

Compliance Report

Regulatory Year 2013/14

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DCC PUBLIC

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1 Introduction

1.1 Background

On 23 September 2013, Smart DCC Limited (“Smart DCC”) was granted the Smart Meter Communication Licence by the Secretary of State for Energy and Climate Change. 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 Smart 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 for a two year period.

1.2 Scope of the Compliance Report

This report covers the Compliance of Smart DCC with the Chapter 3 Conditions from the date of the Licence award to the end of the first regulatory year on 31 March 2014.

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

- a) (Smart DCC’s) compliance during the year with the Chapter 3 requirements; and
- b) (Smart DCC’s) implementation during the year of the practices, procedures and systems maintained pursuant to the Compliance Statement¹ that the Licensee is required to have implemented under Part C of Condition 10 (Protection of Confidential Information).

¹ Available on the Smart DCC website www.smartdcc.co.uk

2 Overall Compliance Opinion

In the opinion of the Board of Smart DCC Limited the company has materially met all of its requirements under Chapter 3 of the Licence for the period from the award of the Licence, until the year end 31 March 2014.

Their opinion is based both upon the report received from the Independent Compliance Officer, and their own enquiries into the operation of Smart DCC. 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 in June 2014, 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 23 September 2013 to 31 March 2014'.

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:

- i) Interviews with the Board of Directors and key members of management;
- ii) Examination of relevant documentation; and
- iii) Non-statistical, judgemental sample testing of selected transactions where applicable.

3.3 Investigations by the Compliance Officer during the reporting period

Smart DCC did not receive any formal complaints or other representations related to the Chapter 3 requirements during the period 23 September 2013 to 31 March 2014. 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 Smart DCC conclusions on the Compliance Officer's Report

The Board of Smart 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 published on 20 December 2013.

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

Since the licence award, 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 May 2015. To achieve this international standard, DCC are required to implement and operate administrative, logical and physical controls in depth across the organisation. These are currently in the process of being completed in accordance with the “road to certification” plan.

² This is an ongoing process with new service providers