM (Target Operating Model) design is underway
- Increased levels of tactical / operational procurement (c. 50), driven by an increase in professional consultancy due to the headcount freeze
- Increased levels of HMT business cases (creation and subsequent redaction)
- Increased levels of DESNZ and Ofgem engagement – particularly related to the commercial pipeline and continuity of service

Commercial Operations

Following the restructuring of our Commercial Leadership team in September 2021, and the appointment of a new Chief Commercial Officer, DCC has continued the process of maturing our Commercial Function and augmented the leadership team with the appointment of a Director of Contract Management in September 2022. As part of DCC's transformation journey, DCC appointed our commercial partners to strengthen our strategic commercial processes, drive process changes to deliver a strategic expansion of skills across the organisation and incorporate technology to support the business, and, importantly, our customer needs. We have also adjusted our activities to align with the National Audit Office (NAO) framework to meet the new contract management aspect of the Operational Performance Regime (OPR).

Our commercial transformation workstream, initiated in January 2022, continues through additional workstreams to build upon the following strategic goals:

- A new designed "To-Be" organisation structure and operating model
- New senior leadership and oversight across Supplier Relationship Management, Contract Management and Procurement
- Adoption of new technology that supports our people and core processes

Recognising our Commercial function is becoming even more critical to our success as DCC operates at scale, in the next few years, we will need to:

- Manage an increasing number of in-life contracts
- Renew a significant number of high-value contracts
- Procure new technology as old technology retires
- Strategically manage new and existing suppliers

This volume of activities and increased number of stakeholders requires a professional Commercial function that can plan and evaluate risk more reliably than ever. To prepare for this, the maturity of our Commercial function will improve through the adoption of new processes for the future and automating as much as possible to drive efficiencies.

Automation and Continuous Improvements

Our existing processes, reporting and technology need to effectively align with our ways of working and continuously improve at pace. As a result:

- The function has reviewed and redesigned its Procurement processes which are being implemented in RY23/24 as part of our wider Commercial Transformation.
- As part of the Commercial Transformation, DCC's commercial pipeline is being reviewed and redesigned, to automate notifications and reporting, to drive improved visibility of contract expiry and plans for re-procurement which will be consulted on and implemented in RY23/24. This will drive the wider Business engagement to enable workstreams to commence before expiry and enhance DCC's drive for value for money.
- As part of the Commercial Transformation, DCC has commenced several initiatives to build upon our previous improvements.
 - Recognising DCC has multiple tools and methodologies for recording contracts, we have initiated the Jeopardy Programme to centralise our reporting and collaboration for all contracts, with the aim of incorporating the information within our future Commercial Toolset, known as iValua. The iValua design has begun to build a cross functional commercial tool capable of managing the workflows and contract processing for our Commercial Function.
 - Through the engagement with [REDACTED] DCC has redesigned and built a series of Commercial Processes, with the core objective of centralising our commercial function, to enable the sharing and collaboration of information between functions as part of our Lifecycle Contract Management (LCM) programme.
 - Since May 2022, every quarter we prepare and share our 'commercial pipeline' with DESNZ and Ofgem, and SEC Panel. This is updated every quarter and it ensures early engagement with the industry, alignment on future contracts and transparency with our key stakeholders.
 - Introduction of the Lifecycle Contract Management (LCM) programme, to evaluate the core delivery phases within the three phases of a contract's lifecycle:
 - Concept to Contract
 - Contract to Market
 - Market to Retire
- The function has also sought to improve relationships with external stakeholders and aligned its processes with customer engagement and focused on closing the feedback loop to further support OPR.

Major Programmes

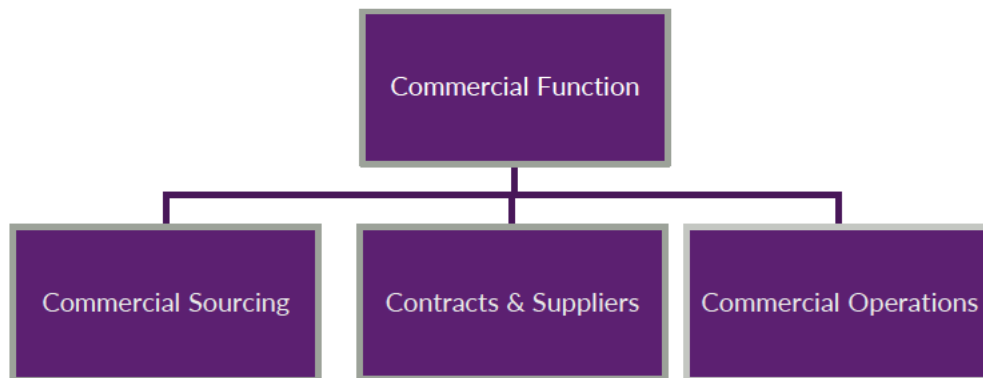
The Commercial team has provided extensive support and expertise in a large number of high-value procurements for our major programmes. The Commercial team has led negotiations on a wide range of major procurement activities including leading negotiations on all the Network Evolution sub-programmes.

1.1.1 Cost Centre Structure

At the end of RY22/23, the cost centre's organisation structure is as outlined in Figure 1 and the scope of each team can be found in Table 1.

The organisation restructure of the Commercial function mid-RY22/23 was driven by the need to ensure alignment at a senior level, to provide better commercial flexibility, greater focus on cost savings and better engagement with our key suppliers. This brought together commercial business partners with procurement staff and retained vendor management team, which was renamed Contracts & Suppliers. With this organisation change the Commercial Office team was renamed as the Commercial Operations team.

Figure 1 – Cost centre organisation structure



The table below provides the overview of the structural changes to the cost centre during RY22/23 and a description of the teams within the structure.

Sub-team structure reported in RY21/22	Current Sub-team RY22/23	Description
Commercial Office	Commercial Operations	<p>Accountable for:</p> <ul style="list-style-type: none"> Manages and controls commercial budget to ensure commercial outcomes are achieved and acts as the key interface between DCC People team & Finance Creates data and insight for Commercial SMT and DCC Executive Committee to inform key decision making Ensures a proactive, 'in-control' approach to scheduling commercial support for the wider DCC, interlocking plans and resource requirements, and preparing for audits and ensuring the timely resolution of any audit findings. Single point of accountability for cross-functional projects and improvement initiatives. Ownership for the holistic identification, capture, mitigation, tracking and reporting of Commercial function risks. Documents / maps all Commercial processes, continuously reviews and redesigns using DCC Continuous Improvement (CI) standards.
Commercial Operations	Commercial Sourcing	<p>Accountable for:</p> <ul style="list-style-type: none"> Negotiate major contracts pertaining to the delivery of key DCC Services in line with the approved Procurement Policies, Strategy and Procedures.

Sub-team structure reported in RY21/22	Current Sub-team RY22/23	Description
		<ul style="list-style-type: none"> Challenge and drive cost savings that represent value for money and ensure customers receive an appropriate level of information to justify expenditure. Building and maintaining Programme relationships with DCC major programmes on behalf of Commercial, representing all commercial aspects where required and the negotiation of significant contracts into the DCC eco-system. Manage the effective hand-over of such contracts to the business after a "bedding in" period of up to 12 months, typically 6 months after the date of contract signature. Provide commercial support to and deliver Re-Use programmes.
Procurement		<p>Accountable for:</p> <ul style="list-style-type: none"> Procure and re-procure goods and services valued over £100k on behalf of the DCC in line with the approved Procurement Policies, Strategy and Procedures. Procure and reprocure goods and services in major programmes (typical values £1m - £500m). Provide support and assurance on DCCs procurement of goods and services and on contract and supplier management on activity valued over £10k and under £100k. Adoption of the DCC Procurement Policy and Procedures throughout the organisation. Develop and create frameworks to manage tenders, ensuring they are fair, transparent, and compliant for participants to protect the DCC from challenge. Procure, negotiate, challenge and drive cost savings that represent value for money and ensure customers receive an appropriate level of information to justify expenditure. Ensure DCC operates within the relevant regulatory and legal framework and support DCC Legal team to ensure effective contract terms and conditions are developed and implemented.
Vendor Management	Contracts & Suppliers	<p>Accountable for:</p> <p>Supplier Relationship:</p>

Sub-team structure reported in RY21/22	Current Sub-team RY22/23	Description
		<ul style="list-style-type: none"> Managing Strategic Supplier Relationships (and where relevant other non-strategic suppliers) focusing on maintaining value and risk focus, driving supplier performance, and resolving conflict. Designing and adhering to robust governance frameworks, identifying opportunity, managing risk, and driving value for money. Communicate DCC strategy and forward plans to align with supplier strategies, promote relationship / networking with strategic suppliers. Act as the single escalation route for resolving issues. <p>Contract Management:</p> <ul style="list-style-type: none"> Challenge and drive cost savings that represent value for money and ensure customers receive an appropriate level of information to justify expenditure. Maintain value and risk focus through effective contract, commercial and supplier relationship management and act as the first point of contact for issues. Liaise with the business to ensure appropriate contract change management processes are undertaken and supports a favourable commercial position. The effective management of contractual mechanisms and commercial levers for DCC Strategic suppliers, liaison with the wider business to provide contract interpretation, guidance on contract related matters and ensuring contract change is managed.

1.2 Cost centre variances

Variance by GLs in the RIGs

The table below provides a breakdown of incurred and forecast costs in price control format i.e. mapping costs directly against the price control General Ledger codes (GLs).

Table 1: Cost centre variance by GL

GL costs (£m)		RY22/23	RY23/24	RY24/25
Total Baseline - Commercial		4.991	4.565	0.708
Total Incurred - Commercial		6.791	8.163	7.883
Total Variance - Commercial		1.800	3.599	7.175
Payroll costs	PR	0.431	2.703	6.667
Non-payroll costs	NP	0.004	0.069	0.162

Recruitment	RC	0.217	0.147	-
External services	ES	1.147	0.379	0.046
IT services	IT	-	0.300	0.300

Payroll costs variance

The main payroll changes in RY22/23 are as follows:

- Recruitment of 4 new directors (1x Contract Management Director, 1 x Procurement Director, 2 x Commercial Programme Director).
- Delay in implementing the new commercial org structure resulted in unfilled vacancies for longer than forecast.
- Use of consultancy to augment procurement team on short-term basis as a result of a fundamental restructure of the team and redundancies.
- Extension to contractors working on business-critical programmes, beyond original forecast.

Variance by Sub-Team

The table below outlines the variances by sub-team. The following sections describe the reasons for the variances.

Table 2: Cost centre payroll variance by sub-team

Variance (£m)	RY22/23	RY23/24	RY24/25
Commercial Payroll costs	0.431	2.703	6.667
Commercial Operations	-0.281	1.017	2.336
Procurement	0.180	0.539	1.481
Vendor Management	0.532	1.147	2.850

1.3 Drivers for Variance – Resource

To deliver the Commercial Transformation necessary to enhance DCC's commercial capability and ensure it is structured to meet future challenges, DCC has initiated a commercial transformation project which has resulted in a few changes to headcount across the team.

The additional headcount is required to ensure DCC can manage existing BAU requirement across all fundamental contracts whilst recognising an increased stakeholder engagement (DESNZ, Ofgem and Strategic Customers & Suppliers) and the delivery of strategic programmes.

The Commercial Transformation and migration for our commercial function to the new commercial tool is driving the resource increases within 23/24 and 24/25 to support the delivery of DCC's new commercial strategy. As part of 23/24, DCC's resource head count will grow to 76, as 9 additional FTEs are required, for the reasons set out below. However, upon completion of the transformation, the anticipated resource requirements will decline year-on-year, with an estimated total 57 FTEs in FY27, 19 FTEs less than March 2024 and 10 FTEs less compared to today.

1.3.1 Commercial Operations

The expanded Commercial Operations and Planning team plays a crucial role in driving value for the Commercial function. The team is responsible for managing commercial budgets, ensuring optimal resource allocation, and fostering seamless coordination between the DCC People and Finance teams. The team aligns commercial support with broader organisational plans, enhancing agility and promoting the creation of timely commercial strategies. Additionally, the team is responsible for coordinating audit preparedness, maintaining compliance with regulatory policies, and promoting broader functional improvement, enhancing the function's reliability and reputation.

Activities driving change in resource in RY22/23

The Commercial function initiated a Transformation programme in RY22/23 which included a review of the existing operating model and resulted in a functional restructure. The purpose of this re-structure was to ensure optimal alignment with the business and best support current and future business needs. The Commercial Operations underspend in RY22/23 is a direct result of this transformative activity, with the re-structure coinciding with the internal transfer of two FTEs. A decision was taken not to backfill these vacancies until the future operating model had been designed and we were clear on the responsibilities of the Commercial Operations team moving forwards.

Activities driving change in resource in RY23/24 and RY24/25

In an increasingly complex business landscape, it has become progressively more important for the Commercial function to establish a dedicated team responsible for facilitating effective decision-making and driving commercial excellence. Recognising this need, as part of the future operating model design, we made a strategic decision to expand the Commercial Operations and Planning team, the impact of which is driving increased resourcing costs in future years. The central team will assume greater responsibility for several critical areas including governance and compliance, resource planning, risk management, reporting and driving continuous improvement and cost efficiency across the function, as below:

- **Improved Governance and Compliance:** By implementing and enhancing robust governance policies and compliance frameworks, the Commercial Operations team will ensure commercial alignment with DCC's regulatory requirements and industry standards. This will lead to reduced legal and regulatory risks, fewer compliance issues, and a strengthened reputation among customers and stakeholders.
- **Enhanced Resource Management and Planning:** With a focus on resource planning and optimisation, the team will ensure that the right people are in the right roles at the right time. This will contribute to increased productivity, reduced resource wastage, and better workforce planning, fostering an environment of operational agility.
- **Proactive Risk Management:** The team will support the function in proactively identifying, assessing, and mitigating risks that could impact our organisation and customers. By implementing a more robust risk management framework, standardising risk assessments, and providing timely insights to key stakeholders, the team will help safeguard our business interests, reputation, and financial stability.
- **Informed Decision Making:** Through accurate and transparent reporting, the Commercial Operations team will provide valuable insights into financial performance, operational efficiency, and key performance indicators. This will enable more informed decision making across the function and contribute to improved strategic choices and better outcomes.
- **Cost Efficiency and Savings:** By identifying cost-saving opportunities and implementing lean practices, the team will contribute to cost efficiency across the commercial function. Through rigorous analysis, strategic sourcing, and supplier management, the team will coordinate and support the delivery of cost efficiencies, ultimately contributing greater value for money for our customers.

1.3.2 Procurement

In brief, the team is accountable for procuring and re-procuring goods and services valued over £100k and those in major programmes - typical values £10m - £500m - on behalf of the DCC in line with the approved Procurement Policies, Strategy and Procedures. Providing support and assurance on DCC's procurement of goods and services and on contract and supplier management on activity valued over £10k and under £100k.

Activities driving change in resource in RY22/23

As part of our ongoing initiative to improve the way we procure and manage our contracts, and to act on the findings of the OPR contract management audits, we have made fundamental changes to the leadership and structure of our procurement team. The changes will mean that DCC is better able to manage the pipeline of major

programme procurements and ensure customers see the benefit from increased value for money. In RY 22/23, this has led to the following variances:

- Recruitment of 3 new directors (1 x Procurement Director, 2 x Commercial Programme Director).
- Delay in implementing the new commercial organisation structure has resulted in unfilled vacancies for longer than forecast.
- As mentioned above, use of consultancy to augment procurement team on short-term basis.
- Extension to contractors working on business-critical programmes, beyond original forecast.

Activities driving change in resource in RY23/24 and RY24/25

There are variances in forecast years arising from:

- Delivery of the future commercial organisation will result in an expanded procurement function across RY23/24 and for most of RY24/25 to deliver business critical programmes.
- Increased costs associated with restructuring (e.g., recruitment and redundancy fees) to ensure that the team's capability is enhanced.

1.3.3 Vendor Management

The team is accountable for supplier relationship management and contract management including maintaining value and risk focus through effective contract, commercial and supplier relationship management. The team also acts as the first point of contact for issues for our external service providers.

Activities driving change in resource in RY22/23

As the number and complexity of DCC's external service provider contracts has grown, and with the large number of 'Green Book' procurements processes in the Commercial pipeline, we have needed to increase the capability of the Vendor Management team as follows:

- Recruitment of 1 new Director for Contract Management.
- Recruitment of 1 new Senior Contract Management as part of the creation of a new Contract Change & Commercial Governance team as part of the Contract Management function, with the responsibility of owning the Contract Change Governance, Commercial Audits requiring Contract Management engagement and supporting the wider commercial transformation programme for Contract Management.
- Recruitment of 3 new Contract Managers as part of the new Commercial Transformation strategy and re-organisation of resource alignment to individual fully managed contracts.

Recruitment of additional FTE was required to complement the existing team with additional capacity to enable the functionality of the team to mature and provide additional governance and rigour as a commercial function for DCC. This was recognised in the previous OPR (NAO) audit, which outlined the requirement for our function to mature in terms of our commercial acumen and functionality.

The increased capacity within the team has resolved previous deficits impacting SMETS1, SMETS2, ECoS and our Switching teams. It will also enhance the capability in preparation for the transformational activities during RY23/24 to drive increased governance, adherence, and adoption to the fundamentals of the Contract Management principles and processes within DCC, such examples as.

- Obligation Management
- Risk Management
- Governance & Controls
- Asset & Inventory Management
- Value for Money

The benefits for the commercial function and the wider DCC will come from the maturity of the team, enabling increased adherence and adoption to the fundamental requirements, these include:

- Better understanding of our contracts and the risks which can be better managed and mitigated therefore reducing costs and potential disputes.
- Our suppliers being held to account over obligations and ensuring they are delivering in accordance with their contracts and services paid for by DCC.
- Increased control and rigour to build trust in the Contract Management function to deliver, drive value, pipeline management and make decisions.
- Both External & Internal audits will see a significant improvement in the governance and structure within both the engagement and evidence.
- Generation of a Contract Management Handbook providing all members of the DCC Commercial function with a detailed understanding of our processes, expectations, and the responsibilities across the commercial function.
- Implementation of additional governance measures such as Material Controls, providing 14 Key Performance Indicators (KPI's) to measure the effectiveness of the team managing individual contracts,
- Accountability in the team which will drive the right culture shift needed to mature the function and upskill the competence of resources.

Activities driving change in resource in RY23/24 and RY24/25

Forecast activities will focus on the need to mature our Contract Management function and to deliver the DCC Commercial Vision to drive 'Unified Ways of Working', 'Next Level Commercial Management', 'Flexible Integrated Organisation', 'Systematic Commercial Approach' and 'Enhanced Digital Capabilities'. The team needs to expand its functional capabilities and to increase the governance and material controls through the application of strategic recruitment and increased the interconnectivity between the commercial functions as part of the wider Commercial Transformation.

The following planned activities are driving cost variances:

- Ensure continuity of services: standardise and consistent contract management approach to all DCC contracts.
- Ensure sufficient time to evaluate our Commercial Pipeline to enable consideration of the commercial options to demonstrate value for money.
- Fully integrated and embedded contract management process with procurement and SRM, to fully anticipate business needs.
- As part of our transformation the creation of a single source of truth contract database that enables visibility and proactive management of contract expiry.
- Forecast risk automatically in advance of contract expiry to allow sufficient time to run an effective and efficient re-procurement and change control processes
- Professional contract management organisation aligning to overall DCC programmes and lifecycle to maximise value added to the business

As a continuation of our drive for enhancing the credibility and maturity of the Contract Management function, we have incorporated the following resources within the team from 2023/24.

- Recruitment of 1 new Senior Contract Management as part of the restructured SMETS2 contract management team,
- Recruitment of 2 new Contract Managers as part of the new Commercial Transformation strategy and re-organisation of resource alignment to individual fully managed contracts.
- Recruitment of 2 new Contract Managers as part of the new Commercial Transformation strategy to support the governance, adoption monitoring and data management processes as part of the newly formed new Contract Change & Commercial Governance team.

The application and delivery of the Contract Management transformation will benefit the wider DCC Commercial function through:

- **The Contract management organisation being aligned to programmes:**
 - Oversee programme level contracts and change controls,

- New change and governance team supporting and monitoring the additional governance and adherence to policy and processes.
- **Streamlined process and increased governance and management.**
 - Streamlined change control processes.
 - A documented contract management handbook to formalise processes and ownership.
 - Establishing a centralised ownership of contract ownership within DCC Commercial, enabling centralised control and governance to processes such as board paper approvals.
- **Proactive management of contracts within a commercial pipeline**
 - Increased collaboration with business owners and procurement to decide actions upon contract expiry
 - Enabling proactive resource planning to deliver planned activities in time.
 - Established a process timescale to ensure business is well informed.
 - Development of an escalation process to enable top management oversight on exceptions.
- **Generation of a new Commercial tool, iValua and improved data management**
 - Contract database established with guideline on mandatory data fields
 - New reports to provide visibility and ability to track
 - Ability to share consistent datasets with internal functions and auditors
 - Embedded within our ways of working through the application of both new and uplifted processes and policies.

1.4 Drivers for Variance – Non-Resource

1.4.1 Summary

During RY21/22, there were no individual procurements within Commercial that had material variance, (i.e., over £0.15million). The breakdown is provided below.

Table 3: Material Variance

	Incurring (£m)	RY22/23	RY23/24	RY24/25	
	Total Incurred External Services	1.367	0.549	0.150	
	Variance (£m)	RY22/23	RY23/24	RY24/25	Procurement Type
ES	Total Variance External Services	1.147	0.379	0.010	
ES	Commercial transformation	0.632	-	-	
ES	Cost Benchmarking	-	0.150	0.150	
ES	Net Evo – DSP	-	0.299	-	

1.4.2 RY22/23

There is a positive variance overall of £2.506 million within Commercial in RY22/23. It is formed of 11 different items, 3 of which were individually materially variant. The sections below describe these in detail.

1.4.3 Commercial Transformation

DCC has evolved with increased complexity, pace, and external stakeholder involvement since licence award, and is now a fundamentally different organisation with different skill and capability needs. DCC is also incentivised by Ofgem under the OPR contract management regime to comply with the NAO framework. As the incentive scheme seeks to change what DCC does, and as we have set out in previous submissions, such change imposes costs on DCC.

We therefore now require a suitably qualified service provider to support the implementation of the transformation of the Commercial function, to meet the current and future objectives of DCC.

The Requirements

Earlier this year, [REDACTED] completed an initial piece of work to review and redesign the Commercial Operating Model, providing recommendations in particular on organisational structure, core Commercial processes and Source-to-Pay technology, allowing DCC to better achieve its business objectives.

Following this work, DCC initiated this procurement to provide advice on how to improve the Commercial function and remedy the following key problems:

- Lack of up-front planning
- Lack of business partnering
- Generally, a reactive function Inefficient hand off between teams
- Absence of integrated user-friendly systems
- Unclear inefficient business processes and ownership Lack of bandwidth and flexibility (capability + size)
- Lack of category management approach
- Too many generalists

We followed a competitive procurement process for this project and selected the same group of suppliers who participated in an earlier piece of work (DCCT0316). These were:

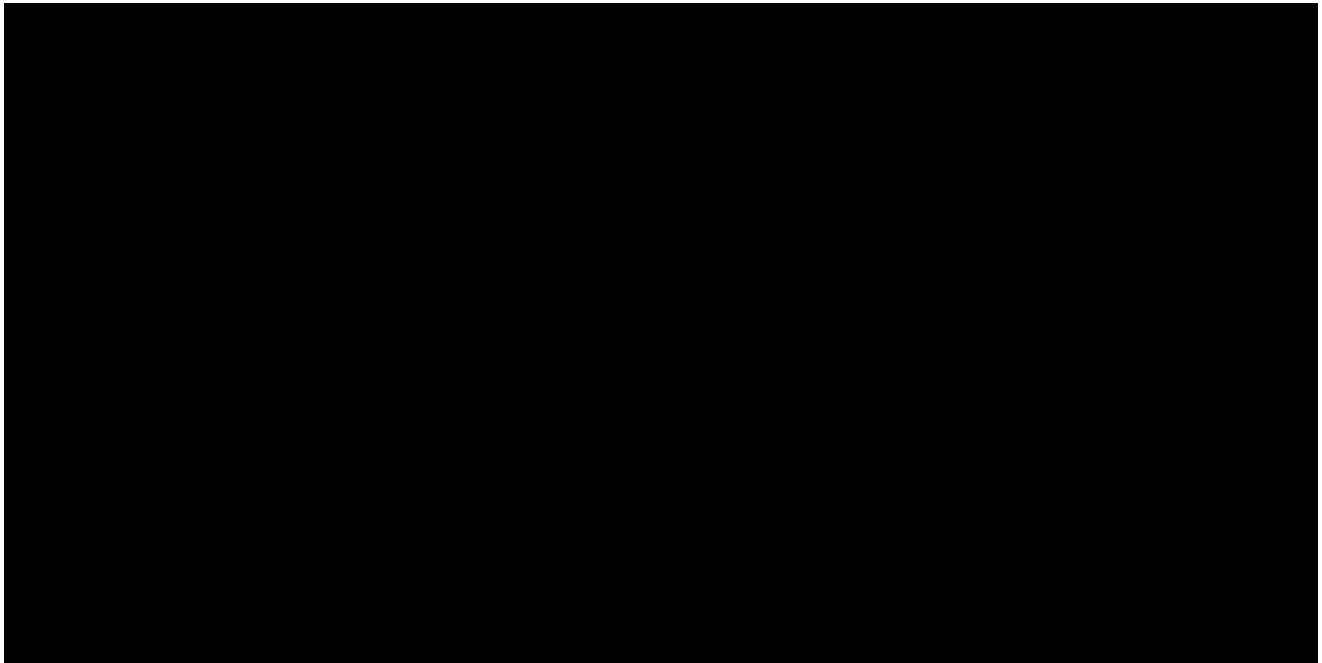
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

At the outset, [REDACTED] declined to participate. Following the issue of the RFP on 29th September, [REDACTED] decided they were not going to bid.

We were expecting a proposal from [REDACTED] also, but at the last minute they decided they would not submit, leaving only [REDACTED] offering a proposal. We did however conduct a full evaluation with a panel comprised of three DCC staff members. A summary of the procurement is set out below.

Procurement – Commercial Transformation		
Number of Bids received	1 ([REDACTED])	
Number of Bids shortlisted	1	
Strengths of Selected Bidder	Only one compliant bid submitted to DCC. The contractor demonstrated a high-quality bid that leveraged its findings from the prior contract DCCT0316 which diagnosed issues with the effectiveness of DCC's Commercial function	
Challenge by DCC	Initial Price	BAFO
	[REDACTED]	[REDACTED]

The Transformation programme has and is still in the process of designing and implementing a wide range of deliverables. (See figure below).



There have been two small extensions to the original Transformation Programme contract. The first was for the initial design work for the Jeopardy Management (Commercial Pipeline) activity. This was for [REDACTED] and naturally fitted as an extension of the [REDACTED] work, as it brings together visibility of all commercial activity. The second extension was for the process design for the Operations In-Life Supplier Management process. This is a process that is not part of Commercial, however, has many dependencies and interfaces with Commercial. It was decided that the process work needed to be accelerated to ensure that the commercial transformation took into consideration the planned new ways of working within ISM.

As [REDACTED] were working on all the Commercial processes, it made sense to extend the contract to cover this activity. By using [REDACTED] we ensured consistency of approach, and we were able to ensure all the knowledge from Commercial could be leveraged into a rapid process mapping exercise. This extension was for [REDACTED].

1.4.4 RY23/24 and RY24/25

1.4.5 Net Evo DSP

There is a figure of £0.3m in the forecast for RY23/24, which is a consultancy budget estimate to provide expert support to the DSP repurchase. Although it is committed, it is not contracted.

1.4.6 Cost benchmarking

As part of our ongoing efforts to drive value for money in our procurements, we intend to spend [REDACTED] per annum on enhanced cost benchmarking of our external service providers. As above, although this item is committed, it is not yet contracted.

Finance – RY22/23 Variances Overview

Cost Centre Variance by GL

The table below provides a breakdown of incurred and forecasted costs in price control format i.e., mapping costs directly against the price control General Ledger codes (GLs).

