

## **DCC consultation**

### **Proposed changes to DCC's Implementation Milestones**

**8<sup>th</sup> May 2015**

# Contents

1	Executive summary .....	3
2	Introduction and background .....	6
3	The elements of the Implementation Milestones .....	9
4	Concluded changes to IM7 .....	14
5	Incentives for readiness for the start of Systems Integration Testing .....	15
6	Incentives for readiness for the start of Interface Testing .....	18
7	Incentives for the provision of live Enrolment and Communication Services .	21
8	Incentives beyond live Enrolment and Communication Services.....	24
9	Incentives for the completion of User Integration Testing.....	26
10	Recognition of external dependencies .....	27
11	Conclusions and consultation process .....	29
	Annex A – Consolidated proposal .....	30
	Annex B – Consultation questions.....	35
	Annex C – Glossary .....	36

## 1 Executive summary

1. DCC is required to achieve each of the Implementation Milestones (IMs) as laid out in Schedule 3 of the Smart Meter Communication Licence (the "Licence"), in order to earn its full Baseline Margin. This framework works as an incentive regime for DCC to achieve certain programme milestones in a timely manner.
2. Schedule 3 of Part F<sup>1</sup> of the Licence places a duty on DCC to undertake a general review of the IMs. This consultation document sets out the results of that general review. The review results in a set of proposals, these are summarised in Table 1, below.

Current Implementation Milestone	Proposed Implementation Milestone	Rationale
IM8: DSP Ready for Systems Integration Testing with Licensee	IM8a: Licensee is ready for Systems Integration Testing in the North Region	<ul style="list-style-type: none"> <li>▪ The proposal would bring the DSP (Data Service Provider) and at least one CSP (Communications Service Provider) together for the start of SIT (Systems Integration Testing).</li> <li>▪ Proposal would incentivise DCC to ensure all CSPs start SIT.</li> <li>▪ Proposal would be based on a 'phased' release of functionality from PIT (Pre-Integration Testing) into SIT.</li> </ul>
IM9: DSP and CSPs Ready for Systems Integration Testing <sup>2</sup>	IM8b: Licensee is ready for Systems Integration Testing in the Central and South Regions	
IM10: Completion of SIT	IM9a: Licensee is ready for Interface Testing in the North Region	<ul style="list-style-type: none"> <li>▪ Under the new DCC plan, SIT and IT (Interface Testing) will overlap – as such, start of IT occurs earlier than end of SIT.</li> <li>▪ Start of IT is a key milestone for prospective Users with large suppliers (and potentially electricity DNOs) obliged to be ready.</li> </ul>
	IM9b: Licensee is ready for Interface Testing in the Central and South Regions	
IM11: Completion of User Interface Testing	Removed	<ul style="list-style-type: none"> <li>▪ Completing IT is a key requirement for commencement of live services (and would be set as the same date) – there would be no benefit in a stand-alone incentive for this.</li> </ul>
IM12: Commencement	IM10a: Licensee is ready	<ul style="list-style-type: none"> <li>▪ This would ensure that the main</li> </ul>

<sup>1</sup> DCC recognises that the Government is currently consulting on changes to Schedule 3 Part F of the Licence, accessible here: <https://www.gov.uk/government/consultations/consultation-on-new-smart-energy-code-content-march-2015>. The Government's consultation does not impact the general review set out in this consultation.

<sup>2</sup> This only required one CSP.

Current Implementation Milestone	Proposed Implementation Milestone	Rationale
of Initial Operational Services	for commencement of live Enrolment and Communication Services in the North Region  IM10b: Licensee is ready for commencement of live Enrolment and Communication Services in the Central and South Regions	focus would be on the 'go-live' milestone. <ul style="list-style-type: none"> <li>Current IM requires one CSP to be ready – splitting by region would incentivise DCC to 'go-live' in delayed regions as soon as possible.</li> </ul>
IM13: Commencement of Mass Rollout	IM11: Initial DCC stabilisation complete	<ul style="list-style-type: none"> <li>Current IM focuses on a supplier completing testing.</li> <li>Proposed change would focus DCC to remove constraints and stabilise operations for Users.</li> <li>The detail for this IM is not being consulted on (as further work with DECC and stakeholders, on early rollout period, is required).</li> </ul>
IM14: Completion of User Integration Testing	Removed	<ul style="list-style-type: none"> <li>Current IM envisaged 'mandatory' period of end-to-end testing – this no longer exists.</li> </ul>

Table 1 - Summary of proposal

- A consolidated view of the proposal is set out in [Annex A](#).
- The proposed Implementation Due Dates are illustrated against the DCC plan in Figure 1, below.

