

# Compliance Report

## Regulatory Year 2014/15

<b>Version 1.0</b>
<b>July 2015</b>
<b>DCC PUBLIC</b>

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# 1 Introduction

## 1.1 Background

DCC provides the shared smart metering communications infrastructure that will allow energy suppliers, network operators and other authorised users to communicate with smart meters. The smart meter communication service will enable consumers to manage their energy usage with near to real-time information of their energy consumption. Consumers will benefit from energy savings and reduced emissions as a result of more accurate information, bringing an end to estimated billing.

Smart DCC Ltd (DCC) was granted the Smart Meter Communication Licence (the Licence) and acceded to the Smart Energy Code (SEC) on 23 September 2013.

Chapter 3 of the Licence covers arrangements for the Licensee's independence, and includes the following conditions:

- Condition 9. Independence and autonomy of the Licensee
- Condition 10. Protection of Confidential Information
- Condition 11. Duties arising from the Licensee's special position

In addition, Condition 12 – Appointment and duties of Compliance Officer, requires DCC to appoint a Compliance Officer, who provides an annual report on compliance with the above conditions. Deloitte LLP has been appointed as the Independent Compliance Officer.

## 1.2 Scope of the Compliance Report

This report covers the Compliance of DCC with the Chapter 3 Conditions for the regulatory year ending 31 March 2015.

As per Part D of Condition 12 of the Licence, this report is specifically required to cover:

- a) (DCC's) compliance during the year with the Chapter 3 requirements; and
- b) (DCC's) implementation during the year of the practices, procedures and systems maintained pursuant to the Compliance Statement<sup>1</sup> that the Licensee is required to have implemented under Part C of Condition 10 (Protection of Confidential Information).

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<sup>1</sup> Available on the Smart DCC website [www.smartdcc.co.uk](http://www.smartdcc.co.uk)

## 2 Overall Compliance Opinion

In the opinion of the Board of DCC the company has materially met all of its requirements under Chapter 3 of the Licence during the regulatory year ending 31 March 2015.

Their opinion is based both upon the report received from the Independent Compliance Officer, and their own enquiries into the operation of DCC. These include:

- reviews of risk management and internal control conducted through the quarterly business assurance reporting process;
- ongoing updates on the implementation of Compliance Officer recommendations; and
- requesting advice from the Compliance Officer on compliance with Chapter 3 issues.

In addition, actions taken as outlined in the Compliance Statement have been reviewed.

The opinion and activities of the Compliance Officer are covered in Section 3.

The activities in support of the Compliance Statement are covered in Section 4.

## **3 Report of the Compliance Officer**

### **3.1 Opinion on Compliance with Chapter 3 requirements**

The Independent Compliance Officer's Annual Report was received by the Board of Smart DCC Limited on 27 May 2015, and includes the following opinion:

'In our opinion, Smart DCC, in performance of its duties under the Licence, has, in all material respects complied with the relevant Licence conditions....for the period 1 April 2014 to 31 March 2015'.

### **3.2 Activities of the Compliance Officer during the reporting period**

The Compliance Officer assessed compliance with the Chapter 3 requirements through a combination of:

- interviews with the Board of Directors and key members of management;
- examination of relevant documentation; and
- non-statistical, judgemental sample testing of selected transactions where applicable.

As this was the first full year of compliance the reviews were conducted in phases throughout the year. In addition ongoing advice on compliance was provided to DCC during the year.

### **3.3 Investigations by the Compliance Officer during the reporting period**

DCC did not receive any formal complaints or other representations related to the Chapter 3 requirements during the regulatory year ending 31 March 2015. As a result, the Compliance Officer has not been required to carry out any investigation into complaints or other representations for the period.

### **3.4 DCC conclusions on the Compliance Officer's Report**

The Board of DCC have reviewed the Independent Compliance Officer's Annual Report to the Licensee's Directors, and have noted their opinion. The Board also met the Compliance Officer to discuss the full report, and are confident that any required actions will be progressed according to a reasonable timeframe.

## 4 Compliance Statement

### 4.1 Introduction

Licence Condition 10 requires the Licensee to take appropriate action to detect and prevent disclosure of unauthorised access to Confidential Information, and to have in place a Compliance Statement describing how the Licensee will comply with that requirement, and to use Confidential Information only for the purposes of its Authorised Business. The Compliance Statement was approved by the Authority on 23 December 2013 and published on the DCC website.

### 4.2 Implementation

As well as defining the purpose of the document, the Compliance Statement covers management responsibility for confidential information, and the information management systems in place.

#### **Management responsibility for Confidential Information (sections 1.12-1.19)**

The requirements of this section are summarised as:

- Defining Confidential Information;
- Responsibilities of Senior Management;
- Validating requests for disclosure; and
- The principles for managing confidential information.

#### **Information Management Systems (sections 1.20-1.30)**

The requirements of this section are summarised as:

- Confirming the principle of 'least privilege';
- Separation of DCC IT systems from others used by Capita plc; and
- DCC is responsible for ensuring communication and data system service providers are in compliance with ISO 270012.

### 4.3 Conclusions on Implementation

The DCC Information Security team have been developing an Information Security Management System (ISMS) that puts the governance and operational fundamentals in place to meet Smart DCC's obligations to manage confidentiality.

This Management System continues to mature and will provide the framework for an ISO27001:2013 certification planned for September 2015. To achieve this international standard, DCC are required to implement and operate administrative, logical and physical controls in depth across the organisation.

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<sup>2</sup> Within 12 months after it first provides Core Communication Services. This will be an ongoing process with any new Service Providers