Baseline (£m)		RY22/23	RY23/24	RY24/25
Total Finance		13.284	11.622	1.697
Payroll costs	PR	8.822	6.624	1.323
Non-payroll costs	NP	0.258	0.258	0.030
Recruitment	RC	0.033	-	-
External services	ES	0.562	0.562	0.090
Internal services	IS	-	-	0.150
Service management	SM	0.091	0.095	-
IT Services	IT	3.515	4.080	-
Office Sundry	OS	0.003	0.003	0.104
Incurred (£m)		RY22/23	RY23/24	RY24/25
Total Finance		24.072	19.938	17.508
Payroll costs	PR	11.172	12.857	11.033
Non-payroll costs	NP	0.796	0.276	0.267
Recruitment	RC	0.583	0.064	-
External services	ES	8.493	2.503	2.096
Internal services	IS	0.183	-	-
IT Services	IT	2.845	4.237	4.112
Variance (£m)		RY22/23	RY23/24	RY24/25
Total Finance		10.788	8.316	15.811
Payroll costs	PR	2.351	6.233	9.710
Non-payroll costs	NP	0.538	0.018	0.237
Recruitment	RC	0.550	0.064	-
External services	ES	7.931	1.941	2.006
Internal services	IS	0.183	-	- 0.150
Service management	SM	- 0.091	- 0.095	-
IT Services	IT	- 0.670	0.158	4.112
Office Sundry	OS	- 0.003	- 0.003	- 0.104

Cost Centre Variance by Staff Type and Team

The table below shows the payroll variance by sub-team within the Finance cost centre.

Baseline (£m)	RY22/23	RY23/24	RY24/25
Finance Payroll Costs	8.822	6.703	1.323
Business Improvement and Internal Audit	0.507	0.507	0.000
Commercial Finance	0.509	0.460	0.477
Enterprise IT	1.230	0.630	0.000
Finance Office	0.411	0.411	0.227
Finance Transformation	0.699	0.699	0.184
Financial Reporting	0.747	0.762	0.404
Legal	0.953	0.897	0.000
People team	1.303	0.035	0.031
Portfolio and PMO	1.950	1.789	0.000
Regulatory Finance and Pricing	0.433	0.433	0.000
Incurred (£m)	RY22/23	RY23/24	RY24/25
Finance Payroll Costs	8.822	6.703	1.323
Business Improvement and Internal Audit	0.701	0.747	0.747
Commercial Finance	1.746	1.714	1.714
Enterprise IT	0.911	1.504	0.924
Finance Office	0.418	0.431	0.431
Finance Transformation	1.088	1.030	0.837
Financial Reporting	0.800	0.882	0.882
Legal	0.816	0.812	0.812
People team	2.147	2.208	1.843
Portfolio and PMO	2.171	3.216	2.529
Regulatory Finance and Pricing	0.297	0.233	0.233
Variance (£m)	RY22/23	RY23/24	RY24/25
Finance Payroll Costs	2.351	6.154	9.710
Business Improvement and Internal Audit	0.194	0.239	0.747
Commercial Finance	1.237	1.254	1.237
Enterprise IT	-0.319	0.873	0.924
Finance Office	0.007	0.020	0.204
Finance Transformation	0.389	0.331	0.653
Financial Reporting	0.054	0.120	0.478
Legal	-0.137	-0.086	0.812
People team	0.844	2.173	1.811
Portfolio and PMO	0.221	1.426	2.529
Regulatory Finance and Pricing	-0.136	-0.200	0.233

1 Finance and People Cost Centre

Summary

- The Finance team's key driver of change has been the Business Accuracy Programme (BAP) which was commenced in RY21/22 with the aim to build a platform which is more reliable (reducing errors), more flexible and transparent (creating better insight in decision making), and more accurate (allowing better assessment of risk)
- The BAP is a fundamental component of our broader business transformation, and as showed to Ofgem in different forums (including a visit to our Brabazon offices in May), the benefits of the BAP are starting to materialise
- Key benefits are in relation to time recording (with more accurate cost management and improved planning & forecasting capabilities), improved financial planning tools (with better data quality, improved planning and resource management and single, defined entry point for all internal and external change)
- The People team continue to make strong progress against the 3-year strategy previously set out, with the introduction of DCC's new Values and Behaviours, an increased focus on Leadership capability, and clear investment in employee engagement
- As a result of this, we have seen in this regulatory year a clear improvement of our eNPS (from -28 to 0) and a fall in staff attrition from 21.3% to 14.8%, helping to deliver a more mature and stable organisation, to better serve the needs of our customers. Our performance in these critical KPIs is better than comparator organisations in similar industries

1.1 Purpose, Scope, and Structure

1.1.1 Purpose and Scope

Finance Function

Given the changes during the year, the purpose of the Finance function (known as the CFO Function within DCC) has been reviewed and refreshed.

The three core pillars of the CFO purpose are:

1. **DEFINE** - We define and evolve DCC 's Lifecycle Management approach, designed with clear accountabilities, optimised by technology, and continuously improved
2. **EMPOWER** - DCC's data, systems, processes, and governance will empower the organisation, teams, and individuals, removing barriers and simplifying how we get things done
3. **GOVERN** - We track performance of the business, as well as design and enforce the Governance Framework

People Team

In RY22/23, the People team has made significant progress executing against the 3-year People Strategy, strengthening DCC's culture and capability, as well as enhancing the employee proposition and experience.

The introduction of new DCC Values and Behaviours co-created with colleagues marks a crucial step in maturing the business and fostering a secure and stable operating environment. An increased focus on the

Leadership capability, critical to DCC's cultural transformation, was marked by activities to regalanise and emphasise the role of leadership.

DCC's investment in employee engagement has been critical in a very competitive talent market, and insights gained through our regular employee surveys have addressed engagement issues and shape the organisation's direction. Investment in employee experience continues to be a key part of our people strategy, with the focus this year being on improving collaboration and ways of working following Covid-19.

The People team remains committed to competitive yet efficient compensation and continue to place emphasis on benchmarking activity to attract and retain the talent DCC needs. The results of this activity have been evidenced by improvement in the stability and engagement of our DCC's workforce with significant improvements being seen in our key metrics eNPS (+28 points) and attrition (reduced 7%) during this year.

1.1.2 Structure

For regulatory reporting purposes, the People team, which is responsible for all aspects of Human Resources activity within DCC, is also included within the return for the Finance RIGs cost centre. At the start of the regulatory year the team was divided into the following key areas:

1. Business Improvement and Internal Audit
2. Finance Office
3. Financial Control & Reporting
4. Commercial Finance
5. Finance Transformation and Business Operations
6. Regulatory Finance and Pricing
7. Enterprise IT
8. Legal
9. Portfolio and PMO
10. People team

During the last regulatory year, there have been several organisational changes to DCC's cost centre structure and line management.

The changes are summarised below:

1. Business Improvement and Internal Audit (now Risk and Assurance) transferred from Corporate Management to Finance
2. A new Director of Risk and Assurance has now joined the Risk and Assurance function
3. A new Enterprise IT (EIT) Director has joined the function
4. As the CFO function focused on completion of the Business Accuracy programme, the Portfolio and PMO team (led on an interim basis by the Enterprise Planning Director) and the Commercial Transformation team (led by the Head of Commercial Transformation) were incorporated into the function
5. The Business Operations team formerly moved to report to the People team

The responsibilities of each sub-team are set out in the table below:

Sub-team 22/23 (same as 21/22)	Description
Business Improvement and Internal Audit / Risk and Assurance (<i>comes from Corporate Management in RY21/22</i>)	Responsible for delivering risk and policy-based internal audits, tracking audit recommendations to completion, managing enterprise and functional risk, performing regulatory compliance, and ensuring health, safety, and environment compliance.

Sub-team 22/23 (same as 21/22)	Description
Finance Office	Responsible for the costs of the CFO, who is a member of the DCC Board and the finance team PA.
Financial Control & Reporting	Responsible for producing the Statutory Accounts, master data set up, price control data, purchasing and billing operations, and cash management.
Commercial Finance	Responsible for producing financial plans and forecasts, business partnering to the organisation, driving cost efficiencies, evaluating investment decisions, and month end reporting.
Regulatory Finance and Pricing	Responsible for the preparation and publication of the Charging Statements; and charging policy interactions with Ofgem and the Department for Energy, and Net Zero.
Finance Transformation and Business Operations	Responsible for delivering the Business Accuracy programme, driving value in the creation of more robust systems and process which in turn create more meaningful insight and control.
People Team	Responsible for developing core skills and training, recruitment, talent management, succession planning, reward management, organisational design and development, and HR business partnering.
Legal	Responsible for all legal matters within DCC, including those referred to external council.
Portfolio and PMO	Responsible for enterprise-wide activity planning and process improvement.
Enterprise IT	Responsible for designing, operating, and governing all aspects of the Internal DCC technology and communications infrastructure.

Key events and objectives driving activity and cost

The main activities delivered in RY22/23 were:

- Delivering detailed cost forecasts and plans for internal cost control and charging statement and Price Control purposes
- Driving value for money for customers by supporting investment decisions along with proposing the financing and refinancing of key programmes
- Providing a risk and control framework for all Smart DCC activity
- Updating both processes and systems in order to drive a Transformation in the quality and robustness of the financial data through the Business Accuracy Programme
- Refreshing our market data and updated our salary ranges in line with agreed practice
- During pay award, undertook an exercise ensuring colleagues paid below salary range were lifted at least to the bottom of the salary range for the role. We agreed an overall budget with the Remuneration & People Committee in line with the process established in our licence agreement. This exercise was completed within this budget
- Undertaking a cost benchmarking exercise to provide better visibility into DCC cost base and to provide an understanding of cost efficiency gaps against comparable companies to lead to a more cost-efficient culture

Organisational Structure

There have been some structural changes to this cost centre over the last regulatory year. It should be noted that the sub-team structure within the payroll system (the table above) does not always match the Finance and People organisational structure illustrated in the figure below.

The structure of the Finance and People cost centres at the end of reporting year 22/23 was as follows:

Figure 1 – Cost centre organisational structure at start of RY21/22

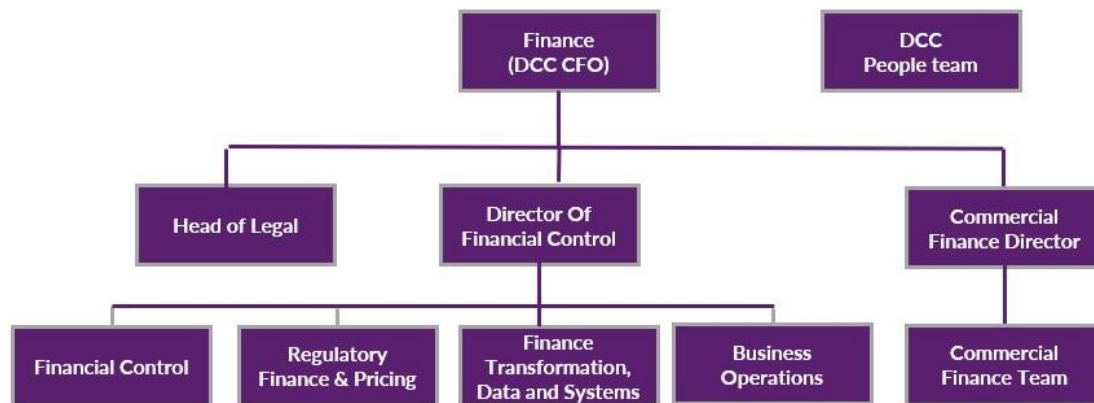


Figure 2 – Finance cost centre organisational structure end of RY22/23

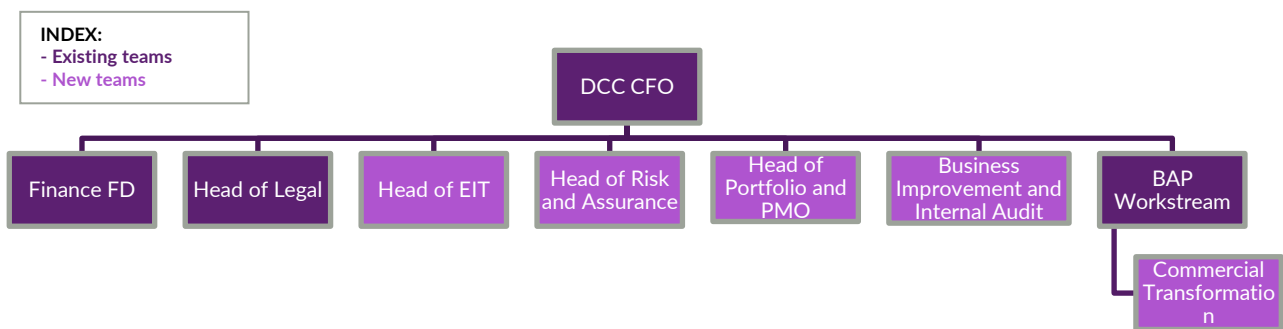
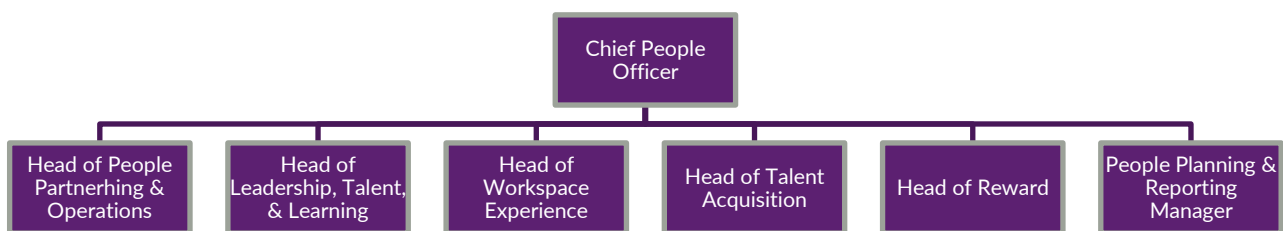


Figure 3 – People cost centre organisational structure end of RY22/23



The above organisation chart shows the structure in place at the end of the regulatory year. During RY22/23, one new Director role was introduced to oversee the finance function, consisting Commercial Finance and Financial Control. In the upcoming RY23/24, a new addition to the General Counsel for DCC will be made.

1.2 Cost centre variances

Variance by GLs in the RIGs

The table below provides a breakdown of incurred and forecast costs in price control format i.e. mapping costs directly against the price control General Ledger codes (GLs). Non-payroll costs are explained in a subsequent section. Payroll and Recruitment are justified within the next section. External Services are explained in the non-resource section.

Table 1: Variance from the RIGs by GL

				R Y22/23	R Y23/24	R Y24/25
Total Baseline	Total Finance		£m	13.284	11.622	1.697
Total Incurred	Total Finance		£m	24.072	19.938	17.508
Total Variance	Total Finance		£m	10.788	8.316	15.811
	Payroll costs	PR	£m	2.351	6.233	9.710
	Non-payroll costs	NP	£m	0.538	0.018	0.237
	Recruitment	RC	£m	0.550	0.064	-
	External services	ES	£m	7.931	1.941	2.006
	Internal services	IS	£m	0.183	-	- 0.150
	IT Services	IT	£m	- 0.670	0.158	4.112

Payroll costs variance

The overall payroll costs variance is £2.351m in RY22/23.

Variance by Sub-Team

The table below outlines the variances by sub-team. The following sections describe the reasons for the variances.

Table 2: Variance by sub-team

Finance Payroll Costs (£m)	R Y22/23	R Y23/24	R Y24/25
Finance Payroll Costs	2.351	6.154	9.710
Business Improvement and Internal Audit	0.194	0.239	0.747
Commercial Finance	1.237	1.254	1.237
Enterprise IT	-0.319	0.873	0.924
Finance Office	0.007	0.020	0.204
Finance Transformation and Ops	0.389	0.331	0.653
Financial Reporting	0.054	0.120	0.478
Legal	-0.137	-0.086	0.812
People team	0.844	2.173	1.811
Portfolio and PMO Transformation	0.221	1.426	2.529
Regulatory Finance and Pricing	-0.136	-0.200	0.233

1.3 Drivers for Variance – Resource

In RY22/23, a total of 5 teams shows material variance, which is likely to continue in the coming years. All sub-teams are forecast to be variant in the final year as the baseline defaults to the LABP values.

1.3.1 Business Improvement and Internal Audit / Risk and Assurance

The Business Improvement and Internal Audit sub-team (now Risk and Assurance), is responsible for the following activities:

- Delivering risk and policy-based internal audits
- Tracking audit recommendations through to completion to achieve control improvements
- Managing Enterprise and Functional risk
- Performing regulatory compliance assurance across the Licence, SEC, and REC.
- Ensuring Health, Safety and Environment (HSE) compliance across all sites

Activities driving change in resource in RY22/23

In last year's submission, we forecast that the BIIA team would incur costs of £0.79m – this included the Chief Risk Officer. However, following a restructure, the Chief Risk Officer was appointed as Chief Customer Officer, resulting in a need to back-fill a senior post to provide leadership for the team. DCC appointed a Director of Risk and Assurance. The net result was the incurred costs for the team were £0.7m, around £90k lower than forecast. However, because of the movement of the Chief Risk Officer out of the team and into Customer Experience, we have moved his baseline to the new team, resulting in a reduced baseline for the BIIA team. The difference between the revised baseline of £0.5m and the incurred costs of £0.7m is the result of this restructure.

Activities driving change in resource in RY23/24 and RY 24/25

As above, there are no changes to the composition of the team in RY23/24 and RY24/25 relative to RY22/23. Incurred costs for these years are forecast to be £0.75m, compared to a baseline of £0.5m. Again, this difference is explained by the Chief Risk Officer (who did have a baseline) moving out of the team and being replaced by a Director of Risk and Assurance (who does not have a baseline). There is no baseline for RY24/25 as the forecast defaults back to LABP.

1.3.2 Commercial Finance

As noted above, the Commercial Finance team are responsible for, amongst other things, the production of the financial plans and forecasts. As part of the Business Accuracy Programme a new planning process was launched in RY22/23, the 'Lock'. The quarterly Lock process provides an integrated, standardised, and consistent planning approach to forecasting financials and resources across DCC. It also provides the governance to approve forecasted spend and resource requirements. The successful implementation has driven significant benefits including improvements to forecast accuracy, clearer cost transparency, as well as engagement and ownership of the cost base, which in turn enables an efficiency roadmap.

Activities driving change in resource in RY22/23

During RY22/23, the most significant variance in the Commercial Finance team expanded with the transfer of the Business Planning team (3 people) from the Corporate Management cost centre. This team was incorporated within the FP&A team to form a new Business Planning and FP&A Function under the direction of a new Head of Business Planning and FP&A.

In addition to the changes in FP&A there was also an increase in the Finance Business Partnering team, bringing the team up to full strength after a high staff turnover in RY21/22. This included the recruitment of a Head of Business Partnering to support the management of the major programmes, including 4G Comms Hub and Network.

Activities driving change in resource in RY23/24 and RY24/25

No significant changes are planned to headcount in FY23/24. The only anticipated change will be the transfer for the Economic Modelling team from the Finance Control team.

1.3.3 Enterprise IT

During RY22/23, Enterprise IT moved from the Security Function into the CFO Function having completed the Enterprise IT Migration project. One of the reasons for this change was to become more closely aligned to the Business Accuracy Program undertaken by the CFO function to improve planning and reporting accuracy.

DCC brought Enterprise IT services in-house to address segmentation and service issues as [REDACTED] was unable to meet the stringent security standards required of DCC's systems. Once these services were in-house, there was a need to have an IT team in situ. The Enterprise IT team manages this additional responsibility whilst seeking to save costs on external management of services such as Microsoft 365, Microsoft Azure, and Amazon Web Services, all of which are used extensively to run and support DCC's operations.

The main deliverables worked on EIT throughout RY22/23 include:

- Reduction of Information Technology costs, by reducing license costs, closing old projects or systems and better planning future projects
- For Business Accuracy, EIT delivered:
 - the OneData platform – a data-lake that enables dashboarding and reporting from a secure central reporting platform
 - the new time-sheeting platform using PowerPlatform
 - the new FPT application hosted in Azure
- The AWS Cloud team continued to reduce costs whilst adding new capabilities (including ECoS, SOC reporting platform, upgrades to EDAM)
- Constructed a team to replace contingent labour, emphasising the strategic role that Cloud has for DCC, and adding new capabilities in Governance and PowerPlatform development
- Further supported hybrid working for employees of DCC during COVID19 lockdown, enabling all employees to function effectively from home whilst minimising further cost to DCC, and facilitating improved levels of collaboration in the office spaces, including a full replacement of all video conferencing

Activities driving change in resource in RY22/23

There is no variance in RY22/23 given that there was a significant underspend in RY22/23. This was brought about by difficulty in acquiring and retaining quality resources in the AWS Cloud space in a highly competitive market.

Activities driving change in resource in RY23/24 and RY24/25

Much of the resource spend scheduled for RY22/23 will now be incurred in RY23/24 as additional resource is secured in early RY23/24.

1.3.4 Finance Transformation and Business Ops

The team is responsible for activities which include ensuring that the DCC reporting system (BPC) is maintained and modified as per the needs of the business and any regulatory requirements, introducing systems to automate finance processes, and refining systems or processes to improve performance.

Activities driving change in resource in RY22/23

As the work on the Business Accuracy Programme ramped up, the internal support team increased by 2 Finance Analysts, 1 Programme Manager, and 1 Business Process Specialist. Details of the work alongside the benefits is set out in section 1.3.2.

Activities driving change in resource in RY23/24 and RY24/25

A similar variance to RY22/23 is expected for RY23/24, with the resources ramping down in RY24/25 as the Business Accuracy Programme concludes.

1.3.5 People Team

The People team is responsible for providing strategic and operational HR business partnering to ExCo and functional leadership teams to include efficient and effective organisation design and development, supporting the development and execution of DCC and functional people plans, defining capability requirements needed to ensure DCC delivers against its business priorities, and ensuring DCC attracts and retains the talent and expertise required through effective talent acquisition and management.

Activities driving change in resource in RY22/23

As part of DCC's activities to streamline internal teams, the Business Operations team consisting of 7 members transferred to the People team during RY22/23. To support this transition, we recruited a Head of Workplace Experience. This Leadership role is essential for optimising the workplace experience, driving collaboration, and evolving ways of working to reflect shifts in working practices.

In 2022, we had two HR Business Partners (HRBPs) as projected, with one in a permanent role and the other on a contract. Given the enduring need for this role and to reduce the cost to the business, we decided to bring the contract HRBP on board permanently, although this change did not impact our overall headcount.

Furthermore, in early 2022, we gained approval for a Talent Manager position to lead our Talent agenda, conduct talent reviews, and strategically develop a strong pipeline of successors within DCC to ensure stability and continuity. This proactive step enabling us to provide enhanced opportunities for colleagues and over time, reduce dependency on external hiring.

One of the existing HRBP's moved to the Talent Manager role on secondment and we recruited an HRBP, to backfill this role. The incremental headcount increase was 1.

A Reward Analyst was hired during this financial year to drive improvements in our reward provision and improve processes that were impacting business change and employee engagement. The role is also critical in supporting the Head of Reward to undertake benchmarking and efficient reward analysis. This has enabled us to rely less heavily on reward consultancy from Korn Ferry than in previous years.

Activities driving change in resource in RY23/24 and RY24/25

In RY23/24, in line with our enduring three-year people strategy, we anticipate a strategic expansion of our people resources with the addition of three critical roles: the Head of Culture & Engagement, a Diversity, Equality & Inclusion (DE&I) Manager, and a Social Impact Manager. These appointments will fall under the Leadership, Learning, and Talent team with only the Head of Culture & Engagement being a permanent and the other 2 being contract roles.

The Head of Culture & Engagement will play a pivotal role in instilling new values and behaviours across all employee channels, enhancing attraction and retention efforts. This role will replace the dependency on our external culture partner [REDACTED]. To ensure success, we prioritise measurement and track and report progress through our culture dashboard.

The DE&I Manager's appointment marks a significant milestone as we venture into uncharted territory with dedicated focus on DE&I. Their key responsibilities include benchmarking our position in the market, setting targets, and formulating a comprehensive plan to ensure we have a diverse and inclusive culture, enabling us to attract and retain the best talent into DCC.

The Social Impact Manager will lead us in fulfilling our Responsible Business obligations, elevating our commitment to making a positive difference in the communities we serve and bringing our purpose to life internally for colleagues.

The Corporate Affairs function will be realigned as well, with 3 roles in Internal Communications transferring to the People Team, to better align engagement and people related activity.

1.3.6 Portfolio and PMO

The Portfolio and PMO team comprise two distinct teams:

Portfolio Office

This comprises a Head of Portfolio Office, Portfolio Office Managers, Senior Analysts, and Analysts. It is accountable for the Change Delivery Methodology (CDM), mandated for all projects and programmes. In addition, it has accountability for providing the controls and facilitating the governance of the overarching portfolio of change across DCC by enabling the approval, planning, and sequencing of change based on an integrated view of change demand, resource supply, delivery plans and insight across all delivery. The Portfolio Office is accountable for designing the portfolio-level processes, tools, and templates required to support successful change delivery.

Programme Management Office (PMO)

This team comprises PMO Manager, Senior Analyst, and Analyst roles, delivering PMO capability, independent assurance, support and advice to the Programme Directors and the Project Management Practice to support successful change delivery. It ensures consistent programme set up and processes and assures change delivery through education of the mandated standards to support effective embedding and validation of adherence to the CDM by each programme and undertaking of Programme Health checks.

Activities driving change in resource in RY22/23

All third-party resources (CGI) were replaced by the end of this regulatory year.

Activities driving change in resource in RY23/24 and RY24/25

Although forecast costs are set to decline in RY23/24, variance is set to increase for the upcoming year. This is due to costs being compared to a zero-baseline due to forecast disallowances. The Portfolio and PMO team will, however, be transferred back into Service Delivery in RY23/24.

1.4 Drivers for Variance – Non-Resource

1.4.1 Summary

In RY22/23, Payroll Costs (described above), Non-Payroll Costs, Recruitment, External Services, and Internal Services general ledger codes (GLs) all have an overall material variance. However, there are no individual procurements within Non-Payroll Costs, Recruitment or Internal Services that are materially variant.

However, within External Services and IT Services, there are 11 individual items that are materially variant (i.e. over £150k) in RY22/23. In the forecast years, there are 9 additional materially variant items within External Services and IT Services GLs. These are shown, and explained, below.

Table 3: Material variance by GL

GL	Incurred (£m)	RY22/23	RY23/24	RY24/25	
PR	Payroll Costs	11.172	12.857	11.033	
NP	Non-payroll Costs	0.796	0.276	0.267	
RC	Recruitment	0.583	0.064	-	
ES	External Services	8.493	2.503	2.096	
IS	Internal Services	0.183	-	-	
IT	IT Services	2.845	4.237	4.112	
GL	Variance (£m)	RY22/23	RY23/24	RY24/25	
PR	Payroll Costs	2.351	6.233	9.710	
NP	Non-payroll Costs	0.538	0.018	0.237	
RC	Recruitment	0.550	0.064	-	
ES	External Services	7.931	1.941	2.006	
IS	Internal Services	0.183	-	- 0.150	
IT	IT Services	- 0.670	0.158	4.112	
GL	Variance (£m)	RY22/23	RY23/24	RY24/25	Procurement Type
ES	Business Accuracy Transformation	3.845	0.243	0.000	
ES	CH Changing Reconciliation Project	- 0.138	0.000	0.290	
ES	Conferences, Forums, and Events	0.000	0.274	0.272	
ES	Cost Benchmarking	0.365	0.000	0.000	
ES	DCC Culture Project	0.274	0.000	0.000	
ES	Financial Modeller -	0.154	0.000	0.000	
ES	Integrated Activity Planning	0.190	0.000	0.000	
ES	Pay and Reward	0.103	0.243	0.239	
ES	People – HR Consultancy	0.137	0.336	0.336	
ES	Project	0.982	0.000	0.000	
ES	Salesforce	0.478	0.000	0.000	
ES	Staff Training	0.000	0.705	0.690	
ES	Workspace Agility	0.195	-	-	
IT	BAU – ITES – Laptops	0.315	0.240	0.240	
IT	Office 365	0.263	0.228	0.818	
IT	IT Service Desk	0.181	0.000	0.000	
IT	BAU – ITES – WI-FI	-0.173	0.000	0.238	
IT	Billing	-0.077	0.000	0.312	
IT	Enterprise IT	-0.815	0.000	1.798	
IT	FTP	- 0.280	0.000	0.331	

1.4.2 External Services (ES) material variances

1.4.2.1 Business Accuracy Transformation

As the DCC developed in size, scale, and complexity it was increasingly clear that the business needed a more reliable, insightful, and transparent platform to support its business. The Business Accuracy Programme (BAP) is part of a drive to enable an accountable, resilient, and efficient DCC, shifting the business towards a more controlled, governed, and rigorous culture. The Business Accuracy programme has focused on delivering

improvements into the Commercial, Finance, and Portfolio business areas. The benefits of the programme are set out below.