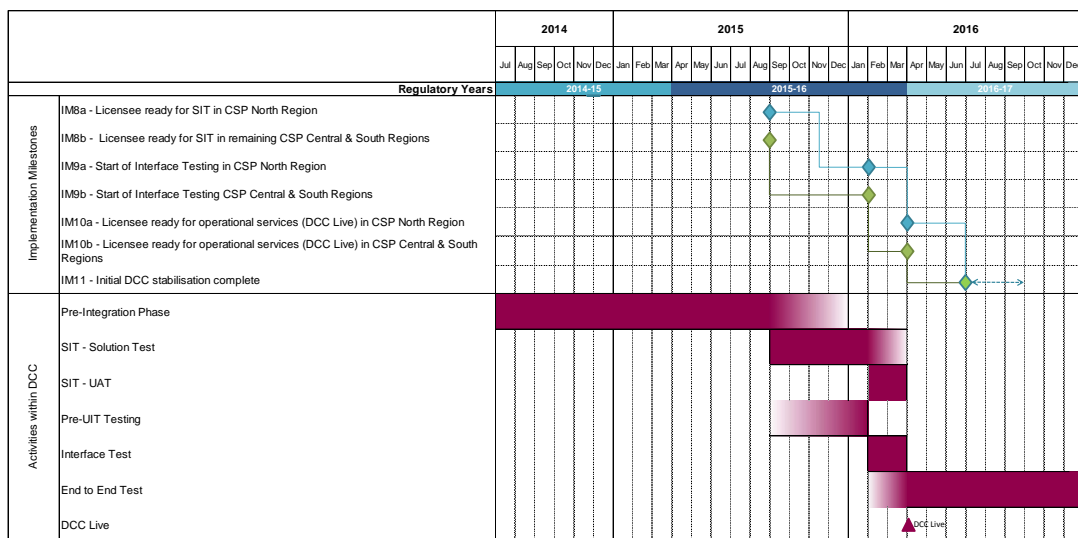


Figure 1 - Proposed Implementation Due Dates against DCC plan

5. In addition to the proposals above, in this document, DCC also sets out its conclusions in relation to IM7 which was consulted on alongside the new DCC plan in November 2014.
6. DCC will be consulting on the proposals made in this document for four weeks, the closing date for this consultation is 5<sup>th</sup> June 2015. The consultation questions are also set out in [Annex B](#).

## 2 Introduction and background

### 2.1 Background to the Implementation Milestones

7. The IMs form the basis of DCC's Implementation Performance Regime in Schedule 3 of the Licence. Performance against the IMs determines the value of the Baseline Margin Implementation Performance Adjustment (BMIPA) in each Regulatory Year.
8. The IMs in the Licence were initially drafted during the licence application process and finalised during the 'finalisation period' between 19<sup>th</sup> August 2013 and 23<sup>rd</sup> September 2013. The IMs were set in the Licence:
  - prior to DCC having contracted with the service providers (Communications Service Providers, Data Service Provider, Trusted Service Provider for the Smart Metering Key Infrastructure (SMKI) and the Parse and Correlate service provider);
  - when Great Britain Companion Specification (GBCS) was at version 0.4;
  - when Smart Energy Code (SEC) was at version 1.0;
  - using an early version of the Test Strategy; and
  - prior to the recognition of contingency by the programme.
9. Schedule 3 of Part F of the Licence places a duty on DCC to undertake a general review of the IM Due Dates and IM Criteria for DCC's remaining IMs, as soon as is reasonably practicable following the achievement of IM4, which was achieved on 28<sup>th</sup> February 2014.
10. DCC is also required to consult with the SEC Panel and Parties on the outcome of the general review. If the review concludes that a variation is required, DCC will apply to the Secretary of State, who may make any variation or further define and develop the IM Criteria and the IM Due Dates through a direction.
11. DCC has undertaken this general review and has worked to further define and develop the IM Criteria and IM Due Dates in discussion with DECC. It had not been possible to complete the general review earlier in light of the factors highlighted in DCC's consultation on Resetting the DCC Delivery Programme<sup>3</sup> (the 'Re-plan Consultation').
12. Part A of the Re-plan Consultation proposed changes to the DCC plan and delivery strategy, which were approved by the Secretary of State on 5<sup>th</sup> March 2015 in accordance with Condition 13 Part E of the Licence.
13. Part B of the Re-plan Consultation proposed changes to three of DCC's IMs, which were originally due to be completed in the Regulatory Year 2014/15.

