



Department
of Energy &
Climate Change

12 November 2015

Jonathan Simcock
Managing Director
Smart DCC Ltd (the "DCC")
2nd Floor Ibex House
42-47 Minories
London
EC3N 1DY

Dear Jonathan,

DCC General Review of Implementation Milestones – Direction given by the Secretary of State for the purposes of Schedule 3 Part F of the Smart Meter Communication Licences

I refer to the DCC's submission of 29 July 2015 setting out the conclusions of the DCC's general review of the remaining Implementation Due Dates and Implementation Milestone Criteria (taken together to be referred to in this letter and direction as the 'Implementation Milestones' or 'IMs'), pursuant to Part F of Schedule 3 of the smart meter communication licences (the 'DCC Licence').

While we understand the importance of concluding on the DCC's IM proposals as soon as possible, the Department recognises that the DCC is currently working on potential changes to its delivery plan – including the use of both time and/or functional contingency. As such, we felt it is prudent to wait until this current re-planning process is concluded before making a final determination on all of the DCC's proposals set out in its July 2015 submission.

However, we are also aware of Ofgem's imminent consultation on its draft Price Control Determination for the Regulatory Year 2014/15 and the benefits of concluding on IMs that fall within this period. Therefore, on balance, it has been determined that conclusions for IM7 (Approval of Service Management System Design) can be provided now. Minor revisions to IM5 (Submission of DSP Interface Specifications) and IM6 (Submission of the ICHIS), which fall within the 2013/14 Regulatory Year, have also been approved.

There are also three further IMs (8-10) related to Systems Integration Testing (SIT) that currently fall within the 2014/15 Regulatory Year. As SIT activity now falls within later Regulatory Years and is part of the current DCC re-planning activity the Secretary of State considers that it would be appropriate to 'temporarily' delete these IMs from the 2014/15 Regulatory Year. This removes the risk of DCC being inappropriately assessed against these IMs in the current Price Control process for the 2014/15 Regulatory Year.

A further determination and direction on, the following items will follow as soon as possible after the completion of the DCC's current re-planning activity:

- The updated 'recovery mechanism' for IMs 5-7
- SIT-related IMs (8-10)
- Milestones associated with Interface Testing; start of live Enrolment and Communications Services; and stabilisation of live services (IMs 11 – 14)

Direction

The Secretary of State's Direction setting out amendments to the Implementation Due Dates and Implementation Milestone Criteria (in accordance with paragraph 3.4 and 3.5 of Part F of Schedule 3 of the DCC Licence) is set out in **Annex A**.

Definitions

For the purposes of the Direction set out in Annex A, our intention is that terms and expressions not defined or otherwise explained under any provision of the DCC Licence, or in the Smart Energy Code (SEC), are to be read and understood by reference to the meanings given to them, as at the date of this Direction letter, in the relevant External Service Provider Contracts. The reference to 'the SEC' in this context shall be construed by reference to the decision or consultation document concerning the intended future content of the SEC most recently published by the Secretary of State prior to the date of this Direction letter (regardless of whether the content of those documents has yet been incorporated into the SEC, or whether that content is stated to not yet apply under the transitional provisions of the SEC).

*Furthermore, for the purposes of the Direction set out in Annex A, an **Authorisation to Proceed Certificate** is the certificate that is issued by the Licensee to enable an External Service Provider to proceed to the next stage/phase of testing based on an assessment of:*

- testing completed in the preceding test stage/phase, including completion of relevant exit criteria;
- attainment of entry criteria for next stage/phase of testing; and
- risks associated with progression to the next stage/phase of testing

I am copying this letter to Rob Salter-Church and Laura Nell at the Gas and Electricity Market Authority.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'T. Comey', is positioned below the closing 'Yours sincerely,'.