Drivers for the procurement

1. The need to provide more insight into the performance of the business and to demonstrate value for money for our stakeholders
2. The lack of investment since the creation of the business in updating both systems and processes to support its growing complexity and scale
3. The need to improve both the governance and assurance of all DCC activities

Securing value for money

The forecasted costs were determined through high-level scoping and identification of key deliverables by each workstream. The costs were made up of both internal and external costs. The internal costs represent project management, business analyst and enterprise / data architects that were recruited on a contract basis to run the programme. External costs were largely consultancy providers who provided specific subject matter expertise in finance, portfolio management, planning systems, data governance and change management to ensure our approach is externally benchmarked against best practices seen elsewhere. There were also external costs for other suppliers including for a Commercial supplier, the Financial Planning Tool supplier, and other system or system support suppliers across the programme.

Overall, the full programme cost forecast has marginally improved against the original cost forecast at £5.95m compared to an original estimate of £6.04m.

Benefits

In the business case for the Business Accuracy Programme, it outlined five direct benefits that it would aim to achieve as follows:

1. Improved transparency of performance for key stakeholders based on clear and accurate data
 - Measured through improved engagement with our customers
2. Improved predictability and accuracy of programme delivery costs, and an improvement in risk management
 - Measured by reduced slippage in plans and budget
3. Improved financial accuracy of forecasting, transparency, and insight. Leading to the identification of cost efficiencies and a reduction in the customer cash contingency balance
 - Measured in reduced costs for DCC and cash balance within acceptable range
4. Improvement in staff engagement, and efficiency, through easier ways of working and collaboration
 - Measured through improved staff satisfaction and productivity
5. Quicker and more agile ways of working across the business
 - Measured through improved staff productivity

The majority of the benefits of the Business Accuracy Programme are in relation of building a platform which is more reliable (reducing errors), more flexible and transparent (creating better insight in decision making), more accurate (allowing better assessment of risk).

At high-level it could be summarised as follows:

- Efficiency savings through rationalisation of existing Commercial platforms on to a new Commercial system, allowing improved control and ability to challenge costs from procurement through to contract management.
- Reduced costs from CGI programme office through improvement to DCC's internal PMO and portfolio capabilities.
- Standardisation and improvement to Finance processes and data structure to improve efficiency and cost transparency.

- Introduction of the Front Door process to ensure better alignment and increased control over proposed activity across DCC
- Implementation of a time recording tool to improve cost management of programmes
- Improved processes for Business Planning (DCC Lock), increasing cost challenge and interlocking, resulting in improved effectiveness of delivery and reduced variances to budget
- Improved invoicing and PO processes allowing more efficient management of costs
- Introduction of a Financial Planning Tool to improve the accuracy, timeliness, and granularity of cost forecasts
- Enhanced management reporting capability through the development of a business wide data warehouse and management reporting tool (Power BI)

These benefits will continue to be tracked and managed by the DCC Finance team to ensure they are realised into RY23/24 and for the two years thereafter.

Quantitative Benefits Summary

In FY23, there were some initial direct cost efficiencies associated with the programme. These are detailed in the table below.

Workstream/ Programme Area	Impact (numbers relate to the five benefits above)	Benefit
Commercial – Tech	3, 4, 5. The new Commercial system will combine the 3 current platforms/contracts that DCC has with Curtis Fitch, SmartCube and IAssociates, delivering lower ongoing system support costs.	Savings of £31k per annum
PMO & Portfolio – Road Mapping	3, 4, 5. Road Mapping provides a high-level view of projects and programmes on the 'horizon' and those in-flight to facilitate more effective planning and communication, resulting in more agile, collaborative, and efficient ways of working. The removal of the CGI support team for POAP management is a cost efficiency.	Savings of £350k per annum with the removal of the CGI support team.

Qualitative Benefits Description

Workstream/ Programme Area	Impact (numbers relate to the five benefits above)	Benefit
General – Process	3, 5. Every finance process is now documented and assured against established standards and accompanied by a detailed design document, which articulates the following: <ul style="list-style-type: none"> • Process purpose and scope • Process and system interfaces and dependencies • Process diagram and supporting detailed narrative, with clear ownership of activities assigned • Continuous Improvement (CI) opportunities (>80 discovered and captured) 	Clear roles and responsibilities, improvements in the control environment and clarity on segregation of duties.
PMO & Portfolio – Front Door	4, 5. The Front Door process provides better-qualified projects for DCC with early engagement and collaboration across Functions to establish projects. It helps to identify activity not aligned to strategic objectives and result in a reduction in PCRs.	Reduction in out of process escalations.
PMO & Portfolio – Time Recording	2, 3, 4. Time Recording will result in improved and more accurate cost management for programmes / projects. It allows for improved planning by understanding drivers of effort across DCC.	Improvement in forecast accuracy and reduction in cash balance held by DCC.
Business Planning – Lock and Annual Business Plan Process	2, 3. The Lock process is providing improved accuracy in forecasting, integrated planning, and a standardised, consistent approach to budgeting, activity planning, and resourcing across DCC, particularly between and across Programmes, Operations and Functions.	Improvement in forecast accuracy and reduction in the cash balance held by DCC.
Finance – Invoicing Updates	1, 2, 4, 5. Invoice process improvements will provide customers with more detailed supporting information to their bills and reduce the level of manual intervention, reducing time resolving queries and late invoices.	Reduction in queries raised per month and time taken to process invoices. Improvement in customer experience and insight.
Finance – PO Process	1, 2, 4, 5. Changes to the PO process will have a number of benefits including; a reduction in queries; improved visibility for budget owners; ability to drive accountability-based reporting; more efficient process and improved compliance reporting.	Tighter purchasing control with significant improvement in transparency and reporting.

Finance – FPT Tool	1, 2, 3, 4, 5. The delivery of the new FPT system will be a significant driver of benefit. The tool's main functionality is cost management. It has replaced an outdated, complex platform (BPC) thereby giving users simpler interfaces and an upgraded cost structure with which to report, analyse and manage the financial performance of DCC.	Benefits include: <ul style="list-style-type: none"> improved data reliability; better cost transparency; reduced processing times; an ability to forecast at an appropriate level of granularity, aligned to other data sources such as Clarity. Improved variance analysis; improvements to security and systems governance.
Tech & Data – One Data Hub	1, 2, 4. Building a single data repository across all financial information alongside a defined set of data structures	Consistent data quality; reduction in duplicative effort and heightened control and security of data.
Commercial	2, 4, 5. The creation of a single commercial platform (iValua) will replace 3 existing systems, which can be compromised by inconsistency and a lack of standardisation.	The benefits of the new platform will include: <ul style="list-style-type: none"> Improved compliance and auditability of suppliers; Reduction in time taken in sourcing and contracting with suppliers An increase in supplier spends under management directly driving higher cost savings; Reductions in spend outside contract and improved buying power through consolidation of spend and improved transparency.
Commercial – Governance & Controls	1, 2, 4, 5. The new system will provide far greater transparency of costs supporting: a reduction in budget overspends; a reduction in spend outside of the contract; a reduction in unplanned price changes; and an increased in negotiating power at award stage for DCC.	Measured through the time taken for authorisations to be completed; the spend level outside of contracts; and the number of areas requiring rework/new versions of the contract.

1.4.2.2 CH Training Reconciliation Project (RY24/25)

Drivers for the procurement

The Communications Hubs (CH) Charging Reconciliation project was procured in 2018 to address issues with the reconciliation and validation of charges related to Communications Hubs. Reconciling and validating charges was previously a manual task which was prone to human error because of the complex charging structure and data. In 2018, DCC procured a fully automated SQL query-based data tool to manage the process end-to-end.

Securing Value for Money

This is a repeating transaction and has been previously justified to, and accepted, as economic and efficient by Ofgem. It ensures that an additional 4 FTEs are not required to manage the reconciliation process as volumes increase during mass roll-out. In addition, it ensures that the accuracy of charges levied on DCC Customers are maintained irrespective of the volumes of Communications Hubs that have been delivered, installed, and returned during their lifecycle.

There is no material variance in RY21/22 or RY22/23. In the final year there is a material variance of £290k because there is no baseline for the project in that year. The expenditure is on repeating monthly application, cloud support and maintenance costs.

Contract Management

The support contract comes to an end this regulatory year and due to changes in how DCC pays for Communications Hubs we will not be renewing the support contract with the aim of decommissioning the tool this year. The final year forecast will be updated to reflect this once the tool is decommissioned.

1.4.2.3 Conferences, Forums, and Events

Drivers for the procurement

To strengthen collaboration and wellbeing across teams in DCC, budget is allocated monthly for team away days. Budget for away days is spread across regulatory years in payments which average [REDACTED] per month. For RY23/24, a larger away day is expected to be scheduled for November (budget of [REDACTED]) for an annual all-company conference to discuss company strategy and drive colleague engagement.

1.4.2.4 Cost Benchmarking

Drivers for the procurement

To enhance DCC's ongoing cost improvement journey, in RY22/23, the DCC considered benchmarking key elements of its cost base through external consultancy support. This not only highlighted areas where DCC was weaker than comparative organisations but also set out specific areas where DCC should focus. Through a formal procurement process, the work was awarded to [REDACTED]. Whilst DCC was able to leverage some support from internal teams, it was more efficient to bring external expertise and support for this exercise.

Securing value for money

Internal Subject Matter Experts (SMEs) created a list of potential suppliers from the Consultancy Framework. A competitive procurement between the framework providers was then used to source the provider. The Request for Proposal was issued to 6 providers, 2 of which provided a submission.

The RFP's evaluation criteria were split 65 percent on quality and 35 percent on commercial grounds.

Table 4: Procurement Evaluation Breakdown – Cost Benchmarking

Procurement – Cost Benchmarking		
Number of Bids received	2	
Number of Bids shortlisted	2	
Strengths of Selected Bidder	<p>[REDACTED] proposal and BAFO proposal/presentation was more aligned to DCC requirements in terms of approach.</p> <p>Some of the people from [REDACTED] that attended the presentation were the people that will be working on the project and were insightful. DCC would be able to utilise their expertise and provide guidance to DCC in this area.</p>	
Challenge by DCC	Initial Price	BAFO
	[REDACTED]	[REDACTED] (including the work of an additional Business Analyst at no cost to DCC).

1.4.2.5 DCC Culture Project

Drivers for the procurement

In 2021, a cultural audit was undertaken to examine the organisational climate in relation to achievement of the DCC strategy.

The findings made it evident that while the organisation's purpose was clear, consistent, and resonated strongly with colleagues the cultural ambition, values and behaviours, we needed to effectively deliver upon our strategy had not been adequately defined.

The results highlighted several key strengths that we were keen to build on but equally highlighted areas for improvement to bring that cultural ambition to life. This included:

- Need for clearer processes and adherence to these
- Improved planning and forecasting
- Collaboration across the business and with stakeholders
- Improved ways of working across the organisation

It was clear that without a targeted plan focused on culture and behaviours, the DCC could not ensure that employee engagement, employee retention and satisfaction would remain, or exceed, current levels or that we would be able to attract the right to people to work for DCC.

Securing Value for Money

██████████ were selected through a competitive process as a partner to support in the creation and embedding the new DCC values and behaviours. Specifically, they were appointed to support the following:

- Complete a full cultural audit and gap analysis
- articulate our cultural ambition and statement
- Co-create with our colleagues a set of values that are simple, relatable to all roles and that can be used to bring both our culture and employer brand to life. They also needed to feel unique to DCC
- Outline plans to launch and embed values and behaviours into DCC

██████████ are a small independent UK-based consultancy that has been in business for nearly 15 years. The company has developed a strong reputation for delivering success with a wide range of public and private sector organisations as well as not for profit institutions in developing high performing cultures through effective leadership engagement.

Using a blend of employee-centred insight tools, we undertook executive interviews, gathered senior leadership insights, and conducted employee focus groups to gather insights on our strategy, our organisation and our existing behaviours. This included seeking data and insights on DCC's company culture from external sources.

We then used these inputs to complete a cultural audit and gap analysis that allowed us to create a clear statement regarding our cultural ambition. In partnership with ██████████ we then involved all colleagues to develop a set of values and behaviours along with a plan to launch and embed them. This colleague centred approach gave the process more credibility, allowed more buy in from colleagues and gave them greater personal accountability for bringing the new culture, values and behaviours to life.

As culture is defined by Senior leadership, ██████████ have also been working with ExCo to focus on changing behaviours to support the new values and behaviours through a series of coaching interventions.

Benefits

Three key benefits from this engagement can be summarised to date:

- After two years of a downward trend in engagement with eNPS dropping to -28, DCC's last two surveys (September 2022 and March 2023) have seen a good improvement achieving a position of neutrality, with a score of 0
- The initiatives we have taken around our culture have also seen a fall in staff attrition from 21.3% to 14.8% during the year

- There is also good evidence that DCC's new values are both resonating with employees and being effectively remembered by colleagues - all three values have a 97%+ successful recall rate from colleagues

We believe that the benefits of this programme will only continue to build and create a positive impact as we embed the values and behaviours. By continuing to actively engage and foster open communication with our colleagues, we will cultivate a shared sense of ownership and commitment, which in turn will amplify the project's influence on our organisation's overall success.

The continuous monitoring of key performance indicators will serve as a vital compass, providing us with actionable data to steer the program in the right direction and make well-informed decisions. Through regular and meticulous assessments of these indicators, we can fine-tune our strategies, identify areas for improvement, and leverage our strengths effectively.

Contract Management

Evolving the culture of an organisation is a long-term commitment as culture does not change overnight. No budget was allocated at the outset of the programme for future years (23/24 onwards) as until the analysis had been undertaken, forecasting future activity was not possible.

Now we have this view, we acknowledge further work is needed to embed the values and behaviours. As a result, we have extended the contract with [REDACTED] for 23/24 to focus on a series of leadership interventions designed to fully maximise the investment we have made and reinforce the cultural shift we need to make. This is anticipated to cost [REDACTED] during RY23/24. We will evaluate any future activity and anticipate this investment reducing in 24/25.

[REDACTED] intimate knowledge of our organisation, combined with their proven expertise, makes them uniquely qualified to continue to support us in this work.

Key focus areas for 2023/2024 are as follows:

- **Culture Support.** Provide ongoing culture strategic consultancy and support
- **ExCo Team Effectiveness.** Facilitation of Exco Team Effectiveness off site workshops & coaching
- **Leadership Insights.** Senior and wider leadership team interventions to drive enhanced leadership capability and engagement of wider organisation

1.4.2.6 Financial Modeller – [REDACTED]

Drivers for the procurement

At the start of RY22/23 the Economic Modelling team transferred to report under the DCC Director of Financial Control in Finance. The team were overseeing the preparation of Green Book business cases for new core DCC programmes. As part of the transition, the team leader had initially accepted DCC's offer to move from a Contractor to a Permanent member of staff. His core role was the oversight of 4G CH&N Programme which was progressing through the conclusion of the Final Business Case with BEIS before DCC Board approval.

In April 2022, the team leader informed DCC that he had changed his decision and would shortly be leaving DCC. We, therefore, had to act urgently to secure a suitably qualified Green Book modeller to support the CH&N FBC through to conclusion. [REDACTED] were able to provide a member of staff immediately to meet DCC's critical need to ensure a timely handover of the highly complex FBC model.

Securing Value for Money

Given the urgent need to meet the JIT deadlines and ensure that an effective handover could take place, DCC directly approached [REDACTED] who indicated that they had a suitably qualified modeller available to start

immediately. This approach was discussed and agreed with [REDACTED] (DCC CFO) who approved the Purchase order.

Contract Management

[REDACTED] Financial Modeller was able to join DCC in April on a secondment basis. This secondment was then extended until 30 September 2022 to support the project to completion with BEIS FBC approval in September and DCC Board approval.

1.4.2.7 Integrated Activity Planning

This section covers the costs associated with the appointment of [REDACTED] to support the initial set up of DCC's Enterprise Planning capability as well as supporting DCC in building that internal capability to deliver enduring processes. The Enterprise Planning team have built new processes to ensure that key activities of the business are interlocked and support the overall strategic outcomes of the business. This includes a new "Front Door" process that challenges and triages new activities being brought into the business prior to being accepted into the overall Enterprise Plan. The process covers all activities of the business, including:

- Key Programme Activities
- Internal Change Activities
- Major new re-procurement activities

Driver for the Procurement

DCC has traditionally been very focussed on the delivery of external programmes, which it has done successfully. However, as the organisation matures, DCC has experienced problems of coordination across a wider range of activities, with external programmes conflicting with operational and maintenance activities, and a growing need for organisational change. The lack of a planning function has led to the overall enterprise plan being effectively undeliverable, due to activities not being interlocked across functions, and not being appropriately sequenced. This leads to a higher delivery risk, the potential for reputational damage and adverse impacts on employee engagement and burnout.

Enterprise Planning is separate from BAP and Lock

The Enterprise Planning process does NOT do financial governance, this is provided by the DCC Lock process and is where activities gain approval to commit resources on to an activity. The Business Planning / Lock process was developed as part of the Business Accuracy Programme and was intended to create and operate processes and governance for financial approvals and increase DCC's ability to accurately forecast spend.

The Enterprise Planning work is complementary to this, but separate and distinct. It sits under a different Director within the CFO Function. Enterprise Planning is focussed on planning for, and controlling the initiation and delivery of, changes with a focus on the activities required.

Need for external providers to support this new capability

The project covers the initial set up of this Enterprise Planning capability, as well as supporting DCC in building that internal capability to deliver enduring processes. The Enterprise Planning team did not exist prior to the creation of this project – [REDACTED] were brought in to support the newly appointed Enterprise Planning Director in developing a new process framework and a new set of planning tools. This built on work previously done in the Portfolio Office, which supported a narrower portfolio of change. [REDACTED] are providing this support in parallel to the recruitment and development of the new in-house team who the work will transition to as an enduring function.

Securing Value for Money

Sourcing Approach

DCC decided that single source procurement with [REDACTED], a supplier on DCC's competitively appointed Consultancy Framework was the preferred approach to ensure the urgent provision of the necessary capability and capacity.

[REDACTED] have a deep understanding of DCC and have been heavily involved in designing and implementing our current Annual Business Plan and quarterly lock process. Appointing a different consultancy to support us in this activity would be likely to result in a longer time for onboarding and understanding of the issues which would result in an increase in costs and would also require more time from internal DCC staff. We are confident through discussions on the assignment that [REDACTED] will bring a number of learnings from some of the previous projects they have successfully completed such as:

- Operations Planning
- Business Planning and Lock Process
- Lifecycle Management Programme
- Project [REDACTED]

Resources

There is some consistency of resources with prior experience of these projects at Smart DCC including BAP (and within that lock), Operating Processes, and Operations planning. In addition, there are new resources with specific skills which meet the requirements of this engagement.

Benchmarking

We have benchmarked the day rates being charged by [REDACTED] and we are happy that they are competitive against framework rates held with other consultancies.

The commercial scoring has been compared to several suppliers who are able to offer a similar service from Lot 1 of the consultancy framework, at the same level of resource.

Table 5: Results of competitor price benchmarking, showing cost, RFP-style score and ranking

Name	Comparable Cost	Total Score %	Ranking
[REDACTED]	[REDACTED]	40.00%	1
[REDACTED]	[REDACTED]	39.53%	2
[REDACTED]	[REDACTED]	39.08%	3
[REDACTED]	[REDACTED]	37.93%	4

Contract / Performance Management

DCC is managing [REDACTED] to ensure value in the following ways:

- The Enterprise Planning Director is holding fortnightly meetings with the [REDACTED] Partner and Project Lead to discuss commercials, and plan for efficient deployment of the [REDACTED] staff to provide the best value. These meetings also cover a regular review of progress against deliverables to ensure performance stays on track.
- In addition to this, The Enterprise Planning Director has been attending the DCC ExCo regularly to update them on progress, plans, and next steps to ensure the project delivers against expectations
- The project includes a phased delivery plan.

Deliverables

The phases will be as follows:

Phase 1 - Data Gathering

To understand what activities are in Business Plan, what are in the BDP and what are sat outside of these but need to be considered when we think about future prioritisation.

Phase 2 - Interlocking

To ensure that for each of the activities we have identified the outcomes, timelines, accountabilities, and resources required for delivery. We then need to document and "interlock" that all involved have agreed and recognised this requirement and their role in delivery of it.

Phase 3 - Conflict Resolution (Prioritisation)

We are likely to find areas of conflict where we find a constraint to us delivering that requires resolution. This could be a lack of time, a need to re-sequence due to critical path activity, a lack of resources or even a lack of alignment on the need for the activity. These constraints will need to be put in the context of existing BAU activity (e.g., ongoing stakeholder engagement, external reporting, customer services and reporting etc.). The analysis we do will identify these and then provide a process whereby we can look at ways of dealing with the conflicts we find. We will need to make some decisions so the teams across the business clearly understand the tasks ahead of them.

Scope

The scope of the activity planning is to look at all activity that DCC are planning to do within our current Business Plan and other items that are in the pipeline. It will therefore cover the following areas:

- Mandated programme activity - e.g., 4G, SECMOD, DSP, MHHS, ECOS etc.
- Core service updates - e.g., Tech Refresh, Firmware Updates
- Risk mitigation plans - e.g., Continuity of Service risks, OPR risks, customer / supplier risks.
- External contract pipeline - renewal and/or procurement.
- New capabilities / product / services pipeline
- Internal transformation activity

The goal is to create a robust enterprise-wide activity plan that is understood and committed to by all functional units within DCC.

Duration

The duration of this requirement will be 6 months from commencement.

1.4.2.8 Pay and Reward

Although non-variant, RY22/23 accounted for significant level of expenditure on pay and rewards for DCC employees. This spend is essential to support DCC's strategic goals regarding our Employee Value Proposition (EVP), ensuring our ability to attract and retain colleagues. These expenditures were directed towards colleague recognition schemes of vouchers (██████), as well as analysing DCC's current reward mechanisms and developing our reward infrastructure ensuring internal and external parity (██████).

We expect this trend to continue over the coming years, supporting licence renewal and therefore DCC has allocated an average of ██████ per month to such activities for RY23/24 and RY24/25.

1.4.2.9 People – HR Consultancy

The People team has utilised consultancy spend on two significant HR projects.

The first project involved engaging the services of Culture Amp, an employee engagement survey platform provider, through a competitive procurement process. This platform comes with a subscription fee of ██████

annually and enables us to track on a regular basis the advocacy and engagement of our staff. The results of this inform our corporate objectives and performance of our people strategy.

Previously, DCC conducted a primary annual employee engagement survey as part of its relationship with Capita. However, in July 2021, the business made the decision to implement a survey platform supporting quarterly pulse surveys given attrition was increasing. Furthermore, the Capita survey only provided sentiment towards the Parent group and not towards DCC. To be able to gather DCC employee insight and drive improved performance, we needed a tool that enables us to track engagement at a local level. These pulse surveys facilitate more frequent check-ins with colleagues on essential themes and topics throughout DCC, providing valuable insights and metrics on the integration of the new DCC culture, values, and behaviours. It also identifies key focus areas such as collaboration, process improvement and leadership effectiveness.

The second consultancy spend of [REDACTED] was with [REDACTED], aimed at facilitating the cascade and embedding of our new values and behaviours.

The [REDACTED] developed an interactive culture tool designed to build employee understanding and commitment to the values and behaviours. This served as valuable DCC collateral, enabling colleagues to familiarise themselves with the new DCC values and behaviours and how they are manifested within the organization. This tool also identified areas for improvement, empowering colleagues to take proactive steps to address them. To date, "More Connected," has engaged over 450 DCC colleagues, and its enduring nature ensures it remains a valuable resource for the organisation

We are expecting this trend to continue over the coming years, with new focus areas of Diversity, Belonging and Inclusion, and continued embedding of our values and behaviours all critical components of our enduring people strategy designed to ensure we have the right culture and capabilities to deliver on DCC's strategy

DCC has allocated an average of [REDACTED] per month to such activities for RY23/24 and RY24/25.

1.4.2.10 Project [REDACTED]

This section covers the costs associated with the appointment of [REDACTED] to investigate potential new and alternative resourcing and partnership models.

Driver for the Procurement

The Smart DCC RY 2022 / 2023 Business Plan identified a significant increase in the headcount growth profile, driven predominantly by Service Delivery, Operations and CTO capabilities. Smart DCC undertook to investigate potential new and alternative resourcing and partnership models that could address the headcount issues and provide a structure for efficient growth whilst ensuring a focus on value for money, scalability and flexibility.

The key challenges of the previous resourcing strategy are listed below.

1. Retention and recruitment in a challenging talent market environment
2. Access to specialist skills and capabilities
3. A growth in demand in some business areas
4. The inevitable increase in cost and headcount associated with business growth where this is, and will continue to be, a sensitive issue with customers and stakeholders

Phase 1

In July 2022, Smart DCC mobilised a strategic partner ([REDACTED]) to support the task of identifying clear opportunities where either activities, processes or capabilities could be delivered in a more efficient manner using alternative models, as well as to scan markets to identify where Smart DCC could best find potential implementation partners. The objectives of that work were to:

- Develop a flexible outsourcing model that meets forecast demand, reduces cost, and allows the DCC to focus on building core capabilities aligned to delivery of business strategy
- Build an operating model that can adapt quickly to in-life change and maintain our resilience
- Deliver new resource models that provide greater flexibility and scalability to meet demand at a lower cost, delivering value for money to our customers
- Consider opportunities for optimisation and automation of current processes to drive further benefits

Phase 1 was completed in September 2022, culminating in a DCC Board paper presented on the 27th of September 2022.

The board paper recommended that Smart DCC mobilise the next stage of analysis and develop a detailed business case articulating detailed costs and benefits as well as a phased transition plan over the next 3 years that enables benefits realisation in the most effective way and ensures our business meets its current and future demands whilst minimising risk.

Phase 2(a)

It was intended that the initial focus of Phase 2(a) would be placed on the Operations, CTO and Service Delivery functions to enable early and optimum benefit realisation due to the scale of opportunity in these areas (it was intended that a Phase 2(b) activity would be executed in the future to look at other functions). This Phase 2(a) of activity engaged with potential outsourcing partners, looking at availability of skills and capabilities in various geographies and led to the preparation of a supplier selection approach.

The outsourcing opportunity was anticipated to realise employee cost savings of between 19% and 26% against then-current levels, although final annualised benefits could not be estimated until a more detailed business case reflecting all changes required to the current operating model was produced. The savings, once estimated, would expect to be fully realised in the financial year 2024/25. This was in addition to further benefits of flexibility, scalability and process maturity that have been identified by adopting a new resourcing model and developing process automation where appropriate.

The scope for the Phase 2(a) work is summarised below.

- Deliver implementation plans for sourcing / outsourcing resources, focusing on the opportunities in CTO, Service Design and Operations functions to efficiently enable future growth
- Develop transition roadmap that delivers minimum risk to our business
- Consider and develop plans for process optimisation and automation
- Identify potential outsource partners and run a procurement process to select the best fit partner(s) for DCC
- Develop and deliver communications plans for customers and key stakeholders (SEC, REC, BEIS,) sharing high-level business case and benefits
- Carry out detailed business analysis to develop a detailed business case articulating cost and benefit realisation profiles
- Return to the Board for specific Business Case approval in April 2023

The DCC Board approved a recommendation to proceed with the next phase of work, the design of the future solution and supplier strategy (Phase 2a).

Securing Value for Money

The core objective of the [REDACTED] project was to secure better value for money for customers, through executing the recommendations that the [REDACTED] analysis uncovered. The explanation below describes how Smart DCC negotiated with the preferred supplier for a competitive price whilst balancing this with the quality and sensitivity requirements of the project at the same time.

Sourcing Approach

Sourcing a partner organisation to execute the Project [REDACTED] plan was a challenge due to the sensitive nature of the data and analysis being done. In order to reduce the amount of engagement with potentially affected resources, it was necessary to utilise the services of a consultancy partner that (a) knew the DCC organisation relatively well already and (b) were not working on conflicting activities. This reduced the impact of distracting potentially impacted staff in teams already struggling to supply resources to meet demand.

The Smart DCC Consultancy framework was used as a commercial baseline for the project; it immediately provided an indication of costs per company for this type of work through rate card analysis. After considering potential interest-conflict, two partner organisations were invited to respond to the initial Project [REDACTED] (Phase 1) statement of work from the existing Smart DCC Consultancy Framework. These were [REDACTED] and [REDACTED].

The commercial evaluation consisted of reviewing and comparing the pricing submitted by the bidders against other framework suppliers (Lot 1.2) and performing a financial stability check. [REDACTED] were selected as the preferred supplier and after negotiation on price were awarded contract.

The decision was made after Phase 1 to extend the contract to cover the Phase 2(a) work, but that Smart DCC would competitively tender further work post-Phase 2(a) completion (for Phase 2(b) and Phase 3, etc).