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<sup>3</sup> Consultation on changes to the DCC Plan and Implementation Milestones, accessible here: [http://www.smartdcc.co.uk/media/14108/141117\\_dcc\\_plan\\_and\\_im\\_consultation.pdf](http://www.smartdcc.co.uk/media/14108/141117_dcc_plan_and_im_consultation.pdf)

## 2.2 Conclusions to Part A of the Re-plan Consultation

14. DCC submitted its conclusions to Part A of the Re-plan Consultation, including a new DCC Plan, to the Secretary of State on 24<sup>th</sup> February 2015<sup>4</sup>.
15. Part A of the Re-plan Consultation was well supported by respondents, and all proposals were accepted, in principle. As a result, DCC concluded that informal testing, the overlapping of End-to-End Testing with Interface Testing and the proposed timing of DCC live operations should be adopted accordingly.
16. The majority of respondents favoured the provision of contingency, certainty of dates and a robust plan. The majority of respondents indicated between three and six months contingency would be prudent, the weight of the comments favouring the latter. There remained many risks and external dependencies within the programme and changes were to be anticipated. DCC was therefore supportive of the contingency provision.
17. This plan was approved by the Secretary of State on 5<sup>th</sup> March 2015<sup>5</sup>.

## 2.3 Responses to Part B of the Re-plan Consultation

18. Part B of the Re-plan Consultation sought views on DCC's proposals on the principle of aligning the Implementation Due Dates for IM7, IM8 and IM9 with the Joint Industry Plan (JIP). All respondents supported this approach.
19. This document concludes the proposals to amend IM7 (see [Section 4](#)).
20. As a result of the conclusion of the new DCC plan, DCC is now consulting further on IM8 and IM9 in this document alongside the other remaining IMs to maximise the incentive on DCC to achieve the dates agreed as part of the new DCC plan.

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<sup>4</sup> DCC conclusions on the consultation on changes to the DCC Plan, accessible here:  
[http://www.smartdcc.co.uk/media/22083/dcc\\_conclusions\\_on\\_dcc\\_re-plan\\_consultation.pdf](http://www.smartdcc.co.uk/media/22083/dcc_conclusions_on_dcc_re-plan_consultation.pdf)

<sup>5</sup> Approval given for the purposes of condition 13 of the Licence – DCC plan for trialling and testing, accessible here:  
[http://www.smartdcc.co.uk/media/22078/dcc\\_replan\\_-\\_sofs\\_direction\\_v1\\_0\\_-\\_final.pdf](http://www.smartdcc.co.uk/media/22078/dcc_replan_-_sofs_direction_v1_0_-_final.pdf)

## 2.4 Principles of the general review

21. In undertaking the general review DCC sought to follow the following principles:
- Maintaining the simplicity of the current Implementation Performance Regime;
  - Aligning DCC incentives with key milestones in the JIP;
  - Maintaining the risk profile agreed during the licence application process;
  - Aligning DCC incentives with the provision of value to the consumer; and
  - Ensuring IMs are unambiguous.



### 3 The elements of the Implementation Milestones

22. The IMs consist of the following elements:
- Title: Descriptive name of the IM.
  - Implementation Milestone Criteria: this sets out all of the criteria that must be met for the IM to have been achieved.
  - Implementation Due Date: this sets the target completion date for the IM Criteria.
  - Amount of term: this sets the scale of any Baseline Margin reduction for missing the Implementation Due Date. It is comprised of:
    - the percentage weighting of DCC implementation Baseline Margin at risk for the IM<sup>6</sup>;
    - the Time Factor, which increases the size of the reduction based on the amount of time between the Implementation Due Date and the date that all of the Implementation Milestone Criteria for the IM in question are achieved. This provides a 'taper' for each IM; and
    - the recovery mechanism (for some of the earlier IMs) whereby some or all of any Baseline Margin that is initially lost can be recovered. The value of recovery is determined by the completion date of a later IM.
23. Following discussion with DECC, and given the nature of the changes to the DCC Plan and delivery strategy, it was considered appropriate to consider all of these elements of the IMs as part of the general review.