TERESA CAMEY

Deputy Director Stewardship, Smart Metering Implementation Programme

(an official of the Department of Energy & Climate Change authorised to act on behalf of the Secretary of State)

ANNEX A – Legal direction setting out variations to the Implementation Due Dates specified in Parts A and B of Schedule 3 and the Implementation Milestone Criteria identified in Part E of Schedule 3 of the Smart Meter Communication Licences

1. In accordance with paragraph 3.4 and 3.5 of Part F of Schedule 3 of the DCC Licence, the Secretary of State hereby directs that the Implementation Due Dates and Implementation Milestone Criteria set out in Schedule 3 of the smart meter communications licences shall be varied as set out in paragraphs 2 to 4 below, with immediate effect.
2. In Part A of Schedule 3 (In respect of Regulatory Year 2013/14), delete "Implementation Milestone 5: Submission of the DSP Interface Specification" and "Implementation Milestone 6: Submission of the ICHIS" and insert revised text as follows:

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Implementation Milestone 5: Submission of the DSP Interface Specification

Algebraic term: $IM5_t$

Implementation Due Date: 28 February 2014

Implementation Milestone Criteria: As specified in the Statement of Implementation Criteria set out at Part E of this Schedule.

Amount of term: $IM5_t = BMIT \times 4\% \times TF_5$, where:

TF_5 (Time Factor for IM5) has the value of:

0 if the specified criteria are achieved by 28 February 2014

0.1 if the specified criteria are achieved after 28 February 2014 but before (+ 3 weeks)

0.4 if the specified criteria are achieved after (+ 3 week) but before (+ 4 weeks)

0.7 if the specified criteria are achieved after (+ 4 weeks) but before (+ 6 weeks)

1.0 if the specified criteria are not achieved before (+ 6 weeks)

Implementation Milestone 6: Submission of the ICHIS

Algebraic term: $IM6_t$

Implementation Due Date: 28 February 2014

Implementation Milestone Criteria: As specified in the Statement of Implementation Criteria set out at Part E of this Schedule.

Amount of term: $IM6_t = BMIT \times 4\% \times TF_6$:

TF_6 (Time Factor for IM6) has the value of:

0 if the specified criteria are achieved by 28 February 2014

0.0 if the specified criteria are achieved after 28 February 2014 but before (+ 2 weeks)
0.4 if the specified criteria are achieved after (+ 2 weeks) but before (+ 4 weeks)
0.7 if the specified criteria are achieved after (+ 4 weeks) but before (+ 6 weeks)
1.0 if the specified criteria are not achieved before (+ 6 weeks).

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3. Delete Part B of Schedule 3 (In respect of Regulatory Year 2014/15) and insert a new Part B, as follows:

"Part B: In respect of Regulatory Year 2014/15

Implementation Milestone 7: Approval of Service Management System Design

Algebraic term: $IM7_t$

Implementation Due Date: 29 November 2014

Implementation Milestone Criteria: As specified in the Statement of Implementation Criteria set out at Part E of this Schedule.

Amount of term: $IM7_t = BMIT \times 4\% \times TF_7$, where:

TF_7 (Time Factor for IM7) has the value of:

0 if the specified criteria are achieved by 29 November 2014
0.2 if the specified criteria are achieved after 29 November 2014 but before (+ 1 week)
0.4 if the specified criteria are achieved after (+ 1 week) but before (+ 2 weeks)
0.6 if the specified criteria are achieved after (+ 2 weeks) but before (+ 3 weeks)
1.0 if the specified criteria are not achieved before (+ 3 weeks).

”

4. In Part E of Schedule 3 (Statement of Implementation Milestone (IM) Criteria) delete existing IM7 (Approval of Service Management System); IM8 (DSP Ready for Systems Integration Testing with Licensee); IM9 (DSP and CSPs Ready for Systems Integration Testing); IM10 (Completion of Systems Integration Testing) and insert:

"IM7: Approval of Service Management System Design

- The baselined Service Management System Design Document (SD11) has been produced by the Data Services Provider and has been given full approval by the Licensee (through issuing an Authorisation to Proceed certificate to the Data Services Provider).

- The baselined Data Design (SD14) has been produced by the Data Services Provider and has been given full approval by the Licensee (through issuing an Authorisation to Proceed certificate to the Data Services Provider).
- The baselined Service Management Interface Specification Document (SD4.7) has been produced by the Data Services Provider and has been given full approval by the Licensee (through issuing an Authorisation to Proceed certificate to the Data Services Provider).