Table 4: Phase 1 procurement details

Procurement – Project [REDACTED]		
Number of Initial invitations to tender	2	
Number of Bids received	2	
Number of Bidders presenting / shortlisted	2	
Strengths of Selected Bidder	[REDACTED] were already working with Smart DCC as an existing partner, on business planning activities, so already had a good understanding of the resource challenges. They had the global and BPO reach that is required for this piece of work. There was a necessity to work with a supplier who could scale quickly, due to the current capability gaps within the organisation and challenging recruitment market. [REDACTED] satisfied these requirements.	
Challenge by DCC	Initial Price	Final Price
	[REDACTED]	[REDACTED]

Contract Management

Contracts were already in place with the preferred supplier through the Smart DCC Consultancy framework, so the statement of work, Project [REDACTED] RFP and supplier proposal were used to manage the contract. The objectives were mainly described as delivered reports as covered below.

Deliverables

Both Phase 1 and 2 required [REDACTED] to deliver a collection of deliverables and their (fixed price) end-of-phase fee was dependent on acceptance of those deliverables by specific Smart DCC managers. Each phase had a

delivery schedule for the deliverables with regular DCC Steering Committee meetings to guide strategic direction, whilst weekly tactical meetings with the DCC project manager ensured any blockers to progress were dealt with quickly.

The deliverables provided included:

- Enterprise resourcing analysis and service delivery model
- Workforce assessment to identify resource gaps
- Future skills and capability requirements
- Market scan and options for supplier organisations who might be able to address the work
- High level plan for future phases
- Benefits case
- Functional business readiness framework
- Sourcing process with initial list of evaluation criteria for RFP
- Outline RFP

Next steps

The deliverables were of good quality and enabled DCC to prepare a Board Paper (July 2023), which included the business case and plan of further action. Following Board feedback, we are now developing the implementation plans with two key areas to be taken forward with a benefits stream to be validated through further detailed work:

1. Flexible Resourcing Model – Service Delivery
2. Automation – Operations and Testing

1.4.2.11 Salesforce

To establish an Order Management System and Customer Engagement Portal, the Salesforce Service cloud is currently in use, with one main payment taking place yearly (██████ in 2022) and smaller add-on payments monthly depending on the features used.

1.4.2.12 Staff Training

In addition to staff training expenses directly related to the Finance team, RY23/24 and RY24/25 will include the forecasted expenses of the core DCC staff training (██████ per month on average), which previously sat under Learning and Development budget.

1.4.2.13 Workspace Agility

Driver for the Procurement

Following the move from the standard Capita IT network and the subsequent creation of the EIT function within DCC, the organisation required an in-house desktop build that offered greater levels of security and direct management than the standard Capita offering.

The Capita Workspace Agility Service delivers End-User Computing as a service. The main features and benefits of the Capita Workspace Agility Service include:

- Improved User Experience – Simple to use and backed by a new style of support service, Workspace Agility is designed to tackle the things that users find frustrating
- Support Portal – The Workspace Agility portal provides users with advice and guidance and the ability to resolve many of their own issues via multi-channel support such as chat bots
- Secure – The service includes threat protection, multi-factor authentication, single sign-on and identity management to ensure a secure working environment
- Modern Workplace – Support for End User Devices and Application Delivery

- Simplified Operations – Devices no longer need to be imaged, which means new or replacement devices can be sent directly to users. The Workspace Agility portal will be used for DCC End Users engaging with the Workspace Agility Portal for End User support
- End Users will engage via the portal and self-serve or initiate a chat session which will be fronted by a virtual assistant (BOT) after which human interaction is possible should human interaction be required to support, or log tickets

The price for the current contract charged by Capita is based on a monthly [REDACTED] charge for the portal, and monthly charge per user enrolled of [REDACTED]. Costs were incurred in RY22/23 and are expected to be incurred in RY23/24 as well. However, given the nature of the monthly per person charge, costs were not and have not been forecasted.

Securing Value for Money

The new build was designed by Capita with direct input from DCC. The DCC still rely on Capita for the delivery of the network platform and core business systems (finance and HR) so it was accepted that Capita would be critical in the implementation of the WSA platform and chosen as the supplier.

Separation was in the first instance about segregating the mail and file storage resources (M365). The connectivity is still in place as it is required and leverages cost efficiencies via Capita. It is still beneficial for DCC to use the relationship with Capita to acquire certain platforms and licences as we benefit from volume licence discounts with Microsoft. c. 15% via Capita, compared to DCC's own procurement a saving of around £300,000.

1.4.3 IT Services (IT) material variances

Enterprise IT - Overview

The following IT Services items described in the following sections fall under the broad umbrella of Enterprise IT (EIT). These current costs now sit within the Finance cost centre. Last year however, the costs were in the Service Delivery cost centre and the forecasts in Operations cost centre. As stated in last year's Price Control submission, we have rectified this, and the incurred costs and baseline are now within the same cost centre.

DCC's IT services were hosted and operated through Capita's shared infrastructure. That operating model provided a suitable environment for the delivery of development programmes and services to the customers during the early roll out of smart meters. However, as the DCC grew in maturity and complexity the needs of, it became clear that there was a requirement to be able to operate independently of Capita, particularly in how we operate our underlying EIT, including network services. Central to this is the ability to be able to "lift and shift" our IT (for example if there is a change in licence holder), which means migrating it away from Capita's Shared Services infrastructure. However, where possible, we should still take advantage of the Capita's purchasing power, discounts, and resources.

Furthermore, under the previous arrangements, DCC did not control the security level of the Capita Shared environment and was unable to establish enhanced security policies to protect customer and commercially sensitive information

The EIT programme was established in 2020 to deliver the necessary changes. Significantly, through the new contract agreements, DCC were looking for ongoing operational cost savings. The main changes included:

- Migration from the current Capita shared network and systems ('Capita Shared') to a dedicated network and systems for use by the DCC ('DCC Dedicated'), except for certain corporate systems including HR, Finance and Service Desk which will continue to be shared with Capita
- Establishment of the capability to manage and develop the DCC Dedicated network, including agreement of new service contracts with Capita IT&N (DCC's supplier) for a year post migration after which the support contract will be competitively procured

The establishment of the DCC Dedicated infrastructure encompassed the following:

- Identity - Establishment of a single identity across all DCC systems and the capability to manage DCC users, giving greater access control and the ability to provide a service directly to customers

- DCC Network - Establishment of a DCC Dedicated Network and associated monitoring and controls, including WIFI and Cloud environments
- Office365 and Productivity Tooling - Establishment of DCC Dedicated Office 365, including email.
- End User Compute - Provision of Dedicated DCC secure managed desktop with the option of Bring Your Own Device
- Business System Integration and Business Change Plan - Migration of DCC staff onto the DCC Dedicated network and systems while maintaining access to relevant Capita Shared systems
- Documentation - To enable support, maintenance, and development of the DCC Dedicated network and systems
- Monitoring Requirements - Establishment of the capability to monitor the DCC Dedicated network

Several delivery and migration options were considered with the preferred option being for Capita IT&N to design and deliver the DCC Dedicated network and systems, including migration of DCC staff, data, and applications.

1.4.3.1 Laptops

Driver for Procurement

Historically, DCC has leased a “Capita-Managed Desktop” from Capita for each DCC employee. This device included the Microsoft E3 licence, Helpdesk support, and the lease for each laptop.

With the EIT migration program completed, DCC renegotiated the agreement to remove the Microsoft licensing and Helpdesk support.

Securing Value for Money

Renegotiating the lease contract with Capita removed the potential for DCC to be double charged for the same requirement. In 2022, DCC has moved to a purchase model to replace Capita-leased devices. The reason for moving to a purchase model is because Capita’s lease contract has a 4-year tenure. By the end of this leasing time, the devices are often experiencing serious issues and being retired before their lease ends. Working on a 3-year purchasing cycle ensures that DCC’s laptops stay technologically relevant.

This purchase model continues to take place through Capita, given that its purchasing power is stronger than that of DCC with top tier vendors. Through this partnership, DCC saves c £100 per device.

1.4.3.2 Office 365

Driver for Procurement

Historically, DCC employees used a “Capita-Managed Desktop” (CMD) from Capita for each DCC employee. This device included the Microsoft E3 licence, Helpdesk support, and the lease for each laptop. In October 2020, DCC migrated using its own laptops.

DCC used this opportunity to upgrade to an E5 license, which provides greater functionality and security including:

- Teams phone and audio conferencing
- PowerBI Pro reporting
- Higher levels of information protection, sensitivity labelling, and data leakage protection controls
- Increased functionality with Microsoft Defender, Endpoint Control, and Cloud Application Security
- Granular control with Privileged Identity Management and Access Reviews
- Data retention policies and enhanced file auditing

DCC procured additional licenses to support the business:

- Visio and Project applications are licensed per user
- Azure premium AAD licenses are required for third-party support
- SharePoint licenses are required for third-party access to data (customers and suppliers)

DCC removed all on-premises servers and moved finance data to a cloud-hosted service. This change was implemented by Capita and remains under its management.

Securing Value for Money

Renegotiating the lease contract with Capita removed the potential for DCC to be double charged for the same requirement. Leasing of licenses continues to take place through Capita as opposed to other resellers. This is because of Capita's higher purchasing volume for licenses. Currently, licenses are procured from Trustmarque, through Capita.

Contract Management

Licence costs are likely to increase in the future. This is due to the current license model being paid per user, per month. As DCC increases in employee size, license costs will increase accordingly. DCC currently also provides licenses for the Capita Service Desk and external parties such as contractors and consultants.

1.4.3.3 IT Service Desk

For RY22/23, DCC has continued to pay a monthly fee of [REDACTED] for the Service Desk support for its IT. This monthly fee includes the provision of 3 dedicated helpdesk team members, service delivery, as well as the helpdesk system.

1.4.3.4 Wi-Fi (RY24/25)

Although non-variant in RY22/23, an expected cost of [REDACTED] for DCC Wi-Fi and Ruddington Lan Link services is forecasted for RY23/24 and RY24/25 per year. A baseline of the equivalent amount is provided for RY23/24, but it is for now zero-baseline for the following regulatory year. DCC does, however, currently have an RFP to potentially re-procure these services.

1.4.3.5 Billing (RY24/25)

DCC makes use of [REDACTED] as its billing system, which is provided by [REDACTED]. Although non-variant in RY22/23, an expected cost of [REDACTED] for DCC billing is forecasted for RY23/24 and RY24/25. A baseline of the equivalent amount is provided for RY23/24, but it is for now zero-baseline for the following regulatory year. Given that the [REDACTED] billing service will cease in early 2023, budget for this service will not be required for RY24/25.

1.4.3.6 Enterprise IT (RY24/25)

For effective delivery of services, DCC works with several software and business applications. Amazon Web Services is the main provider under this segment, and covers:

- TOC reporting services (regulatory requirement)
- SOC security monitoring and reporting (regulatory requirement)
- Interoperability Checker - service provided for the Citizens Advice Bureau
- ECoS Device Candidate Selection Engine
- Innovation services

Although non-variant in RY22/23, an expected cost of 1,923k for DCC Enterprise IT is forecasted for RY23/24 and 1,798k for RY24/25. A baseline of the equivalent amount is provided for RY23/24, but it is for now zero-baseline for the following regulatory year.

1.4.3.7 FTP (RY24/25)

The FTP service is used to import files from Service Providers, primarily to support the regulatory reporting provided by the Technical Operating Centre, the management of SMETS1 migrations and billing files from Service Providers.

The reason for variance during RY24/25 is due to IT items not currently displaying a forecast for this regulatory year given its reduction on the reliance of this service in the coming years.

Driver for the Procurement

The FTP Fixed Operational charge is the support cost to ensure that the applications remain operational across the DCC network. This was procured in 2017 and there is a monthly charge to cost the licences of the FTP Software. As Capita provide the DCC network, this was procured and is provided by them. Also, as the migration services (MDUST, S1MRS, and SDMR) are all hosted in Capita Private Cloud, it was practical and economically sensible for Capita to host and support the FTP service.

Securing Value for Money

The initial procurement was undertaken in 2017 and the monthly charges agreed at that time. The operational charges are subject to indexation but otherwise fixed. As much of the TOC reporting service has now been moved to Amazon Web Services from Capita Private Cloud the contract was reduced in RY21/22 to reflect the lower volumes of data being managed by this service.

Contract Management

DCC is in the process of moving to reporting services to AWS and have already moved the EDAM service. Once the SMETS1 migration services are no longer required, the reliance on FTP is greatly reduced.

This is a service that will be continuing in coming years. However, there are reductions in RY23/24, due to savings achieved in the renewal of January 2022.

Operations – RY22/23 Variances Overview

Cost Centre Variance in RY22/23 by GL

The table below provides a breakdown of incurred and forecasted costs in price control format i.e., mapping costs directly against the price control General Ledger codes (GLs).

Baseline (£m)		RY22/23	RY23/24	RY24/25
Total Operations		14.254	12.029	3.376
Payroll costs	PR	10.454	9.867	1.399
Non-payroll costs	NP	0.409	0.397	0.101
External services	ES	0.818	0.120	-
Service management	SM	2.568	1.644	1.876
IT Services	IT	0.005	0.000	-
Incurred (£m)		RY22/23	RY23/24	RY24/25
Total Operations		18.716	19.747	19.997
Payroll costs	PR	13.326	15.377	15.420
Non-payroll costs	NP	0.232	0.434	0.437
Recruitment	RC	0.476	0.078	0.012
External services	ES	2.411	0.819	0.819
Service management	SM	2.052	2.822	3.092
IT Services	IT	0.218	0.218	0.218
Variance (£m)		RY22/23	RY23/24	RY24/25
Total Operations		4.462	7.718	16.621
Payroll costs	PR	2.872	5.510	14.021
Non-payroll costs	NP	-0.177	0.036	0.336
Recruitment	RC	0.476	0.078	0.012
External services	ES	1.593	0.699	0.819
Service management	SM	-0.516	1.178	1.215
IT Services	IT	0.213	0.218	0.218

Cost Centre Variance by Staff Type and Team

The table below shows the payroll variance by sub-team within the Operations cost centre.

Baseline (£m)	RY22/23	RY23/24	RY24/25
Operations Payroll Costs	10.454	9.867	1.399
Core Operations	2.243	2.173	0.175
Customer Relationship Management	1.088	1.088	0.065
Data Analytics & Strategic Operations	2.213	2.122	0.262
In Life Supplier Management	1.279	1.279	0.495
Product & Logistics	1.227	1.109	0.000
Service Assurance	2.404	2.097	0.402
Incurred (£m)	RY22/23	RY23/24	RY24/25
Operations Payroll Costs	13.326	15.377	15.420
Core Operations	3.081	3.628	3.628
Customer Relationship Management	1.502	1.831	1.831
Data Analytics & Strategic Operations	3.683	4.147	4.147
In Life Supplier Management	1.403	1.492	1.480
Product & Logistics	1.318	1.598	1.689
Service Assurance	2.339	2.681	2.645
Variance (£m)	RY22/23	RY23/24	RY24/25
Operations Payroll Costs	2.872	5.510	14.021
Core Operations	0.838	1.455	3.453
Customer Relationship Management	0.414	0.743	1.765
Data Analytics & Strategic Operations	1.470	2.025	3.884
In Life Supplier Management	0.124	0.213	0.985
Product & Logistics	0.091	0.490	1.689
Service Assurance	-0.065	0.584	2.244

1 Operations Cost Centre

Summary

- As service delivery completes implementation and services enter business as usual (i.e. at Market to Retire stage of our lifecycle), Operations takes the lead in providing the early-life support and ongoing smooth running of these services.
- Operations provides a single point of contact for all our customers, supporting their onboarding to the service, incident management and resolution, and the support for smart meter rollout planning.
- July 2022 saw the launch of the Central Switching Service, a major milestone in the transformation of the retail energy market. The handover to enduring operations went smoothly, and we have continued to deliver strong operational performance through the course of the regulatory year (a 99.8% success rate through to May 2023). As required by the Retail Energy Code (REC), we now operate a separate Switching Service Desk, which incurred costs for the first time this year.
- The need to manage and maintain a significantly larger and more complex network, and the improved reporting and insight we are providing to our customers and broader stakeholders has required an increase in investment, (particularly in Core Operations and Data Analytics and Strategic Operations).

1.1 Purpose, Scope, and Structure

1.1.1 Purpose

Operations is accountable for supporting the successful smart meter roll-out across Great Britain, while providing a positive experience for our customers, by maintaining and improving DCC's secure data network. Our primary role is to operate the secure national data network which supports the roll-out and operation of 53 million energy smart meters in homes and small businesses across the country.

Operations provides a single point of contact for all our customers, supporting their onboarding to the service, the incident management of issues through to resolution and the support for smart meter rollout planning. We also design the services and operational processes for DCC enterprise and total systems, working with industry and service providers to address debt and underpin future capabilities and efficiencies.

The team ensures that DCC continues to improve its operational stability and performance, while maintaining security and delivering the additional functionality requested by, and agreed with, our customers and stakeholders.

Operations aims to do this by following some key principles:

- Never go dark and never fail an order
- Be right first time
- Simplify the complex and streamline processes for all our customers
- Provide a highly automated, digital self-service experience which will always be secure
- Drive all initiatives from the customer perspective
- Be vigilant, eyes always on with clear visibility of service across the whole system

1.1.2 Scope

Operations provides the assurance functions to ensure our Service Providers deliver the quality of service to DCC's Smart Energy Code (SEC) Parties, against contractual Key Performance Indicators (KPIs). Operations contains the following functions:

- Data Analytics and Strategic Operations
- Service Assurance
- Core Operations
- In Life Supplier Management
- Customer Relationship Management, Distribution Network Operators (DNO) and Other Users
- Product & Logistics

Operations contributes to the overall DCC Strategy by providing the following services:

- Deliver reliable and repeatable service, at scale
- Report operational performance to our Customers and Regulatory Parties
- Supporting our focus on customers by providing real world information on their experiences
- Support the prioritisation of activity and development effort for DCC through customer insight, process measurement and industry engagement
- Improve the solutions proposed by DCC through early and effective engagement in the design process
- Enable DCC to retain margin and protect its reputation through the relentless focus on service

Key events and objectives driving activity and cost

Table 1 below shows DCC Operation's key objectives for the last financial year and the activities completed to deliver these.

Table 1: Operations 12-month objectives RY22/23

Key Objectives	Activities
Deliver In-Life service pipeline:	<ol style="list-style-type: none"> 1) SMETS1 delivery; Enrolment of all eligible meters 2) Build out of BC/DR (Business Continuity / Disaster Recovery) capability 3) Build and implement high level escalation capability 4) Launch and mature the central switching service
Enhance Governance model across Core Services:	<ol style="list-style-type: none"> 1) Service assurance transformation with improved introduction of Acceptance into Service governance 2) Introduction of a new risk management framework and tooling across operations 3) Establish and mature the underpinning framework supporting Financial, HR and Commercial Operational accountabilities. <ol style="list-style-type: none"> a) Improving spending and resource management b) Feeds through to Business Accuracy c) Enterprise activity planning
Deliver projects, programme milestones and operational transformations of:	<ol style="list-style-type: none"> 1) Re-platforming and development of our data strategy 2) Service Centre re-procurement 3) DSP re-procurement 4) ECoS

	5) 4G Communications Hub and Network (CH&N) readiness 6) Scaling and Optimisation in North Region
Key Operational Deliverables	1) MPP122A (a SEC Modification) 2) New Operational Performance Regime (OPR) 3) Updated Regulatory Reporting 4) Improve Problem Management maturity to a proactive model 5) Automation to improve the timeliness of incident / service request resolution

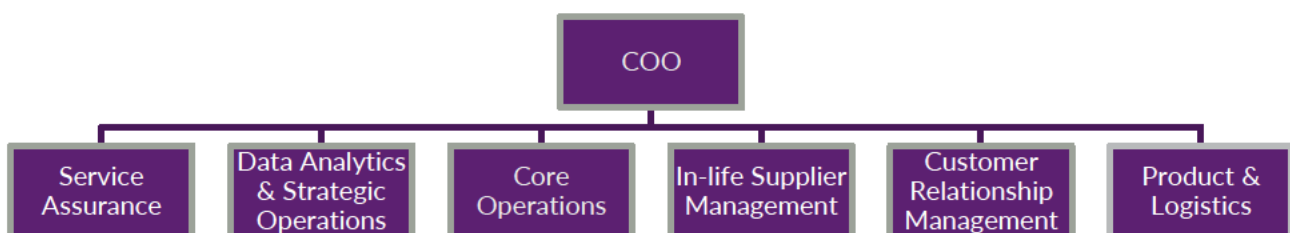
1.1.3 Cost Centre Structure

DCC is at an important point in its strategic journey; strongly focused on delivering critical programmes such as Switching and SMETS1, but also on building our future services and products such as the innovation hub, elective services, SEC Modifications, and the Network Evolution programme.

Without dedicated focus, the scale of the programmes we are working on would reduce capacity for CTO to innovate on the things that are vital to a future-fit platform.

Therefore, DCC made changes to the organisation of the CTO (Chief Technology Officer), CDO (Chief Delivery Officer) and COO (Chief Operations Officer) functions. The changes were designed to better align our teams with the priorities of the smart metering programme and of our customers. These changes were about ensuring sufficient resource capacity and focus, not underlying functional changes to CTO, COO and CDO.

Figure 1 – Cost centre organisational structure



Cost Centre Structure and its capabilities are as follows. The table below provides the overview of the Operations cost centre during RY22/23 and a description of the teams within the structure.

Table 2: Description Per Sub-team Structure

Sub-team structure RY21/22	Sub-team structure RY22/23	Description

Data Science & Analytics	Data Analytics & Strategic Operations	<u>Data Science and Analytics</u> <p>We produce and provide industry with the mandated reporting and commentary. We produce and provide industry with non-mandated reporting and analytical capabilities.</p> <p>We underpin data requirements for DCC and wider industry issues to support incident and problem management (as examples)</p> <p>We build and deploy capabilities to support the services provided by DCC to manage licence obligations.</p> <p>We build and model scenarios to underpin the OPR regime.</p>
Strategic Operations		<u>Strategic Operations</u> <p>Operating as the office of the COO, Strategic Operations assures inputs into the COO, Executive Committee (ExCo) and Board as well as Operations Strategy and Budgets.</p> <ul style="list-style-type: none"> • Operations Financial Management • Management of overall Operations Budget • Responsibility for driving cost savings across Operations • Responsibility for Operations Price Control submission • Risk Management • Measurement and reporting • Workforce Management • Strategy Management
Service Assurance	Service Assurance	<p>Service Assurance design the operational ways of working and the supporting processes, as well as taking Programmes into Business as Usual, for example SMETS1 migrations, Switching and ECoS.</p> <p>The key purpose is "To shape & protect Customer Service and Operations". Key functions include:</p> <ul style="list-style-type: none"> • Service Introduction & Acceptance (Business Acceptance Testing, Service Introduction & Acceptance) • Service Architecture and knowledge (Service Architecture, Knowledge, eLearning, and Training) • Service Governance (Quality, Assurance, Risk and Demand)

Core Operations	Core Operations	<p>The Core Operations team are accountable for ensuring the SMETS service is available and reliable by:</p> <ul style="list-style-type: none"> • Operating a 24/7, 365 frontline Service Centre, providing support to Customers through the full lifecycle of their interactions with the DCC • Offering second line support through a dedicated Incident Management team who act as the primary escalation point for restoring service during a major incident • Preventing repeat occurrences of incidents by performing robust ITIL (Information Technology Infrastructure Library) problem management processes and ensuring all major incidents have root causes. • Monitoring DCC networks 24/7, 365 to ensure traffic is flowing as expected and investigating any variations so that Incidents are identified and raised at the earliest point. • Controlling and scheduling all internal changes across the entire service provider ecosystem to ensure they are successfully deployed through release management without causing unplanned outages • Driving the successful enrolment and adoption of SMETS1 meters onto the DCC network across many accountable parties and complex processes • Continually improving customer journeys through providing insights and support to Customers to drive improved performance of end-to-end processes (e.g., prepayment)
In Life Supplier Management	In Life Supplier Management	<p>The team is accountable for ensuring suppliers operate and perform in line with their contractual obligations, including:</p> <ul style="list-style-type: none"> • Performance management governance routines • Performance recovery plans (where required) • Financial responsibility for all operational suppliers' spend (Finance controls & budget reconciliation) • Risk management and risk reporting across the supply chain • Change management for any supplier impacting change, both process and contractual (not commercial or procurement)
Customer Relationship Management	Customer Relationship Management	<p>This team plays a crucial role at the forefront of all service-related customer engagements, effectively being the voice of the customer, as well as being the voice of DCC. The team have four key functional capabilities,</p> <ul style="list-style-type: none"> • Retail Service Management (Energy Suppliers) • Non-Retail Service Management (DNOs & Other Users)

		<ul style="list-style-type: none"> • Customer Journey/Experience Management (customer complaints, customer effort, onboarding, etc) • Business Resilience (BCDR – business continuity and disaster recovery) <p>The team's accountable for driving customer experience/service improvement, customer advocacy and strategic customer engagement.</p>
Product & Logistics	Product & Logistics	<ul style="list-style-type: none"> • The team is accountable for the supply of Communications Hubs to our customers, in-life ownership of Firmware and Public Key Infrastructure (PKI) management and more recently Demand and Capacity Management • Timely supply of Communications Hubs, Firmware & certificates to industry, maintaining secure, compliant, and reliable services for our customers • Development of Supply Chain to meet the global market challenges and evolution of DCC product portfolio • Assurance of End-to-End (E2E) lifecycle for existing and future products & firmware • Ensure access to the PKI infrastructure, enabling industry growth in a secure and reliable manner • To shape and influence future programmes to deliver best in class solutions and support continuous improvement • Collaborate with industry to establish policy & governance for the introduction of (non-Communications Hubs) devices and firmware onto DCC systems <p>The demand and capacity management team are accountable for ensuring that DCC has the right capacity at the right place and at the right time to service agreed demand from users and industry.</p> <ul style="list-style-type: none"> • Responsible for the compilation of the quarterly demand forecast to industry and assessment of the risk profile within it • Responsible for the assurance of capacity of our systems and networks to service the industry agreed demand profile • To conduct sensitivity analysis to determine the risk profile to inform on both tactical and strategic interventions to mitigate capacity and technology constraints • To seek out inefficiencies and challenge sub-optimal practices that detract from the value chain and DCC's obligation to assure value for money across the capacity supply chain

1.2 Cost Centre Variance

Variance by GLs in the RIGs

The table below provides a breakdown of incurred and forecast costs in price control format i.e. mapping costs directly against the price control General Ledger codes (GLs). Non-payroll costs are explained in a later section. Payroll and Recruitment are justified within the next section.

Table 3: Cost centre variance by GL

GL costs (£m)		R Y22/23	R Y23/24	R Y24/25
Total Baseline - Operations		14.254	12.029	3.376
Total Incurred - Operations		18.716	19.747	19.997
Total Variance - Operations		4.462	7.718	16.621
Payroll costs	PR	2.872	5.510	14.021
Non-payroll costs	NP	-0.177	0.036	0.336
Recruitment	RC	0.476	0.078	0.012
External services	ES	1.593	0.699	0.819
Service management	SM	-0.516	1.178	1.215
IT Services	IT	0.213	0.218	0.218

Payroll costs variance

The overall payroll costs variance is £2.87m in RY22/23.

Variance by Sub-Team

Overall payroll cost variance in RY22/23 is driven by above-baseline costs in i) Data Analytics and Strategic Operations, ii) Core Operations, and iii) Customer Relationship Management. The three remaining teams showed no material variance in the financial year.

All teams are forecast to be materially variant in RY23/24 and RY24/25.

Table 4: Cost centre variance by sub-team

Variance (£m)	R Y22/23	R Y23/24	R Y24/25
Operations Payroll Costs	2.872	5.510	14.021
Core Operations	0.838	1.455	3.453
Customer Relationship Management	0.414	0.743	1.765
Data Analytics & Strategic Operations	1.470	2.025	3.884
In Life Supplier Management	0.124	0.213	0.985
Product & Logistics	0.091	0.490	1.689
Service Assurance	-0.065	0.584	2.244

1.3 Drivers for Variance – Resource

1.3.1 Core Operations

The Core Operations team are dedicated to ensuring live services are available and reliable, meeting our contracted and licenced obligations. The scope of Core Operations includes ITIL (Information Technology Infrastructure Library) functions of Incident, Problem, Change and Release management as well as frontline Customer facing Service Centre, SMETS1 Migration Control Centre and Hypercare.