#### 3.1 Regional incentives

24. Currently there are some IM where the IM Criteria can be achieved where only one CSP has met the criteria.
25. DCC is proposing that, where appropriate, the IMs are sub-divided by two Region categories (a. the North Region, b. Central and South Regions)<sup>7</sup>. This approach continues to incentivise DCC in the event that one of the CSPs is unable to achieve the IM Due Date for a given IM. Splitting the IMs by Region in this way is consistent with the principles outlined in [Section 2.4](#).
26. The maximum financial incentive will continue to be available to DCC where the IM is achieved at a national level.
27. The resulting impact of this proposal is to divide the weighting of each IM by half i.e. 50% where it is achieved for Central and South Regions and 50% where it is achieved for the North Region.

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<sup>6</sup> IM1 to IM7 have a total weighting of 25%, the remaining Implementation Milestones that are being consulted on in this document, have a total weighting of 75%

<sup>7</sup> Where Implementation Milestones have been split by Region category, the titles acknowledge the split by referencing them as 'a' and 'b'.

## 3.2 Tapering model

28. Currently the 'tapers' for each IM consist of four 'steps' which increase the size of the reduction at specific timing points after the Implementation Due Date. The speed at which the reductions are made is specific to each IM. This is illustrated in Figure 2 below.

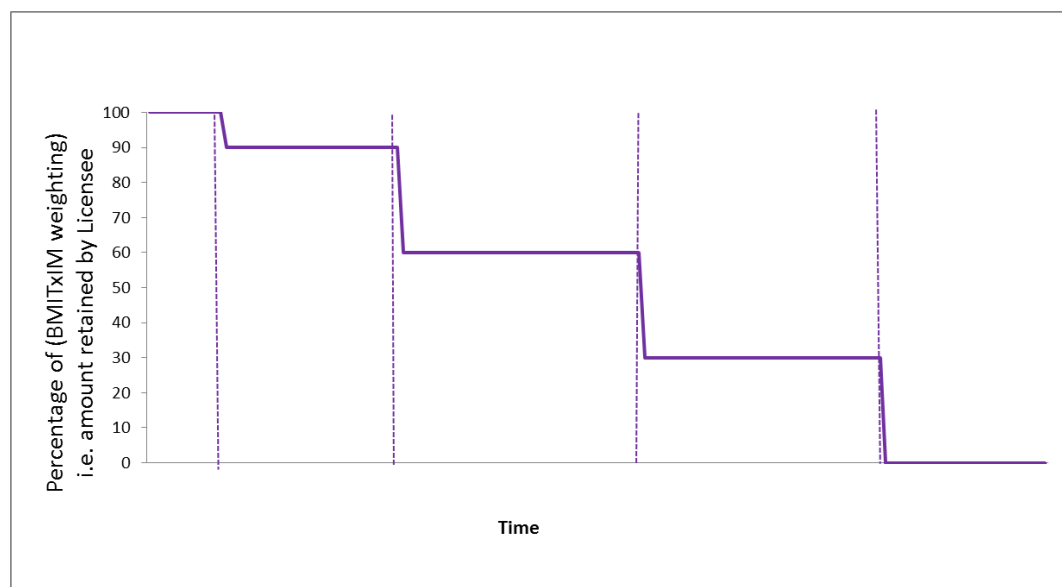
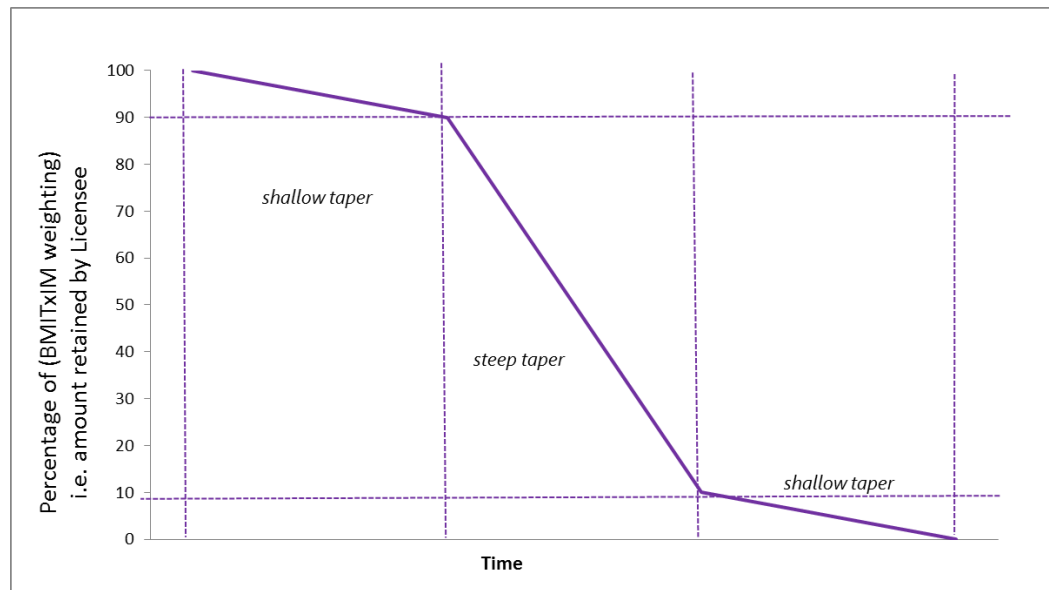