Activities driving change in resource in RY22/23

The variance increases in RY22/23 (relative to RY21/22), driven by an increase of incurred costs of approximately £700k. Most of the additional costs are due to essential roles recruited during RY21/22 and RY22/23 to build capability within the ITIL roles to enable the change, incident, and problem functions to mature into a smooth-running Smart operation. These roles protect customers by proactively managing the adverse effect on the live service of incidents and ensuring problem management.

In RY22/23, we also ramped up resourcing to ensure the seamless introduction of Switching into Business as Usual (BAU) operations. We carefully considered the optimum resourcing requirements across ITIL teams, making sure we were efficient by cross skilling change, problem, and incident management roles to support SMETS and Switching.

Some fixed-term roles were recruited to provide support during the early-life support period of Switching go-live as well as multi-skilling teams across SMETS1 and Switching services to maximise efficiencies.

Activities driving change in resource in RY23/24 and RY24/25

The variance increases in RY23/24 (relative to RY22/23), driven by an increase of forecast costs of approximately £550k.

We have introduced leadership roles in important areas such as Service Operations and Incident management to continue to evolve into a service led organisation. Other costs are fixed-term contractor roles, with 4 roles to support the introduction of the ECOS service (2 are TOC roles to boost additional monitoring required 24/7 to monitor successful ECOS certificate migrations, and 2 roles to support planning and forecasting).

The variance remains the same in RY24/25 as forecast costs and the baseline remain unchanged when compared to RY23/24.

1.3.2 Customer Relationship Management

Retail Service Management is responsible for delivering the engagement strategy and leading the customer experience/improvements. This team plays a crucial role at the forefront of all service-related customer engagements, effectively being the voice of the customer, as well as being the voice of DCC. The team is the front-line interface for Operations, whilst supporting wider DCC/External forums in mitigating current known issues. The team have four key functional capabilities,

- Retail Service Management (energy suppliers)
- Non-Retail Service Management (DNOs & Other Users)
- Customer Journey/Experience Management (customer complaints, customer effort, onboarding, etc)
- Business Resilience (BCDR)

The team's accountable for driving customer experience/service improvement, customer advocacy and strategic customer engagement.

Activities driving change in resource in RY22/23

During the course of RY22/23, we reinforced the High-Level Escalation function to better manage escalations from across industry and stakeholder groups. We continue to support consumers in obtaining smart meters when their energy supplier has directed them towards DCC. Consumers have written to DCC over 400 times in the last 12 month, in an attempt to gain smart meters or support in improving their overall smart experience. This is often triggered by ambiguity with the responses received from their chosen supplier (and often via an MP). Our input and advice to Energy suppliers has led to over 80 of those consumers gaining a smart meter, with others receiving guidance and unlocking the benefits of smart metering. This reinforcement activity leads to an additional 3.5 Full-Time Employees (FTEs) in the Customer Relationship Management (CRM) structure.

Activities driving change in resource in RY23/24 and RY24/25

The team will focus on improving customer communication, and network/estate health (working with suppliers to proactively manage their deployed devices). These improvements to service are likely to increase the total headcount position by 4 FTEs.

The baseline, forecast costs and variance remain stable between RY23/24 and RY24/25.

1.3.3 Data Analytics & Strategic Operations

In September 2022, the Data Science and Analytics (DS&A) team and the Strategic Operations team merged under a single Director, who also started during this time. At this point the separate cost centres were also merged. The additional Director position was then re-scoped as a Deputy Director of Data Science and Analytics who began at DCC in early 2022. During RY23/24 the teams will be renamed to reflect the combination of Strategy, Data, and Insights.

Activities driving change in resource in RY22/23

The DS&A part of the team produces and provides industry with reporting, commentary, and analytical capabilities. It underpins the data requirements for DCC and wider industry issues to support incident and problem management, and also builds and models scenarios to underpin the OPR regime. There is significant work taking place to redefine the data strategy, which includes moving to a cloud-based data warehouse. The team saw a net increase across 2021/22 of 13 FTE to support additional reporting requirements both for OPR and for switching.

The strategic operations team works across Operations to lead the resourcing strategy, support risk and issue management, portfolio management, process improvements and strategic insights. They also act as 'office of the COO, facilitating quarterly business planning activity, ExCo and board reporting, and providing governance and controls against policies. This team changed during 2021, with several team members leaving the business. In late 2021 and during May 2022 3 FTE (2 contractors and 1 permanent full-time) were recruited to fill these positions with a focus on Risk, Portfolio and Governance respectively, with a further contractor FTE brought in late 2022 to support with reporting and business management activities.

In addition, the team currently has an additional 3 contractor FTE (1 x Director of Lifecycle Management, 2 x Head of lifecycle management) in place to support the creation and embedding of lifecycle management and product ownership across Operations. These roles are currently being reviewed for longevity and it is likely that they will not permanently sit within this team however this is not yet confirmed.

In addition to the existing BAU requirements on the team...

- We have also taken on new services, e.g., Switching, accounting for [REDACTED] of additional resource cost this year. We needed to build up the reporting capability to support this live service. Regular internal and external reporting mechanisms, and professionalising this into a set of performance dashboards
- This includes migrating data onto Cloud platforms to handle larger volumes of data to support DCC's operation, allowing us to run more complex analysis and use more modern tools for manipulating and presenting data. While this will increase resource requirements in the medium term, it will drive efficiency through automation to ultimately reduce costs in the long term. This cloud platforming activity is [REDACTED] in development resource costs this year
- There are also additional programmes which we are having to build out requirements for, e.g., ECoS [REDACTED], CH&N (*ad hoc* resource requirements). This brings with it additional resource requirements.
- Increase in volume of SEC modifications, which the team manage and support

Activities driving change in resource in RY23/24 and RY24/25

There will be ongoing activity within the Data Science and Analytics space to further refine the data strategy and move towards cloud-based data storage. There is the expectation that much of this work will be absorbed into the existing team structure on an enduring basis as the strategy begins to realise benefits, however in the short term some contractor positions are expected to cover both skills and capacity gaps.

Work to understand the future state and deliverables within the strategic operations teams has now taken place, with 2 contractor roles being made permanent which will result in a slight cost saving on contractor rates.

1.3.4 In Life Supplier Management

The team is accountable for ensuring suppliers operate and perform in line with their contractual obligations, including:

- Performance management governance routines
- Performance recovery plans (where required)
- Financial responsibility for all operational suppliers' spend (Finance controls & budget reconciliation)
- Risk management and risk reporting across the supply chain
- Change management for any supplier impacting change, both process and contractual (not commercial or procurement)

Activities driving change in resource in RY22/23

The team has grown in line with the 4 FTE in the business plan over this reporting period. The additional resources have allowed us to build deeper, more robust relationships with our strategic and managed suppliers. They have developed targeted improvement plans for any areas of underperformance. This has resulted in supplier contractual performance improving 7% Year over Year (YoY), exiting 22/23 at 97% of KPI's above minimum performance threshold. The additional resource is also helping set the legacy for the future through informing up and coming contract extensions and/or future procurements by feeding in lessons learnt from running the current supply chain.

Activities driving change in resource in RY23/24 and RY24/25

As we move to disaggregated services through the shaping and delivery of 4G CH&N , and DSP, we will need to map and plan in the resource impact to manage this new service both during the build and then In-life phases. Both these deliverables will create a more complex, multi-supplier network which will drive out an increased level of resource to manage this supplier base. Numbers are still to be confirmed but estimates are on a range from 2 to 4 additional FTE.

1.3.5 Product & Logistics

- The team is accountable for the supply of Communications Hubs to our customers, in-life ownership of Firmware and PKI management and more recently Demand and Capacity Management.

Activities driving change in resource in RY22/23

1FTE April 2022, to support the new Switching programme related to PKI. This was additional workload for the team.

The team grew by a further 5 FTE in February 2023, with the move of Demand & Capacity Management activity from Core Operations and CTO into a single function DCM. This also came with vacancies to be hired in 23/24. This was not incremental resource but a lift and shift of existing resources.

Activities driving change in resource in RY23/24 and RY24/25

The Demand & Capacity Management activity that moved to Products & Logistics in February 2023, came with vacancies for several roles. This is being re-assessed as part of a Target Operational Model for the function. 2 roles related demand forecasting/management are being hired in H1 23/24, for incremental activity. It is envisaged up to 3 further roles are needed related to governance structure and capacity planning. Different options are currently being explored. There is a huge amount of growth forecast in the traffic demand across the DCC network and it is vital that DCC is able to support the future needs of industry ensuring the network capacity grows in a timely and cost-efficient manner.

The 4G CH&N Programme requires people to help build the requirements and plans to support operating the disaggregated operating model with 4G OMS (Order Management System) & Logistics. This is new work and will flow to in-life once 4G product launches in June 2025.

1 FTE is due to join September 2023, in support of OMS and logistics activity. 1 FTE is currently being hired for Firmware activity in H1. The roles will support the requirements, planning and Design, Build & Test (DBT) phase through to in-life operational roles. A further 1 FTE hire is to be concluded (TBC) for October 2023 or later supporting OMS & Logistics but is subject to review.

Variance increases in RY24/25 as forecast costs are set to rise slightly (£90k increase) against an unchanged baseline. These extra costs are due to the new roles that were recruited during RY23/24, incurring costs for only part of the year, yet in RY24/25 they are for the full year.

1.3.6 Service Assurance

This team is responsible for shaping and protecting Customer Service and Operations by designing the Operational ways of working and supporting processes as well as taking Programmes into BAU. There is no material variance in RY22/23, but material forecast variances in RY23/24 and RY24/25.

Activities driving change in resource in RY23/24 and RY24/25

The variance increases by over £1m in RY23/24, as forecast costs are set to rise £700k. In addition, costs are to a reduced baseline (£2.5m to £1.7m) due to forecast disallowances. These extra costs are due to new roles that were recruited during RY22/23 or are due to be recruited. The costs for these roles in RY22/23 are for part, or none, of the year, yet in RY23/24 they are for the full year. This results in the increased costs. These roles include:

- Service Introduction & Acceptance Lead Managers (two roles)
- Head of Service Governance
- Head Of Service Introduction and Acceptance
- Governance Leads x 2
- Enterprise Service Architects
- Operational Readiness Manager
- Transition Manager

The variance increases in RY24/25 even though forecast costs are set to reduce very slightly; this is because the costs are being compared to a slightly reduced baseline (£2.17mm to £2.08mm) due to forecast disallowances. Demand for change and regulatory change remains high.

1.4 Drivers for Variance – Non-Resource

1.4.1 Summary

In RY22/23, External Services, Recruitment, and IT Services all have a material variance. However, there are no individual procurements within Recruitment that are materially variant. However, within External Services and IT Services, there are 4 individual items that are materially variance. In the forecast years, there are 2 additional materially variant items within External Services and Service Management. These are shown, and explained, below.

Table 5: Material Variance for Non-Resource

	Incurring (£m)	RY22/23	RY23/24	RY24/25	
	Total Incurred Recruitment	0.476	0.078	0.012	
	Total Incurred External Services	2.411	0.819	0.819	

	Total Incurred Service Management	2.052	2.822	3.092	
	Total Incurred IT Services	0.218	0.218	0.218	
GL	Incurred (detail) (£m)	RY22/23	RY23/24	RY24/25	Procurement Type
IT	████████ MCC IT	0.218	0.218	0.218	████████
ES	Operational Performance Dashboard	0.187	0.000	0.000	████████
ES	Ops Demand Planning	0.171	0.000	0.000	████████
ES	SMDA Test House	0.352	0.000	0.000	████████
ES	EDAM	0.685	0.748	0.748	████████
SM	Service Desk	2.568	1.644	1.644	████████
	Variance (£m)	RY22/23	RY23/24	RY24/25	
	Total Variance Recruitment	0.476	0.078	0.012	
	Total Variance External Services	1.593	0.699	0.819	
	Total Variance Service Management	-0.516	1.178	1.282	
	Total Variance IT Services	0.213	0.218	0.218	
GL	Variance (detail) (m)	RY22/23	RY23/24	RY24/25	Procurement Type
IT	████████ MCC IT	0.218	0.218	0.218	████████
ES	Operational Performance Dashboard	0.187	0.000	0.000	████████
ES	Ops Demand Planning	0.171	0.000	0.000	████████
ES	SMDA Test House	0.352	0.000	0.000	████████
ES	EDAM	-0.013	0.748	0.748	████████
SM	Service Desk	-0.516	1.178	1.448	████████

1.4.2 ██████████ MCC IT (Migration Control Centre IT)

Driver for the Procurement

These costs relate to the renewal of annual ██████████ licences. ██████████ provides analytics and visualization functionality and is a component of the solution that is used by DCC's Technical Operating Centre (TOC) to monitor the health of the DCC Network. DCC has used ██████████ for over four years, spending a significant amount of time and effort to migrate all regulatory and ad-hoc reporting from other platforms into ██████████ (Cognos, PowerBI desktop, etc.). The solution is used to produce all the dashboards and reports for internal users, Department for Energy, Security, and Net Zero (DESNZ), and other stakeholders.

In addition to the TOC team, ██████████ is used extensively in SMETS1 (ELS & MCC) and is now being extended into Switching. Furthermore, ██████████ is the reporting solution providing (or expected to provide) the necessary customer (Suppliers, Meter Asset Providers (MAPs), meter manufactures etc.) views as required in SEC Mods 122, 176, 181 & 187.

Securing Value for Money

Historically, DCC had procured the ██████████ licences via Capita. However, it was established in October 2020 that cost savings of over 25% could be achieved by contracting directly with ██████████ avoiding the extra costs and margin that had previously been added. This arrangement delivers the best value for money for DCC and its customers.

Therefore, a contract was entered into directly with ██████████. The initial term of the October 2020 to September 2021. The contract was subsequently rolled over for 2022 and 2023. The costs referred to in this submission relate to an extension of this contract for the period of October 2022 to September 2023. Without the extension, the licences and service would have expired. Payment was made in full upon activation of the licenses, which is the market norm.

The costs relate to repeating annual licences enabled through a flexible blended model with two primary components:

- [REDACTED] ENTERPRISE hybrid – annual subscriptions
- [REDACTED] DESKTOP Hybrid Evo – annual subscriptions

Sourcing Approach

[REDACTED]

1.4.3 Operational Performance Dashboard

Driver for the procurement

DCC required a solution to enable easy visibility of the DCC's key performance metrics. This would be utilised by internal DCC employees to access performance data but mainly by the Exco and Board, so when on the move or in executive meetings, they have access to the latest performance information either via a desktop or a mobile application. A demo version has already been developed and approved following work carried out by [REDACTED], an international digital customer experience agency. [REDACTED] also retained a team that is familiar with the Operations Dashboard that will be able to provide technical support, in a timely manner, for the duration of the contract.

Securing value for money

Although not the most competitively priced, [REDACTED] designed, delivered, and maintains DCC's website (www.smartdcc.co.uk), giving them a distinct competitive advantage over other suppliers, including:

1. Enabling reutilisation of the website infrastructure for hosting the dashboard, thereby avoiding the costs of building new environments
2. Knowledge of developing and deploying DCC's style and assets, ensuring brand consistency
3. Expertise in the technologies required to deliver the new Operational Performance Dashboard in the specific context of Smart DCC

This decision was also supported by [REDACTED] strong performance in developing a demo dashboard prior to contract award. The contract was fixed in duration and scope for a period of 12 months.

1.4.4 Ops Demand Planning

Driver for the procurement

Across Operations Planning there was a need to better understand resource drivers and estimate the future demand for operations. DCC Ops was rapidly growing and transforming during this time, and therefore the need for understanding resource requirements and the ability to prioritise and adequately resource both major change programmes and internal change initiatives while maintaining BAU delivery was required to avoid unnecessary recruitment and resourcing costs, avoiding risks to live service, major change programmes and internal operations initiatives being delayed or not completed to a high standard due to overlapping priorities.

This drove the requirement for Operations Planning to further understand and identify pain points and prioritise a set of recommendations. The objective for this activity was to capture requirements, create governance and develop two distinct pieces of work which were not in place at DCC:

1. A future roadmap to identify the portfolio of activity from the Programmes into Operations and that delivered within the Operations function, with an estimate of the associated service requirements.
2. A resource model tool to analyse future resource levels and associated costs to serve, alongside creating a baseline understanding of as-is capabilities and activities. The model would be used to plan and forecast future workload within Operations in conjunction with the roadmap.

The activity undertaken by [REDACTED] has provided a foundation and requirements for Operational Business Planning and Accuracy workstreams which have now become embedded, evolved, and systemised across Operations, and which are now being shared more widely across other DCC functions.

Securing value for money

This was a single source procurement, as [REDACTED] were already engaged by DCC on a Business Accuracy project which had aligned goals to this one and consequentially leveraged effective knowledge share across workstreams, securing an economic agreement and value for money.

1.4.5 SMDA Test House

Driver for the procurement

Following National Audit Office recommendations regarding Interoperability made in 2019, BEIS (now DESNZ) requested DCC submit its Communications Hubs to the SMDA Scheme (Smart Meter Device Assurance), that has been set up to provide assurance to consumers, suppliers, and financiers that smart meter equipment will work effectively in a smart environment.

DCC agreed with this recommendation, and it was implemented as a Critical Success Factor in March 2021. The proposals were supported by DESNZ, and TBDG industry forums and widely supported by industry, including members of the SMDA scheme which has representatives from across industry.

This has enabled SMDA to show industry that our Communications Hubs have been through their Assurance and that they have also demonstrated interoperability with a selection of meters and Prepayment Meter Interface Device (PPMIDS.)

DCC continues to support the scheme with Communications Hub variants – EDMI, Toshiba and WNC for both Single Band and Dual-Band. The ongoing commitment to the scheme means that industry is able to benefit by testing their own devices against Communication Hubs (CH) with the very latest major firmware releases, that otherwise would not be possible. These releases include defect fixes and new SEC technical specification compliancy from ongoing SEC Releases.

Securing Value for Money

Contract Renewal

The contract was extended with [REDACTED] in July 2022 for a further 12-month period to June 2023, via [REDACTED]. The requirement from industry was to introduce the Communications Hubs into the SMDA Scheme, operated by Gemserv, on behalf of its members.

The ongoing costs for the scheme fund the CH testing for each new major GBCS release of firmware, and any maintenance releases that have been planned into the annual roadmap, providing an independent level of assurance. The fees are based on a rate card published to industry.

The cost for the 1-year renewal in July 2022 was [REDACTED], compared to [REDACTED] the previous year. The extension was included in DCC's business plan via the lock process.

[REDACTED] are the exclusive [REDACTED] used by SMDA Scheme and therefore there are no alternative providers available to DCC to renew the service.

The annual budget costs straddle contractual years – the forecast for 23/24 is [REDACTED] and [REDACTED] for 24/25, on the basis that 4G CH&N will also need to be included in the scheme initially via reference testing that is more expensive than uplifting to the latest firmware version due to the increased level of testing conducted.

Benefits

Following the original request from DESNZ and Industry to submit our CH as Test References into the SMDA Scheme, they are maintained on the very latest GBCS complaint firmware. If this was not maintained, then industry would be testing their devices with a firmware that is no longer the latest available and this would not

be representative of the production estate where typically over 98% of the estate are on the latest firmware versions available.

SMDA provide an independent assure of the CH firmware that has been placed into the scheme.

By continuing to maintain the CH within the scheme, this provides greater interoperability assurance for SMDA members and the rest of industry, that electricity meters, gas meters and PPMID are tested against approved CH test references, that otherwise would have to rely on emulators instead of real devices.

This provides a framework to get CH firmware changes tested with a broader range of device types, reducing the risk of finding issues in production.

1.4.6 Enhanced Data Analytics Model (EDAM)

This procurement was originally allowed by Ofgem in the Price Control for RY19/20. Subsequent extensions to the EDAM servers and services were justified in previous Price Control submissions. The material variance for RY23/24 and RY24/25 derive from a further extension of the EDAM servers and services.

Driver for the Procurement

The evolution of DCC's business also led to an evolution of functional needs from the Business Intelligence Management Information (BIMI) tool. Additional functionality and changes requested in the tool, which can require procurement of specialised software and software licenses, Service Providers' contractors, and materials, contributed to the variance in this programme. Due to changing business needs DCC replaced its existing reporting and operational data warehousing tool with the combined fit-for-purpose, Enhanced Data Analytics Model (EDAM).

The EDAM and SMETS1 Migration Reporting System (S1MRS) were maintained via a service agreement with [REDACTED] which first expired on 31 January 2020. These systems form an essential component of DCC's monitoring and support service in respect of SMETS2 meter installations and the migration of SMETS1 meters into the DCC ecosystem.

At that time, DCC considered three options for establishing a new service agreement. DCC recommended that a replacement service agreement is established with [REDACTED] and this [REDACTED] approach was supported by the DCC Procurement and Commercial Team.

There was a 5-month extension until the end of RY 20/21 of certain infrastructure (servers) and database application support. This was due to issues migrating to DCC's Amazon Web Services (AWS) cloud environment, which meant there was a need to extend the contract with Capita Private Cloud (CPC) where the current EDAM database resides.

Further Extension

It was noted at the time of the last extension (described above) that the R&M programme had been approved to be implemented. As such, a final extension of the database application support team was anticipated as a deliverable to facilitate support and knowledge transfer to any successful procurement bidders (although it was recognised that the incumbent may offer best value for our customers due to existing knowledge and skills developed). This extension covered a 12-month period from April 2021 – April 2022, with early termination and replicating the existing contractual terms.

Current Extension

The contract was further extended for an additional 2 years from 31st May 2022 with a 30-day cancellation notice period.

Securing Value for Money

Sourcing Approach

EDAM support is packaged into the Applications & Hosting contract along with MDUST, S1MRS and SDMR. The business felt that remaining with [REDACTED] rather than re-procuring was the optimal approach. This was

considered particularly important during the middle of SMETS1 migrations as the need for Migration Device User System Testing (MDUST) and S1MRS should only be required for a finite period (dependant on the progress of migrations). Therefore, re-procuring would be expensive as the current services all sit on existing Capita private cloud including all the network, hosting, and support requirements.

These have been single source extensions with [REDACTED] that followed the full and standard DCC Change Request process.

1.4.7 Service Desk

Driver for the procurement

All the forecast spending within Service Management are the costs associated with providing the Service Desk function. These are enduring costs and have been justified in previous Price Control Submissions, most recently in RY21/22.

There is no material variance in RY22/23. However, in RY23/24 there is a forecast material variance of £1.178m for Service Desk, and in RY24/25 of £1.448. These are driven by increasing forecast costs and decreasing baselines.

There is an increase in forecast costs over the next three years, in line with the submitted Annual Business Plan. In addition, the variance is increased significantly by the lower baseline in RY23/24 and RY24/25, which reflects the historical assumptions around the scope of DCC's services. These have obviously expanded over the years as DCC has been asked to perform more functions on behalf of government.

There are three components of the forecast costs: i) Telephony/Communications; ii) Operational head count; and iii) Office 365 Licences.

Table 6: Details of Material Service Management Variances, RY23/24-RY24/25

Forecast Year		RY22/23	RY23/24	RY24/25
Total SM Baseline	£m	2.568	1.644	1.810
Service Desk	£m	2.568	1.644	1.644
Service Desk - Ruddington Desks	£m	0.000	0.000	0.166
Total SM Incurred	£m	2.052	2.822	3.092
Service Desk	£m	2.052	2.822	3.092
Total SM Variance	£m	-0.607	1.083	1.282
Service Desk	£m	-0.516	1.178	1.448
Service Desk - Ruddington Desks	£m	0.000	0.000	-0.166

Design and Assurance (CTO) – RY22/23 Variances Overview

Cost Centre Variance by GL

The table below provides a breakdown of incurred and forecasted costs in price control format i.e. mapping costs directly against the price control General Ledger codes (GLs).

Baseline (£m)		RY22/23	RY23/24	RY24/25
Total Design & Assurance		9.677	8.022	1.647
Payroll costs	PR	9.313	7.667	1.468
Non-payroll costs	NP	0.198	0.189	0.135
External services	ES	0.166	0.166	0.029
Internal services	IS	-	-	0.016
Incurred (£m)		RY22/23	RY23/24	RY24/25
Total Design & Assurance		16.606	12.239	11.551
Payroll costs	PR	12.667	11.519	11.104
Non-payroll costs	NP	0.173	0.280	0.281
Recruitment	RC	0.080	0.022	-
External services	ES	3.627	0.418	0.166
IT Services	IT	0.059	-	-
Variance (£m)		RY22/23	RY23/24	RY24/25
Total Design & Assurance		6.929	4.217	9.904
Payroll costs	PR	3.354	3.851	9.636
Non-payroll costs	NP	-0.025	0.092	0.147
Recruitment	RC	0.080	0.022	-
External services	ES	3.462	0.252	0.137
Internal services	IS	-	-	-0.016
IT services	IT	0.059	-	-

Cost Centre variance by sub-team

The table below shows the payroll variance by sub-team within the Design and Assurance (CTO) cost centre.

Baseline (£m)	RY22/23	RY23/24	RY24/25
Design & Assurance Payroll costs	9.313	7.667	1.468
Cloud	0.223	0.210	0.000
CTO Office	0.304	0.304	0.448
Engineering	2.965	2.346	0.000
Network Evolution & Infrastructure	1.633	1.388	0.644
Technology Innovation	0.450	0.391	0.152
Testing Services and Assurance	3.738	3.028	0.224
Incurred (£m)	RY22/23	RY23/24	RY24/25
Design & Assurance Payroll costs	12.667	11.519	11.104
Cloud	0.299	0.276	0.276
CTO Office	0.309	0.321	0.321
Engineering	3.376	3.310	3.346
Network Evolution & Infrastructure	1.957	1.741	1.689
Technology Innovation	0.660	0.877	0.877
Testing Services and Assurance	6.066	4.993	4.594
Variance (£m)	RY22/23	RY23/24	RY24/25
Design & Assurance Payroll costs	3.354	3.851	9.636
Cloud	0.076	0.065	0.276
CTO Office	0.005	0.018	-0.127
Engineering	0.411	0.964	3.346
Network Evolution & Infrastructure	0.325	0.354	1.046
Technology Innovation	0.210	0.486	0.725
Testing Services and Assurance	2.328	1.965	4.370

1 Design and Assurance (CTO) Cost Centre

Summary

- The CTO (Chief Technology Officer) function is accountable for DCC's technology architecture and design decisions. We are seeking to evolve our architecture to reduce complexity, deliver change faster, and drive improved interoperability to ultimately drive efficiency and flexibility for our customers.
- As mentioned in the foreword, this regulatory year has seen a significant increase in scope and scale of the network, which has therefore required a marked increase in business-as-usual change activity across SMETS1, SMETS2 and Switching.
- The CTO function has supported the significant ramp up of activities in our 4G Comms Hubs Network Programme. This has seen strong progress over the course of this regulatory year and will continue to progress at pace as we look to launch in 2025, responding to the shutdown of 2G/3G technologies and in line with our licence obligation to ensure continuity of service.
- Central to the delivery of a more flexible and more efficient platform is the re-architecture and procurement of our Data Services Provider (DSP). The focus for this regulatory year has been on ensuring engagement and alignment on the technical design, and we are now focusing on the most effective commercial approach to deliver on this.
- CTO continues to explore options to deliver against government and customer requirements, for example by enhancing the efficiency of the network or increasing our reach, beyond the 99.3% currently.
- Payroll costs and external services costs have proven to be drivers of variance in this reporting year. Payroll variance is driven principally by Testing Services and Assurance in all years. It should also be noted that during RY22/23, all the testing resource previously in Service Delivery transitioned into CTO (to ensure alignment of the end-to-end model for Design, Integration and Assurance as well as in-life change).

1.1 Purpose, Scope and Structure

1.1.1 Purpose

The Design and Assurance (Chief Technology Officer (CTO)) function has continued to mature in RY22/23 with the continued leadership of the permanent CTO appointed in August 2020. The CTO aim is to become a transformation partner and design authority for Smart Meter Infrastructure supporting the development of high-level design to support His Majesty's Treasury (HMT) business cases to reduce variability during the Request For Proposal (RFP) process. We continue to support industry partners and key stakeholders (Suppliers, DNOs, and Device Manufacturers) in developing efficient and effective technical leadership and delivery for DCC Functions, DCC Customers and Industry Stakeholders, for enduring support across Contract Renewals, Contract Extensions, Defect Resolution, Obsolescence Management and Procurement:

- Technology Ownership SMETS 2
- Technology Ownership for SMETS 1 devices and systems
- Technology Ownership for Switching
- Device Issue Resolution Forum (DIRF)
- Network Evolution – Next Generation Communications Hub

- Network Evolution – Data Services Provider (DSP) Next Generation Technical and Security Vision and Migration Strategy
- System Enhancements with Self Service capabilities that meet DCC User needs
- Technical Expert support to Programmes and DCC Operations
- Implementation of a Systems Engineering framework (INCOSE 15288) to ensure quality of delivery
- Enhanced System Integration and Testing services, Test Labs, Assurance and Governance

Testing as a function moved back into CTO after spending a short time under Service Delivery. This move was to establish closer ties to the architecture and the systems engineering approach being delivered by CTO.

The Cross Functional Design Authority (CFDA) is a governance regime that enforces a standard for the technical design of the Smart Metering systems. Combined with improved processes to support all mandated Programme Resource Requirements the two were established in RT22/23. In addition, the Chief Technical Officer (CTO) started an initiative to develop a framework of policies, processes, and standards across CTO and the wider DCC in line with the INCOSE 15288 standard of Systems Engineering. This standard will build a structured approach to change delivery ensuring repeatable quality of design.

The activity following CIVET to assess “Continuity of Service” Obligation has included assessment against increasing demand, (North Scaling and Optimisation), and assessment of 3G Sunsetting and 2G service impact. Early concept work and engagement with Department Representatives and Security Sub-Committee (SSC) on a Secure Publish and Subscribe Solution and Network Traffic Management to manage and optimise increasing demand more effectively. On agreement of the outcome required and underpinning problem statement these will fall into the HMT Green Book Process.

The Communications Hubs and Networks (CH&N) team was established in the last financial year and the team has grown to support the Network Evolution programme. They are a group of Subject Matter Experts specialising in a wider range of technology areas and are responsible for introducing new solutions for the 4G Comms Hub and ensuring the Low-Level Designs meet DCC requirements., Order Management Systems (OMS) and the DCC Service Management System (DSMS) and supporting the developed of the Wide Area Network (WAN) systems operated by our Communication Service Providers.

Cloud

The volume of public cloud-based services continues to grow across DCC Fundamental Service Providers (FSPs) and there is an increasing lack of consistency in the adoption of Private and Public cloud solutions increasing the design and compliance complexity across the DCC Ecosystem. DCC and its Service Provider partners require core cloud architecture compliant to National Cyber Security Centre (NCSC) best practice and the Security Assessment Framework. The technology function has completed its full analysis against our SEC Obligations and License Obligations as applied to the use of public and Private Cloud. Our work in 23/24 will continue with a consistent cloud-based design principles and policy compliance to drive consistent use of cloud solutions over the next 5 years. We plan to facilitate increased use of technologies what are optimised for use in a cloud environment (Cloud Native), and to ensure that DCC and its Customers benefit from the increased capability that these provide. Within DCC, there are increasing and calls for cloud skills being developed or sourced to support commercial, legal, regulatory and technology developments.

Newly formed in RY21/22, the Cloud Transformation Team continued in RY22/23 to implement the aligned approach to how we use a cloud infrastructure. This is set out in our Cloud Adoption Framework (CAF), our Cloud First Strategy document, and the provision of key framework and guideline documentation for DCC cloud adoption and transformation of services.

The team worked closely with program delivery teams and technology suppliers to assure programmes of work that are designing and delivering cloud solutions. They also provide continuous support to ensure best practice for design in line with cloud principles and adoption of the CAF.

The formation of a Cloud Centre of Excellence is considered key to supporting core business activity and ensuring cloud solutions are fit for purpose, secure, and demonstrate value for money. Engagement with the market to seek intelligence and a potential partnership was undertaken for this purpose.

Technical Innovation Team

The team is focused on assessing modifications of the Smart Energy Code that come through a defined process managed by a 3rd party. The team provides representation at the various working groups, manage impact assessments with DCC's service providers, provide technical input and guidance on the modifications themselves. Also providing support from the initial impact assess, through design, test and build of a technical solution through to a release and final handover to the in-life service function. In addition, provide technical input into industry consultations and support to funded innovation competitions.

Communications

To ensure appropriate communication and dialogue, the CTO provided quarterly updates to formal customer Technical Forums to ensure that DCC Customers see the principles of being open, transparent, and collaborative demonstrated at the most senior levels.

These focus points are considered essential to ensure that DCC is, and will be, able to serve our customers with secure and scalable platforms that ensure DCC connectivity and data services are ready to operate at scale to meet all known current and future needs within Britain's energy ecosystems.

1.1.2 Scope

The range of activities undertaken over the course of RY22/23 are listed in the *Key events* section below. Many of these activities are part of a two-year transformation (started in RY21/22). Providing detail on the delivery in this regulatory year is the focus, but where appropriate, a summary explanation of the next steps towards completion is also provided.

Contribution to DCC strategy

The CTO function will deliver system capabilities, now and in the future, to ensure the successful smart meter rollout continues at pace and to prepare and support effective and efficient operation at scale. The design function will approach our users with open, transparent, and collaborative ways of working to deliver cost effective infrastructure, capabilities and solutions that meet and exceed Customer and energy ecosystem expectations.

Key events and objectives driving activity and cost

Platforms / Cloud Transformation

The DCC has numerous technologies developed by different service providers over time. The adoption of a cloud strategy will provide a level of standardisation more to a more effective technology solution. Adoption of cloud allows the DCC to operate with creator efficiency when supporting changes to the system, both from a technology change and changes in demand. Cloud adoption can potentially generate cost savings to the wider industry, but these are to be quantified via the different strategy documents developed by DCC.

The cost resulting from the activities below are resource costs only.

Revision and overhaul of the Cloud Adoption Framework. Since the initial version cloud technology and DCC understanding has matured, and the guidelines required significant update.

Deep and detailed regulatory analysis was undertaken of the DCC License, SEC, and REC in the context of use of public cloud for DCC service provision. This resulted in a succinct publication consumable by any DCC project or supplier to DCC. Additionally, an assessment of the NCSC Cyber Assessment Framework and its relationship to DCC was performed and a summary paper produced.

Policy artefacts necessary for the governance, efficiency, and effective administration of cloud. A Tagging Policy, Account Hierarchy Policy, and a non-functional requirements NFR scoring matrix were delivered.

Readiness and undertaking of a Request for Information (RFI) process to gather market intelligence and seek a potential cloud strategy delivery partner was undertaken during Q2/Q3. Proposal feedback assessment and suitability was carried out.

RFP, SOC and SOBC documents were authored and maintained in readiness for the procurement process for a supplier to partner with DCC to deliver a cloud infrastructure managed service.

Support to drive forward the cloud strategy and adoption engaged professional services and partnerships, working alongside the core team.

Constant engagement across DCC and with external parties was maintained to provide a clear and transparent view on strategy and direction.

These costs are resource driven.

Network Evolution – CH&N

The team is primarily responsible for the creation of the requirement for the 4G CH&N programme and architectural documents, supporting procurement process for selection of suppliers and creation of technical schedule, assurance of the high- and low-level design artefacts created by the suppliers.

It also supports continuity of service for 2G/3G and Loing Range Radio (LRR) network CSP including CSP-N Scaling and Optimisation and mitigation against sun setting.

Network Evolution DSP Data Systems

Re-architecting and Reprocurring the DSP platform to continue the service after contract completion through a competitive tendering process. The contract expires on the 31st of October 2024, so this work is expected be completed by then. In June 2022, the programme received a non-objection letter from the Department for Energy Security and Net Zero (DESNZ) for the Strategic Outline Business Case (SOBC) and have continued work on the Outline Business Case (OBC) for the planned delivery June 2023 (the object of the programme).

Network Economics

The Network Economics function was designed to support the evolving strategy of the technology function and the risk profile as DCC transitions In-Life Services to new technologies and interventions to assure the Smart Metering Programme and the demands with it. This included projects such as 2G/3G sunseting, Scaling and Optimisation of the SMWAN in the North, and assessment of the demand and supply of capacity assessments to ensure that DCC was able to characterise the risk profile and mitigations in the medium to long term borne by emerging in-life technology limitations relative to the increase and usage of demand on the network.

In February 2023, this role transferred to DCC Operations and forms part of a consolidated function to develop and mature the DCC Demand and Capacity Management function which will provide improved insight to emerging use cases and future demands of the network and help inform the shape and timing of the DCC technology strategy.

Innovation

Managing the SEC Modification process, providing technical guidance and input into responding to Industry consultations and providing support for funded innovation competitions. These are BAU activities, and the cost are driven by resource (but we have a small team)

Testing

Production Support Testing to test and assure the fixes associated with live incidents that occur in the production environment. Maintenance releases occurs monthly throughout the year, however, not every month

is used. Budget covers the cost of the resources from the services provides who support the maintenance release process.

User Entry Process Test (UEPT), Device User System Testing (DUST), Pending Product combination testing (PPCT), Device Model Combination Testing (DMCT) and CSS External Testing are all mandatory testing phases imposed through the SEC and REC and the test team provides these environments and services to support user testing, device set up and Test Issues management. These activities can occur in the DCC provisioned Test Lab or via a User Remote Test Lab. Some of these activities also support customer testing prior to programme releases going into the production environment.

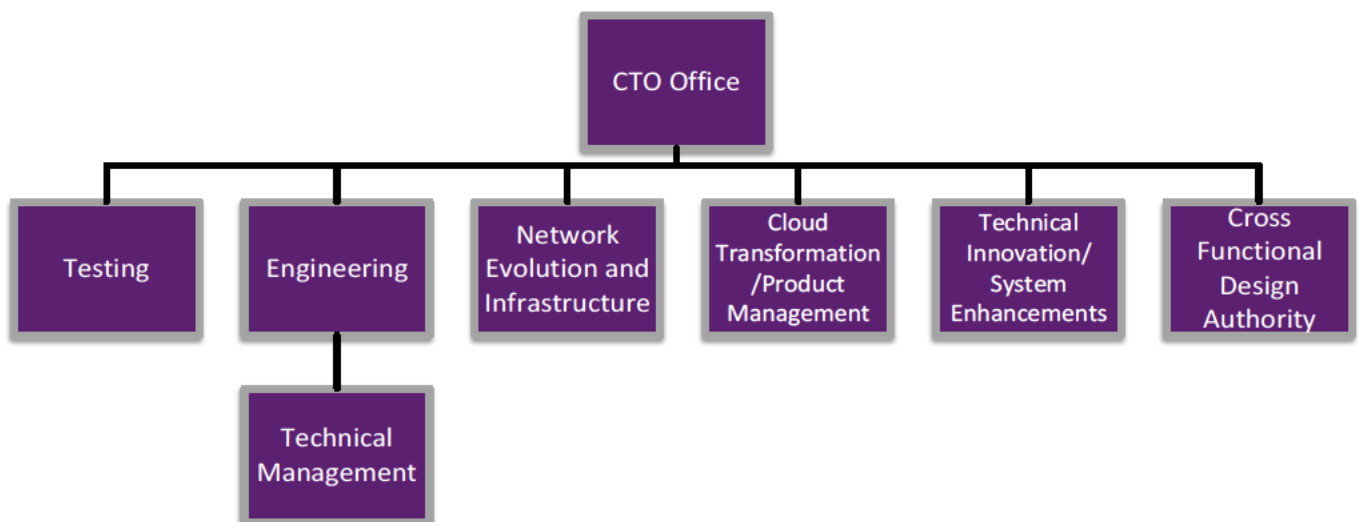
1.1.3 Structure

This cost centre has not changed from the previous submission in RY22/23. However, under the Engineering function a new team was created, Technical Management (see section 1.3.1) and the Cross Functional Design Authority was lifted to report directly into the CTO to give the function the gravitas required, increasing the status of the governance regime to increase control and quality over technical design.

The Product Management team were subsumed into the Cloud Transformation Team. This move ensured appropriate pastoral line management support from the Cloud Transformation team Director, following the departure of the Head of Product Management. These changes are reflected in the organisation structure at the end of RY20/21, shown in the figure below. To note, a further restructure takes effect from April 2022, and Test and Architecture practice transfer will also transfer in to CTO in May 2022, reflecting the two-year transformation planned for the CTO function.

The Testing Team were merged into CTO in June 2022.

Figure 1 – Cost centre organisational structure RY22/23



The table below provides the overview of the structure of the CTO cost centre during RY22/23 and a description of the teams within the structure.

Table 1 – Descriptions per Sub-Team

Sub structure reported RY21/22	Team in	Current Sub-team RY22/23	Comments / Description
CTO Office		CTO Office	Comprises the Chief Technology Officer and their PA
Network Evolution Design		Network Evolution & Infrastructure	<p>The Network Evolution and Infrastructure team was formed by the merger of the Network Evolution Design and Network Evolution Business Architecture teams in RY20/21.</p> <p>The team is responsible for defining the technology strategy. It will build requirements aligned to customer business outcomes, evolving the overall business architect and design, build and deliver evolution of DCC Total systems SMIP (Smart Metering Implementation Programme) Architecture, adhering to DCC System engineering principles and governance.</p> <p>It is accountable for design and technology decisions made to support DCC's current and future customer strategic business needs. The DCC Network and Infrastructure will be designed and implemented to deliver operational benefits and value for money from end-to-end platforms, using government technology codes of practice to innovate, sustain, and improve, with 'secure by design' principles used throughout. This team are working to engage, share and build trust with all relevant stakeholders to support informed decision making. DCC is working with technology design partners to build DCC capability to drive commercial and contractual benefits to implement the DCC Digital transformation journey. The team provides strategic direction and technical support for the following procurement activity to design, build and deliver:</p> <ul style="list-style-type: none"> • Communications Hubs and Network (end to end Service evolution toward 4G) • Data Service Platform Transformation (DSP Transformation) • Radio Network Optimization (WAN) • DCC Enduring Service Integrator (SI) <p>It also provides expert technical support for:</p> <ul style="list-style-type: none"> • Enduring Trusted Service Platform (Enduring TSP) • DCC Service Management Platform (DSMS) <p>The team comprises five sub-teams to lead on delivering to these objectives moving forwards: Technology Connectivity, Infrastructure Architecture, Security Architecture, Radio and Devices and Network Economics.</p>
Network Evolution Business Architecture			

Sub structure reported RY21/22	Team in	Current Sub-team RY22/23	Comments / Description
Testing	Testing	Testing	<p>Testing transferred back into CTO in June 2022 after residing in Service Delivery for a short period. Testing comprises of:</p> <ul style="list-style-type: none"> • Test Architecture responsible for the overall testing strategy, interaction with DCC supplier on a commercial/technical level and the implementation and maintenance of testing processes and tooling • Test Governance and Assurance is responsible for managing the relationship with SEC and REC, and specifically through engagement at the Testing Advisory Group and other forums. Responsible for test planning and preparation, validation of test coverage, test execution and verification of test completion by DCC's service providers • Testing Services is responsible for overseeing the testing undertaken across the DCC services and supporting Testing Participants with their testing in the UIT Environment. Testing Services is also responsible for providing a Testing Issues Resolution service to the Users as well as programmes in the SIT environment as well as a fully functional Test Lab for User Entry Process Testing (UEPT) and Device and User System Testing DUST • Enterprise Architecture test teams undertake testing activities for the DCC. The team ensure that the DCC systems work as expected. These systems were previously developed by Capita for DCC but are now being developed by Data Science and Analytics (DS&A)
Technology Innovation	Technology Innovation	System Enhancements /	<p>This team delivers technical design support for customer-led design for all relevant SEC Modifications and SEC releases. In addition, this team led on user engagement with DCC Customers, covering briefing meetings, an online questionnaire to shape how this product is made available to DCC Customers and SEC Parties, and progressed the formal SEC Modification process to completion to enable making this product available. The DCC Boxed product has been incorporated into the SEC as an explicit charge item.</p> <p>This team will lead on refreshed work to consult with Customers on Enhanced Self Service capabilities in</p>

Sub structure reported RY21/22	Team in	Current Sub-team RY22/23	Comments / Description
Product Management		Cloud Transformation team (Product Management subsumed into Cloud Transformation team for pastoral line management in October 2021 with unchanged delivery objectives)	<p>RY22/23, following the closure of the Product Management team.</p> <p>There were no structural changes to this team during RY2/23</p> <p>This team was newly formed in RY21/22.</p> <p>The Product Management team was responsible for ensuring DCC executes key services and operates to the standards required by our licence and customers.</p> <p>The team led the coordinated development and delivery of DCC's products and services roadmap in line with customer requirements. This included work to transform the Elective Communication Service process during RY21/22. To note: this team was closed with effect from 20th May 2022.</p> <p>Aims to implement an aligned approach to cloud infrastructure (private and public) aligned to the DCC Cloud Adoption Framework and our Cloud First Strategy.</p> <p>Responsible for delivering a Cloud Centre of Excellence, to meet increasing and significant demands in DCC for cloud skills to support commercial, legal, regulatory and technology developments.</p> <p>The Cloud Centre of Excellence will support core business activity and ensure cloud solutions are fit for purpose, secure, and demonstrate value for money.</p> <p>The expectation is for significant progress to be achieved through professional services and partnerships, working alongside a core team.</p>
Engineering		Engineering	<p>The Engineering team is newly structured following the transfer of the Design and Test Services team from Operations and other technical staff from Programmes to CTO during RY21/22.</p> <p>It provides the following professional focus teams: systems engineering (SE), systems integration (SI), enterprise architects group (EAG), Technical Delivery communications hub team and the devices team – in addition to engineering management.</p> <ul style="list-style-type: none"> The SE sub-team addresses the need to mature and scale DCC's current and future operating requirements

Sub structure reported RY21/22	Team in	Current Sub-team RY22/23	Comments / Description
			<ul style="list-style-type: none"> The SI sub-team is responsible for authoring and the realisation of the DCC enduring SI strategy, encompassing the DSP subsystem and associated satellite programmes The EAG provides direct support to the Cross Functional Design Authority and wider DCC, by taking technical ownership of systems, domains, and products within the DCC ecosystem The Communications Hub sub-team are technical specialists on all Communications Hub variants within the DCC Ecosystem, managing device lifecycle for forthcoming products The Devices sub-team are technical specialists covering a wide range of activities relating to smart meters and related devices, across both internal and external stakeholders The technical Management team ensure that programmes delivery the correct technical artifacts into the governance regime (CFDA) and those artefacts are aligned to the INCOSE standard <p>The Engineering Management sub-team ensures that all approved projects and programmes have appropriate expert technical resource.</p>

1.2 Cost Centre Variance

Variance by GLs in the RIGs

The table below provides a breakdown of incurred and forecast costs in price control format below i.e., mapping costs directly against the price control General Ledger codes (GLs). Non-payroll costs are explained in a subsequent section. Payroll and External services are justified within the next sections.

Table 2: Cost centre variance by GL

GL costs (£m)		RY22/23	RY23/24	RY24/25
Total Baseline - Design & Assurance		9.677	8.022	1.647
Total Incurred - Design & Assurance		16.606	12.239	11.551
Total Variance - Design & Assurance		6.924	4.217	9.904
Payroll costs	PR	3.354	3.851	9.636
Non-payroll costs	NP	-0.025	0.092	0.147
Recruitment	RC	0.080	0.022	-
External services	ES	3.462	0.252	0.137
Internal services	IS	-	-	-0.016
IT services	IT	0.059	-	-

Payroll costs variance

The overall Payroll costs variance is positive and materially variant in all years.

Variance by Sub-Team

Payroll variance is driven principally by Testing Services and Assurance in all years, making up more than two-thirds of total payroll variance in Design & Assurance. Engineering, Network Evolution & Infrastructure, and Technology Innovation make up the majority of the remaining variance. Cloud is forecast to be materially variant in RY24/25.

Table 1: Cost centre payroll variance by sub-team

Variance (£m)	RY22/23	RY23/24	RY24/25
Design & Assurance Payroll costs	3.354	3.851	9.636
Cloud	0.076	0.065	0.276
CTO Office	0.005	0.018	-0.127
Engineering	0.411	0.964	3.346
Network Evolution & Infrastructure	0.325	0.354	1.046
Technology Innovation	0.210	0.486	0.725
Testing Services and Assurance	2.328	1.965	4.370

1.3 Drivers for Variance – Resource

1.3.1 Cloud

The Cloud team are providing expert architectural support to all aspects of DCC to ensure that the journey to Cloud is appropriately, and securely designed to ensure value for money. The team also provides strategic guidance and supplier management support within DCC to ensure that DCC Service Providers implement Cloud solutions which are aligned to DCC strategy.

Activities driving change in resource in RY24/25

Despite forecast costs falling slightly across the three-year period, variance increases in RY24/25 because the costs are being compared to a zero-baseline.

1.3.2 Engineering

Engineering expanded in headcount to include the Technical Management Function. This was a new team, recruited from internal teams (outside of the CTO function) and consists of a Technical Delivery Manager and two Technical Delivery Leads. Their primary focus is to intercept any changes to the DCC technical design and assists in the delivery of that change by applying recognised technical standards. After identifying change, the team ensure the change owner delivers the correct technical artifact in the correct format with sufficient quality to go through the DCC technical governance gates (Cross Functional Design Authority, CFDA). The primary purpose is to facilitate the creation, then collect, ratify, and store the technical documentation relating to system design changes.

In addition, the Systems Engineering team was established which include one subject matter expert to advise and guide the implementation of the INCOSE 15288 standard across CTO. This standard is being adopted to embed robust architecture practices which are designed to increase quality of delivery.

Activities driving change in resource in RY22/23

Change during 22/23 was necessary to embed a way of working that increased efficiency and quality. The INCOSE standard was chosen. This standard was to build the foundations for future years where there will be increased complexity (due to system diss-aggregation) and having a standardised and repeatable way of working was needed. BEIS (now the Department of Energy Security and Net Zero) requested that the CTO function adopted this standard to increase quality of delivery.

Activities driving change in resource in RY23/24 and RY24/25

Engineering will continue to implement the INCOSE standard, with processes and procedures in place and the correct governance framework in place. This will be an ongoing activity which will need specific skills and help with that that we be obtained through competitive procurement of consultancy services where required.

System Integration will be of great importance to DCC in the coming years. When implementing a diss-aggregated system the DCC requires a System Integrator who will plan and organise the integration of all the different components of the system to create one system delivering the required capability. DCC will need a partner with the skills and experience in this area and will be procured such a capability.

1.3.3 Network Evolution & Infrastructure

As was the case last year, the Network Evolution & Infrastructure team remains responsible for defining the technology strategy. It continues to build requirements aligned to customer business outcomes, evolving the overall business architecture and design, build and deliver evolution of DCC Total systems SMIP Architecture, adhering to DCC System engineering principles and governance. The Network Evolution and Infrastructure team are accountable for design and technology decisions made to support DCCs current and future customer strategic business needs. The network economics function also provide cost benefits analysis evidence to support technology strategy recommendations and decisions.

The DCC Network and Infrastructure team has been created to deliver operational benefits and value for money from end-to-end platforms, using government technology codes of practice to innovate, sustain, and improve systems, using 'secure by design' principles throughout. This team are working to engage, share and build trust with all relevant stakeholders to support informed decision making. DCC is working with technology design partners to build DCC capability to drive commercial and contractual benefits to implement the DCC Digital transformation journey.

Activities driving change in resource in RY22/23

Changes in resource demand were driven by Design and Delivery of 4G CH&N programme from contract award to meet DCC requirements into High level and Low-Level Design approval and delivery of program into Build and test phase to enable 4G live services in 2025.

The Data Service Platform contract expires in October 2025 with an optional of extension for 1 year. During FY22/23, the technology function with support from its external Design Partner completed the data platform technology strategy, which enabled an RFI to go to market to build the Strategic Outline Case following the green book process. The changes in resource demand were driven by the need to hire sufficient capability and technology knowhow within DCC to drive the transformation. It allows DCC to have quality design requirements during the Request for proposal in FY23/24, to drive value for money for our customers and adopt technology which meets DCC's service obligations.

Furthermore, DCC implemented an enhanced forecasting capability to identify future demand and capacity needs over a five-to-fifteen-year strategic horizon, providing detailed cost and technical modelling options across DCC business and technical domains. Strategic demand forecasts will be modelled, to be used to inform and support capacity planning parameters used within each business and technical domain.

Activities driving change in resource in RY23/24 and RY24/25

As per the LC16.6 condition by DESNZ, all FSP contract renewals must follow the Treasury Green Book approach and will need to be competitively procured. This increases resource demands on the technology architecture and engineering function to support different stages of business case process and during the design and build phases to live service. Key programmes which are expected to increase demand for capability and skills in future include:

- DSP transformation programme will continue to drive resource demand as the program moves into the Request for Proposal stage post Outline Business Case approval and subsequently into contract award for the Design and Build phases

- Public Key Infrastructure contract is due to expire in October 2024 with an optional 1-year extension and is currently at the Strategic Outline Case stage. This program will continue to require security design resource across technology architecture and design engineering functions
- Ordering Management System for 4G Communication hub
- DCC service management system with CGI (Remedy) is out of maintenance support and DCC would be procuring a new service management platform which drive consolidation to manage DCC service to drive efficiency and automation in managing problem, incident and build knowledge base for our customers
- VMO2 and Arqiva contract renewal and driving continuity of service post 2028 when current contract expires
- Cloud Blueprint will define the cloud operating model for DCC for upcoming projects. By creating a framework of technology design principles, and automated tooling, DCC will be able to deliver more efficient, more reliable products, with reduced risk of stranded assets at contract end dates. The cloud blueprint will also consider opportunities for driving down costs of existing services

1.3.4 Technology Innovation

This team will continue to deliver expert design and technical support for customer-led design for all relevant SEC Modifications. The scope of services that Systems Enhancements aim to consult with DCC Customers to deliver are:

- Supporting Industry (DESNZ/Innovate UK Competitions) where appropriate (Smart Secure Energy System)
- Modernising Energy Data Access (MEDAPS)
- SEC Modifications, Impact assessment and design of industry change through the SECAS process

Activities driving change in resource in RY22/23

Additional 3 Full Time Employee (FTE) to support SEC modifications. These were transferred internally to the innovation team. The purpose of this team is to assess changes to the Smart Energy Code. The assessment looks at the technical design and how it affects the end-to-end systems and our service providers.

Activities driving change in resource in RY23/24 and RY24/25

Additional FTE to support REC modifications which is now in scope of the team as the Central Switching Service has gone live. This resource was transferred internally to the innovation team. The purpose of this team is to assess changes to the Retail Energy Code. The assessment looks at the technical design and how it affects the end-to-end systems and our service providers. There is potential for this team to grow in the future but as the REC is in its infancy the demand is not yet fully known.

1.3.5 Testing Services and Assurance

The team is comprised of two area, Testing Services and Test Assurance.

Testing Services: provides the services to industry, allowing industry to use the testing facilities at Brabazon house, supporting the onboarding of test participants (DCC Users) and the end-to-end testing processes. The team working mainly in the User Interface Test Environment but cover other areas where necessary to support end to end testing by DCC users.

Test Assurance is a service to programmes and is specifically to make sure testing is done effectively across all environments by our service providers and programmes. There is a strong internal and external governance regime applied to this area so that any testing activity is fully scrutinised before any solution is allowed to move between environments, finally into the Live Production environment.

Activities driving change in resource in RY22/23

The team's headcount has been fairly steady throughout this period; in terms of supported programmes, increased support for new programmes under Network Evolution, addressing Comms Hub & Network, TSP Tactical, DSMS, and DSP programmes. However, the headcount did increase with a small team specifically addressing Production Support Testing, which is focused exclusively on monthly maintenance releases.

Resources for the new programmes have, in the main, been redeployed from programmes which have wound down after implementation, such as CSS (Switching) and ECoS (Enduring Change of Supplier).

Over the same period, we will need to retain the same resource capability to support In-Life Change workstreams for SEC and REC Releases, as well as SMETS1 and Great Britain Companion Specification (GBCS) enhancements.

Activities driving change in resource in RY23/24 and RY24/25

During 23/24, demand for resource on the Network Evolution programmes will increase significantly, largely reliant on the use of a consultancy partner and this will continue into the next financial year.

1.4 Drivers for Variance – Non-Resource

1.4.1 Summary

The breakdown is provided below.

Table 2: Material variance for Design & Assurance non-resource internal costs

	Incurred (£m)	RY22/23	RY23/24	RY24/25	
	Total Incurred External Services	3.627	0.418	0.166	
GL	Incurred (detail) (£m)	RY22/23	RY23/24	RY24/25	Procurement Type
ES	Architectural Resources CTO Engineering	0.278	0.000	0.000	
ES	Critical SMETS2 Harmonised Support Including P&C	0.356	0.000	0.000	
ES	SMETS1 Technical Assurance	0.322	0.000	0.000	
ES	SMETS2 -	0.588	0.000	0.000	
ES		0.165	0.088	0.166	
	Variance (£m)	RY22/23	RY23/24	RY24/25	
	Total Variance External Services	3.462	0.252	0.137	
GL	Variance (detail) (£m)	RY22/23	RY23/24	RY24/25	Procurement Type
ES	Architectural Resources CTO Engineering	0.278	0.000	0.000	
ES	Critical SMETS2 Harmonised Support Including P&C	0.523	0.330	0.000	
ES	SMETS1 Technical Assurance	0.322	0.000	0.000	
ES	SMETS2 -	0.588	0.000	0.000	
ES	Zigbee	0.262	-0.078	0.166	

1.4.2 Architectural Resources CTO Engineering

DCC run several projects to enhance, change and update the Smart DCC infrastructure. These programmes require technical support to ensure that they deliver the correct technical solutions in line with the scope and requirements of the project, are value for money and in line with the CTO technical strategy.