Figure 2 - Illustrative view of current tapering model

29. The 'tapering' proposals below reflect the DCC plan approved on 5<sup>th</sup> March 2015 which sets a 'DCC Live' date of April 2016 and the provision of up to six months' time contingency. DCC also notes that DECC has set out a 'central planning assumption' for 'DCC Live' of August 2016<sup>8</sup> in the latest version of the JIP.
30. The proposed Time Factor for each IM continues to incentivise delivery as soon as possible, but acknowledges that contingency is likely to be used. The proposed tapering model has the following key elements and is illustrated in Figure 3 below:
- 100% of relevant BMIT (Baseline Margin Implementation Total) is received if IM Criteria are completed by the Implementation Due Date.
  - A 'shallow taper' from the Implementation Due Date to acknowledge that some contingency is likely to be required (reducing to 90% of relevant BMIT)
  - A 'steep taper' from this point to provide strong incentives to complete the IM Criteria as soon as possible (reducing to 10% of relevant BMIT)
  - A 'shallow taper' for an appropriate further period (reducing to zero BMIT).

<sup>8</sup>The Joint Industry Plan is available on DECC's Huddle site - <https://my.huddle.net/workspace/26884904/files/#/40056532>



**Figure 3 - Illustrative view of proposed tapering model**

31. DCC considers that the proposed 'tapering' model would avoid the volatility of strong incentives at the top of a 'step', to almost no incentive at the bottom of that 'step' (see Figure 2, above). DCC considers that this approach allows it to take a measured approach to managing the programme with less distraction of abrupt changes in the regime, which could give rise to perverse incentives.

### 3.3 Recovery mechanism

#### 3.3.1 Current approach and DCC proposal for IM8 and IM9

32. Under the current model, the recovery of margin for 'catching up' would only be achieved if the proposed 'go-live' milestone (currently IM12 equivalent to the proposed IM10) is achieved by the Implementation Due Date. If the proposed IM10 was achieved after that date, DCC would not be able to recover any margin attached to earlier IMs that were not deemed to have been achieved. In the proposed model, the recovery is proportionate to the tapering of the later IM. An example of this proposed mechanism is outlined below.

### Worked Example: Proposed DCC Implementation Milestone recovery mechanism

This worked example sets out how the proposed DCC IM recovery mechanism would work in practice for two theoretical IMs.

**IM(X)** has a total of £100,000 at risk. The tapering mechanism for IM(X) removes the portion of BMIT allocated to IM(X) at the following rates:

- 10% at Implementation Due Date + 2 weeks;
- 90% at Implementation Due Date + 1 months; and
- 100% at Implementation Due Date + 2 Months.

The recovery mechanism allows any missed portion of BMIT allocated to IM(X) to be recovered at IM(Y). The amount that can be recovered is linked to the tapering mechanism applied to IM(Y).

**IM(Y)** has a total of £300,000 at risk. The tapering mechanism for IM(Y) removes the portion of BMIT allocated to IM(Y) at the following rates:

- 10% at Implementation Due Date + 2 weeks;
- 90% at Implementation Due Date + 2 months; and
- 100% at Implementation Due Date + 3 Months.