The resources procured are skilled in specific areas of IT technology and are used to fill gaps where full time permanent resources from the DCC are not available, would not be cost effective to procure on a permanent basis, or have a different skill set.

Driver for the Procurement

Networkology: The driver for procurement was the need to ensure resource availability to meet mandated programme activity where programme requirements exceeded available resources. Typically, the approach is to bring in commodity skills to free up internal domain expertise on critical design projects. This was in line with DCC business plan and aided the implementation of a wider systems engineering framework that enables DCC to deliver projects with greater quality and efficiency. The consultancy set up technical management processes until permanent staff were employed, when there was a handover to the two permanent staff employed. They also helped deliver a service catalogue for Systems integration with was a one-off piece of work that needed additional resources. Again, there was a handover to the Systems integration team once this piece of work had been completed.

██████ was used where we needed a specialist skill at short notice and where DCC have been trying to recruit without success for a number of months and the programmes were due to start. The DNO Project was one example, Enduring Change of Supplier (ECoS) and the Trusted Service Provider TSP projects all needed specialist resources and ██████ could provide the resources quickly to meet programme timelines. Using other providers would need a three-month lead time to perform the procurement exercise whereas DCC has a master service agreement with ██████ which can be used quickly.

██████ was a specialist resource in the SMETS 1 project areas and there were no internal resources who possessed the skills and knowledge required. SMETS1 knowledge and expertise is a niche resource and ██████ was a known consultant who had the capability.

██████ also bolstered the SMETS1 knowledge with subject matter experts in SMETS1 triage. Again, no resources existed internally, and the staff employed were known to have the skills and expertise required.

Both ██████ and ██████ were expert resources who had worked on SMETS1 previously for several years. In the case of ██████, the resources had worked on the SMETS1 project as a contractor and delivered value. There was a single source procurement activity where the rate card was negotiated which was in line with other consultants used at the time. ██████ were also experienced resources who were known to DCC due to a long tenure on the SMETS1 project and DCC were able to use the agreed rate card to secure them for a period at a long-standing agreed rate.

Securing Value for Money

██████ and ██████ are subject to an agreed rate card. ██████ and ██████ were benchmarked against the rate card and subject to negotiation prior to contract signature.

Sourcing Approach

All the consultancies described above were single source procurement. This was due to the specialist skills required to provide the services and the timescales involved in trying to source externally from multiple suppliers. DCC had been recruiting for these roles and the timescales to obtain the correct skills were outside that of the projects and programmes.

Contract Management

All contracts are set up by the DCC procurement team. The management of the contracts is performed by the functional leads. This involves interaction with the project and programme managers to confirm the resources are delivered what they are required. Additionally, there are weekly team meetings and monthly meetings with the account managers from the suppliers.

1.4.3 Critical SMETS2 Harmonised Support Including P&C

██████████ provide several mandated services, products, and licenses to DCC through a Harmonised SMETS2 contract. This contract brings together all the services that have traditionally been separated to better manage the services and achieve efficiencies. The service provided under this contract are Described below:

- Parse and Correlate Support tools: A software tool used by DCC users to ensure messages sent to devices are understood correctly by the DCC and associated messages passed back can be read by their back-end systems. Without this DCC users would not be able to diagnose message errors. Further information can be found: Parse and Correlate | Smart DCC

Fixed Test Support Services

- GFI: the GFI is GBCS for industry tools and allow device manufacturers to test that their interpretation of the Great Britain Companion Specification (GBCS) aligns with the DCC's. Without this Device Manufacturers would be unable to do effective product development or initial triage, increasing the risk of bugs being introduced into the live environment and delay fixes applied to existing issues
- Support for Interoperability Test events: These 6 events (annually) are to identify interoperability issues between devices to reduce the risks of failure in the production environment. These events are especially important for CSPS as it provides them with an opportunity to test their communications hubs with a wide variety of devices outside of DCC formal test provisions. CSW manage and run the events from start to finish and report on the findings, providing technical expertise throughout the year. Without the events there are no other means to test interoperability of devices across such a wide range of devices
- Support for DCC Boxed: DCC's latest tool to provide industry with a test environment, which simulates to a great extent the full SMETS2 end-to-end system, including the ZigBee HAN and its connected devices. DCC users only have the formal UIT environment to perform this type of testing, so the tool provides an alternative to industry
- Reference Test Data Set (RTDS): Test data set updates per SEC release which is used by Suppliers to test their implementation of GBCS
- GBCS Message sizing tool: A tool that details GBCS message size per SEC release that impacts the Great British Companion Specification (GBCS). CSW provide updates and general maintenance to the tool.
- HHT emulator: A tool to emulate the Handheld Terminal (HHT) (defined in SMETS). CSW Provide application support to the tool and licensing
- SMITen Lite License: Software Application Support for a Test Tool, through the provision of a licence for use
- File Signing Utility: Provision of a utility which consists of a command line tool developed in JAVA language, able to normalize and sign CSV files. CSW provide update and general maintenance of the tool
- ZDHT: Zigbee Diagnostic tool. Allow DCC and its service providers to interpret Zigbee traffic between devices for triage purposes

Driver for the Procurement

This is a mandated service we have procured from ██████████, and they have been provided these services since DCC was formed as ██████████ were the only party able to provide such services.

Securing Value for Money

In October 2022 DCC made the decision to extend the contract for 12 months due to the contract expiry date not allowing for sufficient time for a competitive procurement to take place. The services that ██████████ provide would take at least 2 years to procure, design, build, test and then implement if a new provider won

the contract so a plan was initiated to go through the process, allowing this timeframe. As a short-term activity DCC and [REDACTED] to perform a benchmarking exercise to establish if the rate card agreed under the contract was in line with a market rate, which was deemed as market rate once the process finished. After this the decision was made to perform a competitive tendering process in FY22/23 to obtain a more favourable contract, which is now underway.

Sourcing Approach

Benchmarking exercise was performed by DCC and [REDACTED].

Contract Management

The activity was managed by our contract management team and the CTO subject matter experts. Through regular bi-lateral meetings.

1.4.4 SMETS1 Technical Assurance

The SMETS1 Final Operating Capability was part of the wider SMETS1 project and brought the final tranche of SMETS1 devices in the DCC's infrastructure. The project went live but had issues with stability, so a programme of work was set up to improve the system.

Driver for the Procurement

This was a one-off piece of work to establish the SMETS1 risk of the 2G/3G service reaching end of life. This was an emergency requirement, following the announcement of 2G and 3G sunseting and discussions with Service Providers that identified a significant risk to Continuity of Service and the ability of DCC to meet Licence conditions. The same risk (with a different cause and potentially more significant) exists in the North Region. This threat is identified on the Corporate Risk register and is a threat not only to DCC but to continued rollout and operation of Smart Metering.

The end of life of the 2G/3G service was a known activity coming up in the future but the timings of when the activity would take place was not known. Plans were in place, but they were at risk due to an already stressed north region which made this activity a high priority.

Securing Value for Money

Sourcing Approach

This was a single source procurement. The [REDACTED] led the analysis of the Arqiva Network covering the North Region (and authored a report submitted to BEIS and OFGEM in 2021 detailing the risk to future service) and was uniquely placed to understand the ability of the Network to meet current and future requirements at scale. No other supplier was able to bring this expertise into the programme. In addition, The [REDACTED] has trusted relationships with key stakeholders (DCC Board Members, BEIS, ARQIVA, and Industry) and has an in-depth understanding of how DCC (and the environment in which it operates) works.

The rates agreed between [REDACTED] and DCC is a standard discounted rate. A rate reduction was agreed in August 2019 (previous rate charged to DCC was [REDACTED]). Despite [REDACTED] rates having increased due to inflationary impacts, DCC has negotiated for the rate to be maintained at [REDACTED] ever since. This represents a significant discount when considering the comparison of [REDACTED] per day in today's market vs [REDACTED] per day in the market during the first engagement with DCC in 2018. DCC also negotiated for this particular contract to exclude expenses despite regular attendance required at the London Office.

Contract Management

The deliverable was a risk assessment document and was managed between ExCo and the Managing partner. They delivered:

- Executive level leadership and coordination of the Continuity of Service Risk analysis
- Lead a cross-functional team (DCC and 3rd Parties)

- Report progress at a fortnightly Steering Group attended by the DCC CEO
- Support the DCC CEO with updates to the DCC Board and prepare materials
- Provide independent expertise on the Long-Range Radio Network
- Advise the DCC Executive team on the industry engagement approach

1.4.5 SMETS2 - L&G

██████████ are the largest meter manufacturer active in the UK market. DCC procure models of their Gas and Electricity meters to test the end-to-end systems. DCC also procure engineering expertise to triage and resolve any issues within the test environment involving their devices.

Driver for the Procurement

Where DCC is able to and where technical specification supports it, DCC should test with real devices and DCC actively does this for all major programmes. Some programmes such as SEC releases require emulators as their test requirements and testing of specs are ahead of real device development timelines. For all other programmes such as ECOS, CH&N, and Tech Refresh real devices are a requirement. █████ meters are the golden unit and most installed meter in the SMETS2 ecosystem therefore DCC needs to use the meters in test. DCC procures devices & engineering from █████ to ensure testing can be a success for programmes.

Securing Value for Money

DCC negotiates support cost every time the contract is renewed and has a breakdown of cost from █████. DCC also has an agreed █████ cost per unit for any █████ meter variant. This cost is relatively low for test meters.

DCC and █████ entered negotiations regarding price and services offered at each contract renewal. However, DCC were not in a strong negotiating position due to the █████ being the only provider of such services. Nevertheless, DCC did negotiate and obtained the best price, terms, and service available.

Sourcing Approach

DCC has requirements to hold engineering support contracts with all manufacturers that output from programme device selection methodologies and █████ is one of many manufacturers DCC holds contracts with. This is a single source procurement and competitive procurement is not applicable as DCC treats all manufacturers identical and holds contracts with all who are required for testing.

Contract Management

Contracts are 1+1+1 year rolling contracts, Enabling a fixed cost for 3 years. After 3 years a new contract is proposed through formal procurement channels: PIF-SSP-Contract Signature-PO.

1.4.6 Zigbee

Zigbee relates to the Zigbee certification and technical uplift of device emulator software to the latest SEC release requirements. Emulators are used to support DCC testing of DCC Systems, to ensure compliance with new requirements set out in the SEC Release Technical Specifications.

Driver for the Procurement

Zigbee certificate is a requirement for emulators to enter the User Integration Testing (UIT) phase of testing. This is a test phase that all programmes require to enter and exit before going live. For SEC releases specifically they require emulators to be on the latest technical specification and they can only test their changes on emulators. Therefore, they are reliant on emulators having Zigbee certification.

Securing Value for Money

The cost for achieving Zigbee certification is directly from the Zigbee alliance labs, DCC does not pay additional cost to Service Level Solutions (SLS) Limited for this certification, it only goes via SLS as SLS own the products. The Zigbee alliance is the only party who can certify a device as Zigbee compliance and is the core governance

group for the Zigbee protocol. When a SEC release does not contain major changes that impact Zigbee DCC does recertify the devices, it is only done when change in Zigbee is required.

Sourcing Approach

DCC has entered into a 1+1+1 engineering support contract with SLS, this enables a formal relationship.

Contract Management

The framework agreement between DCC and SLS is a separate contract that enables engineering support for testing issues and general technical support. This contract is managed between DCCs technology function and SLS. The cost of Zigbee certification is a separate cost to the contract and is an ad-hoc procurement when SEC releases have large scale changes that impact devices.

Security Cost Centre – RY22/23 Variances Overview

Cost Centre Variance in RY22/23 by GL

The table below provides a breakdown of incurred and forecasted costs in Price Control format i.e. mapping costs directly against the price control General Ledger codes (GLs).

Baseline (£m)		RY22/23	RY23/24	RY24/25
Total Security		4.043	3.439	0.877
Payroll costs	PR	2.566	2.283	0.598
Non-payroll costs	NP	0.112	0.092	0.071
Recruitment	RC	0.036	-	-
Accommodation	AC	0.035	0.035	-
External services	ES	0.851	0.628	0.207
Internal services	IS	0.075	0.075	-
IT Services	IT	4.043	3.439	0.877
Incurred (£m)		RY22/23	RY23/24	RY24/25
Total Security		5.992	6.851	6.051
Payroll costs	PR	3.856	5.132	4.785
Non-payroll costs	NP	0.061	0.107	0.113
Recruitment	RC	0.082	0.117	0.011
External services	ES	1.994	0.782	0.693
Internal services	IS	-	0.262	0.197
IT Services	IT	-	0.315	0.115
Office Sundry	OS	-	0.137	0.137
Variance (£m)		RY22/23	RY23/24	RY24/25
Total Security		1.949	3.412	5.174
Payroll costs	PR	1.290	2.848	4.187
Non-payroll costs	NP	-0.051	0.014	0.042
Recruitment	RC	0.046	0.117	0.011
Accommodation	AC	-0.035	-0.035	-
External services	ES	1.142	0.154	0.486
Internal services	IS	-0.075	0.186	0.197
IT Services	IT	-0.367	-0.010	0.115
Office Sundry	OS	-	0.137	0.137

Cost Centre Variance by Staff Type and Team

The table below shows the payroll variance by sub-team within the Security cost centre.

Baseline (£m)	RY22/23	RY23/24	RY24/25
Security Payroll Costs	2.566	2.283	0.598
CISO Office	0.470	0.464	0.175
Security Architecture and Assurance	0.905	0.811	0.000
Security Governance Risk and Compliance	0.665	0.552	0.088
Security Operations	0.526	0.455	0.336
Incurred (£m)	RY22/23	RY23/24	RY24/25
Security Payroll Costs	3.856	5.132	4.785
CISO Office	0.649	0.992	0.647
Security Architecture and Assurance	1.693	2.227	2.074
Security Governance Risk and Compliance	0.956	1.273	1.399
Security Operations	0.558	0.640	0.665
Variance (£m)	RY22/23	RY23/24	RY24/25
Security Payroll Costs	1.290	2.848	4.187
CISO Office	0.178	0.527	0.472
Security Architecture and Assurance	0.789	1.416	2.074
Security Governance Risk and Compliance	0.291	0.721	1.312
Security Operations	0.032	0.184	0.330

1 Security Cost Centre

Summary

- Maintaining the security of DCC's network and assets for the benefit of all users and customers is a critical priority for the organisation. This ensures we are able to deliver a reliable and stable service for our customers, and recognises the volume and sensitivity of the data that is transmitted
- The past year has served up several reminders of why cyber security remains a key focus for all businesses operating in and around Critical National Infrastructure (CNI) sectors. As deemed CNI, DCC is no exception to this. Therefore, DCC is investing to ensure that its cyber defences are robust and commensurate with the threat we face
- During the course of this year, DCC appointed a new CISO who has focused our security strategy around five strategic priorities: Protect our Critical assets; Harden our Cyber Defence; Drive our Process Maturity; Reduce Cyber Risk & Increase Business Resilience; Enforce Baselines Across the Smart Meter System
- In order to successfully deliver against these priorities, and given the scale, scope and complexity of the smart metering network, additional investment in the capacity and capability of the security team is essential. Key programmes are also underway, (e.g. PKI Enduring) to upgrade our infrastructure in line with these priorities
- This year also saw the formal commencement of the Cyber Fusion Centre where all security event logs from across the Total System will ultimately be monitored, creating a single point of threat intelligence. This latter activity commenced with security log feeds being ingested for the Central Switching Service and will see up to three more key Service Providers added in 2023/24

1.1 Purpose, Scope, and Structure

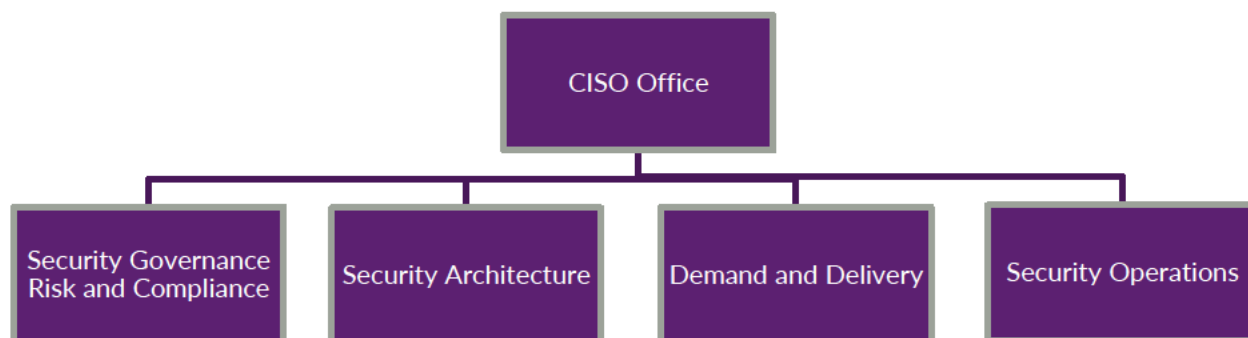
Our purpose is clearly defined as, 'We protect Britain's Smart Meter System'. The Security function provides the security assurance, best practice direction in cyber security and operating the Smart Meter System cyber security defence which resides in our Manchester based Security Operations Centre. The scope of the function includes all aspects of securing the DCC Total System, and engagement with key external stakeholders on all security matters. The Function does this by providing the following services:

- Ensuring the platform and the new programmes being added to it are secure and meet with Licence and code requirements
- Addressing the changing threats to the systems through a risk-based approach in line with industry and regulatory guidance and best practice
- Providing security assurance to the regulators and our customers in support of the unique selling point of our secure operation and positioning DCC as a trusted partner
- Provide threat led defence and assurance for the DCC internal Enterprise IT systems as defined in policy as agreed with the DCC Board
- Monitoring and management of security events captured by the security operation team (Cyber Fusion Centre)

1.1.1 Cost Centre Structure

Broadly speaking, the structure of the Security cost centre has remained the same for this period, although some minor changes are planned in the coming year to reflect changing operational demands and plan in more resilience to potential loss of knowledge and experience.

Figure 1: Security cost centre organisational structure



The team structure is set out in further detail in the table below.

Table 1. Description per Sub-Team

Sub Team structure reported in RY21/22	Current Sub-team RY22/23	Description
CISO Office	CISO Office	Consists of the Chief Information Security Officer (CISO) and Director of Security roles which oversee the strategic direction of the function whilst remaining accountable for delivery.
Security Governance Risk and Compliance	Security Governance Risk and Compliance (GRC)	GRC ensures that DCC remains compliant with the latest Information Security policies, the regulatory codes and manages security risk. They work to train DCC colleagues and raise awareness of security culture. The Information Governance and Data Protection sub-team is primarily focused on Information Governance and Management which also encompasses all responsibility for the Data Protection Act 2018
Security Business Partners	Security Operations	Manages day-to-day Security operations and Service Provider liaison. Acts as focal point for incidents and threat intelligence. (Cyber Fusion Centre)
Demand and Delivery	Demand and Delivery	This team covers project and programme assurance along with architectural designs for secure operation and development.
Security Architecture	Security Architecture	Separated now that DCC has successfully recruited a replacement Head of Security Architecture. This is a critical function to set the technical blueprints for compliant architecture with a strong focus on Cloud solutions and alignment with National Cyber Security Centre (NCSC) guidelines.
EIT	Moved to finance cost centre	

1.2 Cost Centre Variances

Variance by GLs in the RIGs

The table below provides a breakdown of incurred and forecast costs in Price Control format below i.e., mapping costs directly against the price control General Ledger codes (GLs). Non-payroll costs are explained in a subsequent section. Payroll and Recruitment are justified within the next section.

Table 2. Variance from the RIGs by GL

GL costs (£m)		RY22/23	RY23/24	RY24/25
Total Baseline - Security		4.043	3.439	0.877
Total Incurred - Security		5.992	6.851	6.051
Total Variance - Security		1.949	3.412	5.174
Payroll costs	PR	1.290	2.848	4.187
Non-payroll costs	NP	-0.051	0.014	0.042
Recruitment	RC	0.046	0.117	0.011
Accommodation	AC	-0.035	-0.035	-
External services	ES	1.142	0.154	0.486
Internal services	IS	-0.075	0.186	0.197
IT Services	IT	-0.367	-0.010	0.115
Office Sundry	OS	-	0.137	0.137

Payroll costs variance

The overall payroll costs variance is £1.29m in RY22/23.

Variance by Sub-Team

Overall payroll cost variance in RY22/23 is driven by above-baseline costs in i) CISO Office, ii) Security Architecture and Assurance, and iii) Security Governance Risk and Compliance. Security Operations showed no material variance in the financial year.

All teams are forecast to be materially variant in RY23/24 and RY24/25.

Table 3. Variance from the RIGs by sub-team

Security Variance (£m)	RY22/23	RY23/24	RY24/25
Security Payroll Costs	1.290	2.848	4.187
CISO Office	0.178	0.527	0.472
Security Architecture and Assurance	0.789	1.416	2.074
Security Governance Risk and Compliance	0.291	0.721	1.312
Security Operations	0.032	0.184	0.330

1.3 Drivers for Variance – Resource

1.3.1 CISO Office

Activities driving change in resource in RY22/23

A new CISO joined in September 2022 and there was a temporary CISO in before that and in parallel for a hand over which generated additional cost.

Activities driving change in resource in RY23/24 and RY24/25

To facilitate long-term stability and strategic security an additional Director role will join the team to oversee Risk, Compliance and Continuity. This will remove some single person dependencies that exists and allow a higher degree of focus on continuity of service and the larger risk landscape both within DCC and across the whole DCC network.

1.3.2 Security Architecture and Assurance

This team is primarily responsible for the security assurance function for projects and programmes. It is driven by demand from the programmes and fulfilled by this team to ensure that procurement for and subsequent delivery of all DCC programmes are carried out with demonstrable security assurance and meet all the DCC security and regulatory security requirements.

This team is showing a material variance for RY22/23, and for the forecast years RY23/24, and RY24/25.

Activities driving change in resource in RY22/23

During RY22/23 this area was consolidated with the filling of vacant roles in the Assurance team via a mix of permanent and contract resources reflecting the programme demand and in line with variance to this demand as defined in the ABP. Increases have been largely driven by demand for programmes such as Communication Hubs & Network (CH&N), DSP, Enduring Change of Supplier (ECoS) and other supporting projects and are filled with a combination of FTE and contract resources to allow contraction once the programme work reduces.

Activities driving change in resource in RY23/24 and RY24/25

In this year we are moving Assurance resources under a new combined Architecture and Assurance grouping reporting into the Director of Security Assurance. The Demand and Delivery role is changing to encompass Culture and Awareness moved from GRC and temporary cover for the Business Continuity and Disaster Recovery who are moving back to the Security Function from Operations. Underlying numbers will stay fairly static as the programmes progress.

1.3.3 Security Governance Risk and Compliance

The Governance, Risk and Compliance (GRC) team are essential to ensure DCC meets its regulatory security compliance requirements and manages risk within business and industry appetite. They deliver day-to-day security advice and awareness activities in addition to managing ISO27001 certification, Service Organisation Control 2 (SOC2) Type 2 annual assessments, tScheme certification (now three certified Public Key Infrastructures (PKIs) since SMETS1 came online - the tScheme provides accreditation for the trust services we provide, it is mandatory to give assurance that the Trusted Services model is maintained and has legitimacy with the industry), Licence ICO (Information Commissioner's Office) audits and compliance and Supply Chain Risk Assurance.

Activities driving change in resource in RY22/23

Only significant change in this is related to increasing the cover for Data Protection due to known gaps and also the need to support the new Faster Switching Programme which had a major impact on DCC's Data Controller status. Several GRC analyst roles commenced this year covering vacancies which will have impacted actual costs in year.

Activities driving change in resource in RY23/24 and RY24/25

To facilitate better workload distribution the Risk and Compliance team will lose Governance to a new Security Services, Governance and Data Protection team. The Risk and Governance team will take on Business Continuity and Disaster Recovery responsibilities once a new Director joins mid-year.

1.3.4 Security Operations

This team formally known in the past as Security Business Partners was renamed Security Operations after the SOC was transferred back to Security from the Operations Function.

Activities driving change in resource in RY23/24 and RY24/25

The variance increases in RY23/24, primarily driven by an increase of forecast costs of £80k.

These extra costs are due to additional approved roles starting in RY23/24. These roles include:

- Security Operations Analyst
- Cyber Shift Lead
- Security Business Partner

There is a further increased in both variance and incurred costs in RY24/25, with a new role of Security Operations Analyst (Apprentice) scheduled to start during the year.

Changes in this area have accommodated 24/7 operations and expanded monitoring of the Service Provider logs as a plan to increase efficiency and effectiveness of DCC Total System security monitoring and saving some costs currently levied by Service Providers for these services.

1.4 Drivers for Variance – Non-Resource

There were no major changes in this Regulatory Year with predominantly business as usual spend on elements such as auditing and certification that is mandated under the licence. Therefore, there are no individually materially variant non-resource procurements in RY22/23 or forecast for RY23/24 or RY24/25.

Table 4. Material variance for Security non-resource internal costs

	Incurred (£m)	RY22/23	RY23/24	RY24/25	
	Total Incurred External Services	1.994	0.782	0.693	
GL	Incurred (detail) (£m)	RY22/23	RY23/24	RY24/25	Procurement Type
ES	Audit/Assurance	0.016	0.248	0.149	
	Variance (£m)	RY22/23	RY23/24	RY24/25	
	Total Variance External Services	1.142	0.154	0.486	
GL	Variance (detail) (£m)	RY22/23	RY23/24	RY24/25	Procurement Type
ES	Audit/Assurance	0.016	0.248	0.149	

1.4.1 Audit/Assurance

The SOC2 (Service Organisation Controls) audit is set out as a requirement by the SEC. Under obligation G9.2 and G9.3, DCC is required to carry this out annually. The SOC2 audit serves to ensure that our control environment concerning sensitive customer data and information is well defined, suitable within the context of DCC's business and implemented effectively.

Not conducting this audit would render the DCC non-compliant with SEC requirements as it would be unable to certify that the information that it stores is well protected. The core requirement set out in the procurement was to select a supplier who will define the scope, create a plan, and deliver the SCO2 audit that will meet DCC's obligations under the SEC.

During 2022/23 the SEC was amended so that G9 requires a CIO be appointed to carry out "The DCC Independent Security Assessment Arrangements" the cost levels for this are in line with the SOC2 assessment

performed previously but the new arrangements are more aligned to SEC requirements. This value increases a little in 2023/24 as we have new Service Providers coming up for assessments and the CSS under the REC to be assessed.

These are annual cost although the arrangements are negotiated in a three-year contract, so a new contract is commencing with [REDACTED] from April 2024 taking over from [REDACTED] the former assessor after a competitive procurement.

Service Delivery – RY22/23 Variances Overview

Cost Centre Variance in RY22/23 by GL

The table below provides a breakdown of incurred and forecasted costs in price control format i.e. mapping costs directly against the price control General Ledger codes (GLs).

Baseline (£m)		RY22/23	RY23/24	RY24/25
Total Service Delivery		2.862	2.290	0.342
Payroll costs	PR	2.409	1.978	-
Non-payroll costs	NP	0.264	0.264	-
Recruitment	RC	0.015	-	-
External services	ES	0.173	0.048	0.207
Internal services	IS	-	-	0.135
Incurred (£m)		RY22/23	RY23/24	RY24/25
Total Service Delivery		7.162	6.377	4.496
Payroll costs	PR	3.403	6.133	4.302
Non-payroll costs	NP	0.263	0.074	0.076
Recruitment	RC	0.426	0.052	-
External services	ES	3.070	0.118	0.118
Variance (£m)		RY22/23	RY23/24	RY24/25
Total Service Delivery		4.299	4.087	4.154
Payroll costs	PR	0.994	4.154	4.302
Non-payroll costs	NP	-0.002	-0.190	0.076
Recruitment	RC	0.410	0.052	-
External services	ES	2.897	0.070	-0.089
Internal services	IS	-	-	-0.135

Cost Centre Variance by Staff Type and Team

The table below shows the payroll variance by sub-team within the Service Delivery (Programme) cost centre.