In this example, DCC completes the IM(X) criteria two weeks after the Implementation Due Date and therefore £10,000 is held back (e.g. 10% x £100,000).

- If DCC achieves IM(Y) by the Implementation Due Date it will receive 100% of the IM(Y) and 100% of IM(X) recovery amount (i.e. £300,000 + £10,000 = £310,000).
- If DCC achieves IM(Y) 2 weeks after the Implementation Due Date it will receive 90% of the IM(Y) and 90% of IM(X) recovery amount (i.e. £270,000 + £9,000 = £279,000).
- If DCC achieves IM(Y) 2 months after the Implementation Due Date it will receive 10% of the IM(Y) and 10% of IM(X) recovery amount (i.e. £20,000 + £1,000 = £21,000).
- If DCC achieves IM(Y) 3 months or later after the Implementation Due Date it will receive no margin for either of these milestones.

In summary, the corresponding amount of IM(X) would be added to the IM(Y) 'pot', and subject to equivalent tapering and delivery of IM(Y).

### 3.3.2 Alternative approach

33. DCC has considered an alternative approach which is for it to recover any lost margin from earlier IMs proportionate to the proposed IM10 tapering, but only as far as the second inflection point, which would be 1<sup>st</sup> October 2016 (see [Section 7](#)). This approach may increase the incentive for DCC to achieve the proposed IM10 by 1<sup>st</sup> October 2016 which would be the 'backstop' for any contingency.

### 3.3.3 DCC proposal for IM4 to IM7

34. DCC is proposing that the recovery of any lost margin for IM4, IM5, IM6 and IM7<sup>9</sup>, where the Time Factor was greater than 0, is also proportionate to the 'tapering' of the proposed IM10. DCC considers that this approach would ensure that incentives steadily ramp up for recovery as they would for the each of the proposed IMs which would strengthen the overall incentive for DCC to meet the proposed IM10 itself. Furthermore, this approach would ensure that the incentive remains for DCC to achieve 'go-live' as soon as possible, even if it is later than the IM Due Date.
35. DCC proposes that the recovery of the amounts of term for each of IM4, IM5, IM6 and IM7 are divided equally into two portions which would then mirror tapering of IM10a and IM10b, respectively. For example, 50% of the recovery amounts would be linked to the performance against IM10a and 50% is linked to the performance against IM10b.
36. On balance, DCC considers that the proposal set out above is more appropriate as it is consistent with the principles set out in [Section 2.4](#); in particular this approach would more closely align with the JIP and would maintain simplicity.

**Consultation question 1:** What are your views on the proposed recovery mechanism and the alternative approach set out above? Please provide rationale for your response.

**Consultation question 2:** Do you agree with the proposal for the recovery of IM4, IM5, IM6 and IM7, where the Time Factor was greater than 0, to be proportionate to the tapering of the proposed IM10? Please provide rationale for your response.

<sup>9</sup> In February 2015, the Authority determined that all of these IMs, except IM5, were achieved. Therefore, as it currently stands, only the margin in relation to IM5 would be subject to this recovery mechanism.

## 4 Concluded changes to IM7

37. As outlined above, this section concludes the proposals set out in the Re-plan Consultation to amend IM7.

### 4.1 Purpose of the Implementation Milestone

38. The purpose of this IM is to ensure that DCC has approved the design of the Service Management System in a timely manner.

### 4.2 Concluded Implementation Milestone title

39. The concluded IM7 title is: "Approval of Service Management System Design".

### 4.3 Concluded Implementation Milestone Criteria

40. The concluded IM Criteria for IM7 is:
- "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 Date 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)."

### 4.4 Concluded Implementation Milestone Due Date

41. DCC has concluded that that the IM Due Date for IM7 is retrospectively set as **29<sup>th</sup> November 2014**, to align with the DCC plan in place at that time. DCC also notes that these conclusions will be set out, in its final proposal to the Secretary of State, following completion of this consultation.

## 5 Incentives for readiness for the start of Systems Integration Testing

### 5.1 Purpose of Implementation Milestones

42. The purpose of these IMs is to ensure that DCC is ready to commence SIT in line with the JIP and in accordance with the DCC entry criteria for SIT set out in the SIT Approach Document, which is approved by the SEC Panel.

### 5.2 Previous consultation

43. In DCC's consultation in November 2014, it consulted on IM8 and IM9. This proposed incentivising DCC readiness by CSP region, as opposed to a DSP/CSP division. There was support for the proposed IM Criteria, and respondents requested further clarity on the readiness of the two CSPs. DCC has taken this feedback into consideration in developing the proposals below.
44. With respect to the IM Due Dates, respondents favoured alignment with JIP.

### 5.3 Proposed Implementation Milestone titles

45. DCC proposes to re-title the current IM8 and IM9 as follows:
- The proposed IM8a title is: "Licensee is ready for Systems Integration Testing in the North Region"
  - The proposed IM8b title is: "Licensee is ready for Systems Integration Testing in the Central and South Regions".

### 5.4 Proposed Implementation Milestone Criteria

46. The proposed IM Criteria for IM8a is:
- "The Licensee has met all entry criteria (demonstrated via the Quality Gate Review process) as set out in the SIT Approach Document applying to itself, the Communication Services Provider in the North Region, the Trusted Service Provider, the Parse and Correlate Provider and the Data Services Provider for the first phase of Systems Integration Testing.
  - The functionality to be tested in each phase of Systems Integration Testing has been set out in an annex to the SIT Approach Document which has been approved by the SEC Panel no later than 30 working days prior to the commencement of Systems Integration Testing (or a later date agreed by the Secretary of State).
  - DCC has issued Approval to Proceed Certificates for each of the above referenced External Service Providers which will approve entry into Systems Integration Testing in accordance with the SIT Approach Document."
47. The proposed IM Criteria for IM8b is:
- "The Licensee has met all entry criteria (demonstrated via the Quality Gate Review process) as set out in the SIT Approach Document applying to itself, the Communication Services Provider in the Central and South Regions, the Trusted

Service Provider, the Parse and Correlate Provider and the Data Services Provider for the first phase of Systems Integration Testing.

- The functionality to be tested in each phase of Systems Integration Testing has been set out in an annex to the SIT Approach Document which has been approved by the SEC Panel no later than 30 working days prior to the commencement of Systems Integration Testing (or a later date agreed by the Secretary of State).
- DCC has issued Approval to Proceed Certificates for each of the above referenced External Service Providers which will approve entry into Systems Integration Testing in accordance with the SIT Approach Document.”

48. The following definitions will apply for terms that are not already defined in the Licence or the SEC:

- “Approval to Proceed Certificate” is the certificate that will be issued by DCC to enable service providers 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.
- “Parse and Correlate Service Provider” is the External Service Provider that is contracted for the provision of Parse and Correlate Software as outlined in Section H11 of the SEC.<sup>10</sup>
- “Quality Gate Reviews” are described in Section 6.7 of the SIT Approach Document.
- “Trusted Service Provider” is the External Service Provider that is contracted for the provision of SMKI Services as outlined in Section L of the SEC (excluding the SMKI Repository Service).<sup>11</sup>

49. DCC is required to develop the SIT Approach Document<sup>12</sup> in accordance with Section T2 of the SEC. The document is required to be approved by the SEC Panel and then published by DCC no less than three months before the start of SIT.

50. DCC proposes that the functionality to be tested as part of SIT would be set out in an annex to the SIT Approach Document. The reasons for proposing this approach is

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<sup>10</sup> This contract is currently held by Critical Software Technologies Ltd.

<sup>11</sup> This contract is currently held by BT.

<sup>12</sup> This document will set out the entry criteria for SIT; the manner in which SIT is to be undertaken; timetables; the frequency and content of progress reports; details of alternative arrangements which can be used for SIT; Good Industry Practice methodology; how DCC will report on whether exit criteria have been achieved and the role of an auditor.



that it would allow for the external review, governance and approval of the annex by the SEC Panel. Furthermore, the SIT Approach Document will refer to the multi-phase approach and therefore it may be the most appropriate document in which to then set out the functionality to be tested in each of those phases. DCC envisages that the consultation on that annex would be short, as it will be a concise addition (c. 1-2 pages) with no impact on the main body of the SIT Approach Document and consequently minimal/no impact on RDPs or other potential Users.

## 5.5 Proposed Implementation Due Dates

51. DCC proposes that the Implementation Due Dates for IM8a and IM8b are aligned with the JIP milestone 'SIT commence'<sup>13</sup> of **1<sup>st</sup> September 2015**.