Baseline (£m)	RY22/23	RY23/24	RY24/25
Service Delivery Payroll Costs	2.409	1.978	0.000
Professional Services Practice	1.355	0.951	0.000
Programme Director	0.178	0.178	0.000
Service Delivery Office	0.876	0.849	0.000
Incurred (£m)	RY22/23	RY23/24	RY24/25
Service Delivery Payroll Costs	3.403	6.133	4.302
Professional Services Practice	2.103	4.354	2.523
Programme Director	0.243	0.866	0.866
Service Delivery Office	1.057	0.913	0.913
Variance (£m)	RY22/23	RY23/24	RY24/25
Service Delivery Payroll Costs	0.994	4.154	4.302
Professional Services Practice	0.748	3.403	2.523
Programme Director	0.064	0.688	0.866
Service Delivery Office	0.182	0.064	0.913

1 Service Delivery (Programme) Cost Centre

Summary

- Service Delivery runs multiple concurrent change programmes across the smart metering ecosystem in a consistent and controlled manner. This includes change directed by Ofgem, such as the Faster Switching Programme; change directed by Government, such as Enduring Change of Supplier (ECOS); and crucially the transformation of our infrastructure and introduction of new capability, for example the 4G CH&N programme
- Of note in RY22/23 was the 'Lighthouse Programme' report, carried out collaboratively by DCC, Ofgem, DESNZ and SEC Panel following an independent diagnostic of DCC's programme delivery capabilities. The outcomes of this have resulted in a strengthening of DCC's lifecycle management approach, with Service Delivery owning the "Contract to Market" phase
- As a result, and as agreed with DESNZ, DCC has also committed to rolling out PRINCE2 as a delivery methodology over the course of RY23/24. This will help DCC to deliver its change activity right first time, support a common language across our supplier and customer base, and attract and retain staff
- The volume of staff within Service Delivery is inherently dependent on the number and nature of change activities underway. The ramp up of activity in the 4G CH&N programme has resulted in an increase in the number of resources currently required
- In addition to this, it should be noted that while management and administration resource has remained static in RY22/23, the time spent working on DCC internal change projects, and other change programmes which are not treated as recharged for the purposes of Price Control, has increased. Responding to the post-Covid UK-wide high demand for resource, the resourcing strategy was revised in RY 22/23, and a Managed Service Provider (MSP) was appointed to supplement the use of permanent employees, fixed term contractors and contractors. The use of MSP resources in preference to contractors was overall cost neutral

1.1 Purpose, Scope and Structure

1.1.1 Purpose

The Service Delivery function is accountable for the delivery of DCC's portfolio of change programmes using a structured governance process and implementing change to the required standards for successful in-life operations.

Delivery Directors are accountable for a consolidated portfolio of change programmes, which are delivered by Programme Directors.

Services and resources are provided to the programmes via the Professional Services Practice, comprising business analysis and programme & project management expertise, and from wider DCC functions such as Security and Solution Architecture.

This change delivery approach provides value for money by:

- Enabling the sharing of resources and best practice across delivery portfolios
- Consolidating the development of key programme artefacts (such as requirements documentation) within the centralised professional practices
- Maintaining services and standards across programmes
- Enabling redeployment of resources to meet specific challenges as appropriate

- Supports employee development and retention via the rotation of individuals across programmes

Programme delivery is underpinned by a Programme Management Office, which provides independent delivery assurance to each change programme, and a Portfolio Office which provides governance and insight to support planning and resourcing decisions. These activities transitioned away from Service Delivery to the Finance Team in August 2022, aligning transformation activities with wider DCC improvement initiatives sponsored by the Chief Finance Officer, and will transition back to Service Delivery in RY23/24. In addition, the Testing and Test Assurance Team, was transferred to CTO (Chief Technology Officer) in August 2022, enabling closer alignment of Test Assurance and Design Assurance activity.

1.1.2 Scope

The Service Delivery function is accountable for the delivery of changes to the Smart Metering ecosystem including in response to:

- Modifications to the Smart Energy Code and Retail Energy Code
- Change directed by Ofgem, such as the Faster Switching Programme
- Change directed by Government, such as the enrolment and adoption of SMETS 1 devices, and Enduring Change of Supplier (ECOS)
- Requirement for the upgrade of third-Party Supplier systems (known as Tech Refresh) and communication hub firmware
- Expiration of existing third-party service contracts (for example DSP re-procurement)
- Transition to next generation services and introduce new capability, for example Communication Hubs & Network (CH&N) programme which will delivery 4G Communication Hubs.

Additionally, the Service Delivery function will lead, or support, delivery of change to DCC enterprise systems and processes.

Contribution to DCC strategy

The Service Delivery Function enables DCC to deliver multiple concurrent programmes of work in a consistent and well-controlled manner with appropriate flexibility to respond to business needs and delivers value for money in accordance with licence objectives.

Key events and objectives driving activity and cost

Service Delivery costs are directly impacted by:

- The number and scope of change programmes, which influences the volume and type of resource required
- The resourcing strategy, which directly impacts the cost of resource
- The volume of resource that is recharged to major change programmes, and is not reported as a functional cost
- The volume of resource deployed on change programmes which is not treated as recharged for the purposes of Price Control, (including resource deployed on Technical Refresh Programmes, Security Programmes, replacement of Trusted Service Provider Services)

Service Delivery management and administration resource remained static in RY22/23. However, the volume of resource working on “non-rechargeable” programmes increased. This created an increase in the Professional Services costs and Programme Director costs, despite the 100% utilisation of all Professional Services and Programme Directors on change delivery programmes.

The resourcing strategy was revised in RY 22/23 and a Managed Service Provider (MSP) was appointed in February 2022 to supplement the use of permanent employees, fixed term contractors and contractors. The

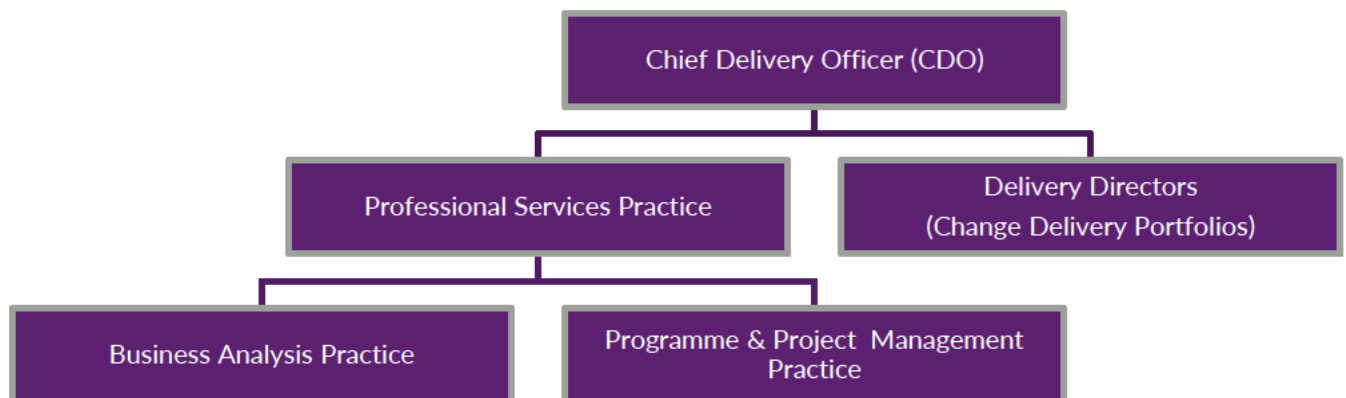
use of MSP resource in preference to contractors was cost neutral, although reported as an increase in consultancy costs. These consultancy costs have been attributed to the Service Delivery Function rather than recharged to the programmes. Twenty MSP resources were used across FY22/23.

1.1.3 Service Delivery Cost Centre Structure

Programme delivery is underpinned by a Programme Management Office, which provides independent delivery assurance to each change programme, and a Portfolio Office which provides governance and insight to support planning and resourcing decisions. These activities transitioned away from Service Delivery to the Finance Team in August 2022, aligning transformation activities with wider DCC improvement initiatives sponsored by the Chief Finance Officer, and will transition back to Service Delivery in RY23/24. In addition, the Testing and Test Assurance Team, was transferred to CTO in August 2022, enabling closer alignment of Test Assurance and Design Assurance activity.

As at the end of RY22/23, the cost centre's organisational structure is shown in Figure 1 below and Table 1.

Figure 1. Cost centre organisational structure RY22/23



The table below shows the structure in RY22/23 and a description of the teams within the structure.

Table 1. Description per Sub-Team

Sub-team structure reported RY21/22	Current Sub-team end-RY22/23	Description
Service Delivery Office	Service Delivery Office	The office of the Chief Delivery Officer (CDO). includes personnel with a responsibility for management of the Service Delivery Function including Chief Delivery Officer, Professional Services Director, 4 Delivery Directors, Resource Deployment Manager, Resource Deployment Administrator and Head of Practice Capability.
Programme & Project Management Practice (PMP)	Professional Services Practice	The Programme & Project Management Practice (PPM) and Business Analysis Practice came together during RY21/22 to form the Professional Services Practice. Both areas provide an internal consultancy service through the

Sub-team structure reported RY21/22	Current Sub-team end-RY22/23	Description
Business Analysis Practice		<p>provision of capable resources and services at the right time, using consistent, appropriate methods and tools and working to quality assured standards to support a flexible portfolio of delivery.</p> <p><u>Programme & Project Management Practice (PPM)</u></p> <p>Comprised of Head of Profession, Programme and Project Managers and Project Coordinators. The practice delivers an internal consultancy of professional programme and project management services.</p> <p><u>Business Analysis Practice</u></p> <p>Comprised of Head of Profession, Senior Business Analysts and Business Analysts. The practice delivers an internal consultancy of professional business analysis services.</p>
Programme Directors	Programme Directors	Comprised of Programme Directors, report into the Delivery Directors. Each Programme Director is accountable for the successful delivery of their assigned programme of work.
Testing and Test Assurance	Team moved to Design & Assurance (CTO) for RY22/23	
Programme Management Office and Portfolio Office	Team moved to Finance cost centre for RY22/23	

1.2 Cost Centre Variance

Variance by GLs in the RIGs

The table below provides a breakdown of incurred and forecast costs in price control format i.e. mapping costs directly against the price control General Ledger codes (GLs). Non-payroll costs are explained in a later section. Payroll is justified within the next section.

Table 2. Cost centre variance by GL

GL costs (£m)			RY22/23	RY23/24	RY24/25
Total Baseline - Service Delivery		£m	4.298	2.931	0.342
Total Incurred - Service Delivery		£m	7.162	6.587	4.496
Total Variance - Service Delivery		£m	2.864	3.656	4.154
Payroll costs	PR	£m	0.994	4.154	4.302
Non-payroll costs	NP	£m	-0.002	-0.190	0.076
Recruitment	RC	£m	0.410	0.052	-
External services	ES	£m	2.897	0.280	-0.089
Internal services	IS	£m	-	-	-0.135

Payroll costs variance

There is a material variance in overall Payroll costs across all three years RY22/23 – RY24/25.

Variance by Sub-Team

The Professional Services, and Programme Director teams shows a material variance in during RY22/23. In addition, the Professional Services team also shows a variance in RY23/24.

All three teams show a material variance in RY24/25: this is because the costs are being compared to a zero-baseline due to forecast disallowances.

Table 3. Cost centre variance by sub-team

Variance (£m)	RY22/23	RY23/24	RY24/25
Service Delivery Payroll Costs	0.994	4.154	4.302
Professional Services Practice	0.748	3.403	2.523
Programme Director	0.064	0.688	0.866
Service Delivery Office	0.182	0.064	0.913

1.3 Drivers for Variance – Resource

1.3.1 Professional Services Practice

The Programme & Project Management Practice (PPM) and Business Analysis Practice came together during RY20/21 to form the Professional Services Practice. The practice delivers resources and services to the portfolio of programmes using a matrix management model working to quality assured standards to support a flexible portfolio of delivery.

The Practice has continued to focus on resourcing activity predominantly to ensure the right capability exists across the key projects and programmes, in addition to driving capability in the requirements capture stage through the initial stages of the Change Delivery Methodology. This stage is crucial to ensure that when a project or programme moves into the Build phase it does so with a clear and agreed specification.

Activities driving change in resource in RY22/23

Payroll costs reduced in RY22/23 relative to RY21/22 (though a variance still shows due to a reduced baseline).

A Managed Service Provider (MSP) was appointed in February 2022 to supplement the use of permanent employees, fixed term contractors and contractors. The use of MSP resource in preference to contractors was cost neutral, although reported as an increase in consultancy costs with an equivalent decrease in Full Time Employee (FTE) headcount costs.

Activities driving change in resource in RY23/24 & 24/25

Changes in resourcing levels between financial years is largely reflective of changes in programme demand. The Professional Services Practice has changed to providing an outcomes-based service to programmes, rather than FTE resource and this will support an increase in efficiency and quality improvements in FY23/24. In addition, in RY23/24, the team the Programme Office team will transfer back into Service Delivery, resulting in increased headcount and costs.

The variance in RY24/25 remains high even though forecast costs and FTE resource numbers decrease significantly, when compared to RY23/24; this is because the costs are being compared to a zero-baseline due to forecast disallowances.

1.3.2 Programme Director

Comprised of Programme Directors, reporting into the Delivery Directors. Each Programme Director is accountable for the successful delivery of their assigned programme of work.

Activities driving change in resource in RY23/24 & RY24/25

Resource costs and variance are set to increase in RY23/24 when compared to RY22/23. This is due to the inclusion of two permanent vacancies that are likely to start during the year. In addition, there is an increase in costs due to a role that started part way through RY22/23 (and accruing costs for only part of the year), but in post for the whole of RY23/24 and therefore accruing greater costs covering the entire year.

Variance increases in RY24/25 even though forecast costs and FTE resource numbers remain unchanged; this is because the costs are being compared to a zero-baseline due to forecast disallowances.

1.3.3 Service Delivery Office

The office of the Service Delivery Director (CDO) includes the management team of the cost centre as whole.

Activities driving change in resource in RY22/23

There is a slight increase in costs and variance in RY22/23 relative to RY21/22. This is largely due to the use of two contractor Delivery Directors during the year to drive performance across key work streams and programmes, and to cover permanent staff transfers at short notice; one leading the CH&N Portfolio of work, and the other leading changes to delivery of In Life Changes and transformation of the relationship with Operations

Activities driving change in resource in RY24/25

Variance increases in RY24/25 even though forecast costs and FTE resource numbers remain unchanged; this is because the costs are being compared to a zero-baseline due to forecast disallowances.

1.4 Drivers for Variance – Non-Resource

1.4.1 Summary

During RY22/23, there were two procurements within Service Delivery (Programme) that had material variance, (i.e., over £0.15million). The breakdown is provided below.

Table 4. Material variance for Service Delivery non-resource internal costs

	Incurred (£m)	RY22/23	RY23/24	RY24/25	
	Total Incurred External Services	3.070	0.118	0.118	
GL	Incurred (detail) (£m)	RY22/23	RY23/24	RY24/25	
ES	Managed Service Provider -	2.668	0.000	0.000	
ES	Portfolio/PMO Transformation	0.363	0.000	0.000	
	Variance (£m)	RY22/23	RY23/24	RY24/25	
	Total Variance External Services	2.897	0.070	-0.089	
GL	Variance (detail) (£m)	RY22/23	RY23/24	RY24/25	Procurement Type
ES	Managed Service Provider -	2.220	0.000	0.000	
ES	Portfolio/PMO Transformation	0.363	0.000	0.000	

1.4.2 Managed Service Provider - [REDACTED]

Driver for the Procurement

The Programme & Project Management (PPM) Practice and Business Analysis (BA) Practice have been resourced with a core team of permanent employees and contractors to provide flexibility in meeting peaks and troughs in demand. This resource, which is deployed onto DCC change delivery programmes, has been sourced and vetted using a [REDACTED] service. The volume and capability of resources provided via this service did not meet the requirements of the DCC Delivery Programmes post-Covid (when UK-wide demand for resource was high) and timescales to complete security vetting and onboard resources were prohibitive. Alternative resourcing options were therefore investigated in September 2021, culminating in the award of a contract (via competitive procurement) for a pilot Managed Service Provider Service with [REDACTED] ([REDACTED]) in February 2022.

This Managed Service Provider contract was wholly funded by converting contractor headcount roles to consultancy costs with no impact on DCC total expenditure; the cost of resource obtained via [REDACTED] was equivalent to the cost of resource provided via the [REDACTED] (recruitment process outsourcing with better alignment of skills with the needs of the DCC delivery programmes and reduction in security vetting timescales. This contract, which was for a period of 6-months with the option of a 3-month extension, expired on 9 December 2022.

At this point, 20 roles were provided by [REDACTED]. The contract continued to be funded by conversion of contractor head count roles into internal non-resource cost and there is no impact on the DCC Business Plan or Charging Statement.

Relationship with Project [REDACTED]

(More details on Project [REDACTED] can be found in the Finance section of this Price Control submission.)

DCC appointed [REDACTED] to consider more extensive strategic sourcing options for DCC and it was intended that the 20 roles provided by [REDACTED] would be incorporated into any DCC wide solution. A decision on this wider DCC wide solution was placed on hold due to the volume of business transformation work that was underway across DCC. It was agreed that this work should progress further before any outsourcing/partnering solutions were implemented and the decision would be reviewed in 2023. To that end, a paper, including a business case and plan of further action, was presented to the DCC board in July 2023. Following feedback from the board, DCC is looking to implement the key recommendations and is preparing the next steps.

Securing Value for Money

Sourcing Approach

The services were secured via a competitive Request For Proposal (RFP) process, which four suitable bidders actively engaged with. The details are set out below.

Table 5. Managed Service Resource Pilot - Procurement Process & Evaluation Breakdown

Procurement – Managed Service Resource Pilot	
Number of Initial invitations to tender	4 (We invited 4 suppliers in total to participate. 3 of which are on the Consultancy Framework and the other is a specialist in this particular area. They all attended a supplier briefing session on 20 th October to ensure they fully understood the requirement.)
Number of Bids received	4 (All 4 suppliers submitted a bid on Friday 19 th November.)

Number of Bidders presenting / shortlisted	<p>3</p> <p>(Following the initial evaluation and moderation on Wednesday 1st December we shortlisted to the top 3 bidders who were invited to present their proposal on 6th December.</p> <p>The presentations were then independently scored on a 0 – 5 scale with a 60% weighting)</p>
Strengths of Selected Bidder	<p>██████████ scored the highest in terms of quality and also commercials of the proposals and then the highest again for the bidder presentation. These scores can be found below of this document.</p> <p>The evaluation team all agreed that they had the most confidence in ██████████ ability to deliver DCCs requirements.</p>
Challenge by DCC	DCC secured a ██████████ project discount
Initial pilot scope price	██████████
Initial pilot scope price after discount	██████████

Table 6. Initial bid evaluation

Bidder Name	Quality Score/%	Commercial Score/%	Total Score/%	Ranking
██████████	48.00%	40.00%	88.00%	1
██████	45.00%	38.59%	83.59%	2
████	45.75%	35.01%	80.76%	3
██████████	39.00%	28.51%	67.51%	4

Table 7. Bidder Presentation (Final) evaluation

Bidder Name	Quality Score/%	Commercial Score/%	Total Score/%	Ranking
██████████	48.00%	40.00%	88.00%	1
██████	37.50%	35.01%	72.51%	2
██████	27.00%	38.59%	65.59%	3

Extensions

The initial contract was for a 6-month period with the option of a 3-month extension. The contract extension was activated due to ongoing demand, till December 2022.

Demand for the 20 roles provided by [REDACTED] remained for the remainder of RY22/23 and into RY23/24, and DCC considered the following options to “bridge the gap” until a decision was taken on the DCC wide solution:

- Award a contract to [REDACTED] ending 12 April 2023 to enable the continuation of programme delivery work and sourcing of / handover of work to contractors. Note: it was anticipated that it would take circa 4 months (taking Christmas into account) to source and onboard contractors. The 20 roles filled by contractors would be subsumed into a future DCC wide sourcing solution if/when established
- Terminate the relationship with [REDACTED] leaving roles vacant until contractors were sourced and onboarded. This option was rejected due to the adverse impact on delivery work
- Issue an RFP for provision of consultancy support for the 20 roles provided by [REDACTED] This was rejected on the basis that the work was likely to be nugatory, would not support delivery continuity and could constrain DCC’s ability to subsume the roles into the wider DCC sourcing solution

DCC determined that option a) was the preferred solution and a contract for the provision of 20 resources to 12 April 2023 was agreed with [REDACTED]. In so doing, DCC entered into negotiation with [REDACTED] and ensured that:

- Rates agreed with [REDACTED] were preferable to those obtained by benchmarking against alternative consultancy organisations/MSP providers
- There was no impact on DCC Business Plan or Charging Statement

Costs

The total costs during RY22/23 are set out below.

Table 8. [REDACTED] Managed services costs during RY22/23

Cost description		Cost value
Original Pilot	First 6-months	[REDACTED]
	3-month extension	[REDACTED]
4 -month extension till April 2023		[REDACTED]
Total costs		[REDACTED]

Benchmarking for extension

The table below sets out the results of a benchmarking exercise between the [REDACTED] and [REDACTED]. The [REDACTED] rates are based on the 4-month extension rate. This benchmarking exercise shows that [REDACTED] day rates are comparable to, or less than, the comparable [REDACTED].

Table 9. Comparison of [REDACTED]

Role	Number of roles	[REDACTED]	[REDACTED]	Percentage Difference
[REDACTED]	1	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	1	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	1	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	1	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	1	[REDACTED]	[REDACTED]	[REDACTED]

1.4.3 [REDACTED] Portfolio/PMO Transformation

Driver for the Procurement

In line with its Licence, the DCC has already delivered hugely complex programmatic activity to establish initial live operation in support of the national SMETS2 rollout, scaling installations and extending capabilities to the lion's share of the UK customer base, including prepayment customers. DCC's operation supports thousands of meter commissions per day and many hundreds of thousands of transactions between meters and energy suppliers.

DCC is now a scaled operational business which supports all energy suppliers' installation activity. It has grown very quickly from an organisation focussed almost exclusively on change activity to >600 employees supporting a live operation whilst continuing to drive major change programmes. In the latter context it still has sizeable challenges ahead of it:

- Providing stable, consistent performance across the network (addressing region specific that have become apparent during the drive to initial live operation and mass rollout)
- The delivery of remaining capabilities to reach all UK customers
- Evolution of the DCC network in the North and South
- The provision of infrastructure to enable energy customers to switch their supplier within day

All of this needs to be delivered against a backdrop of maintaining and optimising operational performance, an increasingly complex BAU systems estate and commercial landscape, and the overriding and critical need to continue to demonstrate value for money to customers and meet all Ofgem and Government specified outcomes.

DCC leadership recognised that there is a need for an evolution in our ways of working to reflect the continued drumbeat of programme delivery within a much larger organisation which is concerned with "run" as well as "change". The Business & Development Plan for DCC identified a strategic pillar around Change & Capability which is concerned with ensuring that the DCC remains fit for purpose, that it delivers value for money and has an agile and efficient workforce to support the needs of its customers. Threads of work have been mobilised as follows:

- Enterprise IT Transformation
- Finance Improvement and Business Accuracy Programme
- Enhancements to the Commercial function
- Culture & Capability Programme

This procurement was concerned with transforming the way the Portfolio & PMO function supports the organisation in tracking strategy through to execution.

Role of Portfolio & PMO:

At the time of procurement, the Portfolio & PMO function sat within the Service Delivery organisation in the DCC: The team has important interfaces across Service Delivery, Finance, Business Planning, Regulatory Affairs and Customer Engagement. In common with the rest of DCC, the Portfolio & PMO ("P&P") function had to grow and adapt at speed to support the organisation has expanded. Challenges it faced included:

- Broadening the scope of Portfolio to reflect the full picture of DCC Priorities, covering all activities set out in the strategy, and where there is a need for customer engagement
- Enabling the organisation to have a more comprehensive view of future change demand such that work is scheduled, resourced, and brought into governance in a timely manner
- Enhancing and simplifying reporting, linking activity back to the DCC's Business & Performance Plans

- Refining the Change Delivery Model and usage of Clarity to achieve the best possible outcomes for the organisation in return for efficient use of effort
- Developing a toolset incorporating Clarity that best supports the needs of P&P and the broader Business Accuracy programme. The need to roll up plans into a portfolio-wide “plan on a page” is required
- Driving an improvement in the quality of programme execution, including in the standardisation of best practice, creation of standards for specific artefacts such as programme plans and business cases
- Linked to above supporting more structured and aligned communications to customers, Ofgem and Government, giving confidence in delivery, and building trust based on transparent sharing of information

To achieve this, a fundamental evolution was needed in the P&P function to enable it to fulfil this broader, more strategic role, as well as upping the ante on embedding usage of existing tools and processes and building on that solid foundation into the future.

The existing team had some highly capable colleagues. However, it was under-strength and suffering from high attrition as a result of a combination of workload and a still-forming development and reward framework.

A key output of the work scoped in this procurement event was to leave behind a right-sized, fully populated, highly competent and engaged P&P function which is equipped to support the organisation into the future. Therefore, a partnering approach with an external supplier was identified as the necessary and optimal way to help the team evolve for the benefit of DCC and its customers. The activities were to include:

- Agreeing clear revised roles and responsibilities for P&P and defining and agreeing interfaces with other DCC functions to support key processes like financial reporting, business planning, etc
- Evolving the current P&P portfolio organisation to fulfil its broader and more strategic remit. This would incorporate a review of the number and type of roles of within the team, and an evaluation of the capability requirements for the future. As part of this organisational design activity, it was expected that a review of the recruitment and reward strategy and balance between permanent and contractor roles would be needed

It was envisaged that the work would run for 6-months and be based on the achievement of outcomes linked to the above challenges, and, primarily to the evolution of the team to meet its new, enhanced, brief. It was particularly important that the work was conducted in collaboration with the P&P team, engendering ownership and engagement to deliver a sustainable, embedded change.

The selected partner would supplement existing resource in the P&P, both to fill gaps and meet existing workload, to coordinate, participate in and contribute to the design from within of new systems, processes, and ways of working to meet the challenges outlined, and to build skills and capabilities in the existing team. The work would likely be delivered on a “managed service” basis, supplemented by consultancy support. We therefore distinguished between two streams of work:

- **Stream 1 - Portfolio & PMO Transformation** – setting the mandate for the team, its interfaces with other parts of the organisation, and the “to be” organisation needed to execute the mandate. Populating the team with key resources, through recruitment and through provision of suitable individuals on a “managed service” basis, and facilitating the transition to “to be”, with a high proportion of suitably skilled, engaged, directly employed colleagues, possibly (subject to separate decision making) supplemented going forward by some element of managed service support
- **Stream 2 - Portfolio & PMO (P&P) Process and ways of Working** – coordinating the supporting activities outlined above to develop the P&P functions ways of working, processes, and standards to those required by the business

Securing Value for Money

Sourcing Approach

The services were secured via a competitive RFP process to ensure economic efficiency and value for money for our customer. Seven suppliers were invited to submit bids; five of which actively engaged and submitted bids. The details are set out below.

Table 10. [REDACTED] Portfolio/PMO Transformation - Procurement Process & Evaluation Breakdown

Procurement – [REDACTED] Portfolio/PMO Transformation	
Number of Initial invitations to tender	7 (6 are suppliers from DCC's Consultancy Framework, and the other is a specialist in this particular area.)
Number of Bids received	5
Number of Bidders presenting / shortlisted	3
Strengths of Selected Bidder	[REDACTED] scored the highest following the presentations. These scores and the initial evaluation can be below. They were also the most competitively priced of all the submissions received.
Challenge by DCC	DCC secured a [REDACTED] project discount
Price before discount	[REDACTED]
Price after discount	[REDACTED]

Table 11. Initial bid evaluation

Bidder Name	Quality Score/%	Commercial Score/%	Total Score/%	Ranking
[REDACTED]	55.33%	40.00%	95.33%	1
[REDACTED]	50.67%	18.78%	69.44%	2
[REDACTED]	39.33%	21.68%	61.01%	3
[REDACTED]	40.67%	13.03%	53.70%	4
[REDACTED]	32.67%	14.73%	47.39%	5

Table 12. Bidder evaluation following presentations

Bidder Name	Quality Score/%	Commercial Score/%	Total Score/%	Ranking
[REDACTED]	48.00%	40.00%	85.00%	1
[REDACTED]	38.00%	21.68%	59.68%	2
[REDACTED]	39.00%	18.78%	57.78%	3

In line with the transfer of the Programme Management Office and Portfolio Office team to the Finance cost centre for RY22/23 (described above in 1.1.3), this project was run out of the Finance cost centre for much of RY22/23.