## 5.6 Proposed Amount of term

52. DCC recommends that the previous IM8 and IM9 weightings are reduced to 7.5% for each of IM8a and IM8b i.e. a total of 15%. DCC considers that this portion of the weighting is better applied to later IMs with greater alignment to external Parties' obligations.
53. DCC proposes the tapering model below for IM8a and IM8b in line with the proposed tapering model outlined in [Section 3.2](#):

Date	Proposed Time Factor
1 <sup>st</sup> September 2015	0.0
1 <sup>st</sup> October 2015	0.1
1 <sup>st</sup> November 2015	0.9
1 <sup>st</sup> December 2015	1.0

**Table 2 - Proposed Time Factors for IM8a and IM8b**

54. DCC proposes that the amount of any reduction in margin for IM8a and IM8b can be recovered in line with the tapering models for the proposed IM10a and IM10b respectively (subject to the conclusion on the proposal set out in [Section 3.3](#)). This is broadly consistent with the current regime where the recovery of IM8 and IM9 margin is available at the 'go-live' IM (currently IM12).

**Consultation question 3:** Do you agree with the proposal for incentivising readiness for the start of Systems Integration Testing? Please provide rationale for your response.

<sup>13</sup> This also aligns with the DCC plan, as approved by the Secretary of State on 5<sup>th</sup> March 2015, in accordance with Condition 13 Part E of the Licence.

## 6 Incentives for readiness for the start of Interface Testing

### 6.1 Purpose of Implementation Milestones

55. Currently IM10 and IM11 incentivise the completion of SIT and Interface Testing respectively. Following the approval of DCC's plan and delivery strategy, and as part of the general review of the IMs, DCC is proposing changes to these IMs.
56. DCC is proposing that the new IM9 incentivises the start of Interface Testing as opposed to completion of SIT. This change is proposed as the new delivery strategy introduced an overlap between SIT and IT. DCC also considers that this increases alignment with the JIP, and ensures that DCC's incentives are aligned with large supplier parties' obligations to be ready for the start of Interface Testing<sup>14</sup>.
57. The purpose of the proposed IM9 is to ensure that DCC is ready to commence Interface Testing in line with the JIP and in accordance with the DCC entry criteria for Interface Testing set out in the Interface Testing Approach Document, which is approved by the SEC Panel.
58. DCC is proposing to remove the current IM11 and ensure incentives to complete IT are reflected in the 'go-live' IM, outlined below. DCC proposes this in line with the principle of simplicity and to align with relevant JIP milestones.

### 6.2 Proposed Implementation Milestone title

59. DCC proposes to re-title IM10 as follows:
  - The proposed IM9a title is: "Licensee is ready for Interface Testing in the North Region"
  - The proposed IM9b title is: "Licensee is ready for Interface Testing in the Central and South Regions".

### 6.3 Proposed Implementation Milestone Criteria

60. The proposed IM Criteria for IM9a is:
  - "The Licensee has met all entry criteria (demonstrated via the Quality Gate Review process) as set out in the Interface Testing Approach Document applying to itself, the Communication Services Provider in the North Region, the Trusted Service Provider, the Parse and Correlate Provider and the Data Services Provider.
  - DCC has issued Approval to Proceed Certificates for each of the above referenced service providers which will approve entry into Interface Testing in accordance with the Interface Testing Approach Document."
61. The proposed IM Criteria for IM9b is:

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<sup>14</sup> See section T3.21 of the Smart Energy Code, accessible here:  
<https://www.smartenergycodecompany.co.uk/sec/sec-and-subsiary-documents>.

- “The Licensee has met all relevant entry criteria (demonstrated via the Quality Gate Review process) as set out in the Interface Testing Approach Document applying to itself, the Communication Services Provider in the Central and South Regions, the Trusted Service Provider, the Parse and Correlate Provider and the Data Services Provider.
  - DCC has issued Approval to Proceed Certificates for each of the above referenced service providers which will approve entry into Interface Testing in accordance with the Interface Testing Approach Document.”
62. DCC is required to develop the Interface Testing Approach Document<sup>15</sup> in accordance with Section T3 of the SEC. The document is required to be approved by the SEC Panel and then published by DCC no less than six months before the start of Interface Testing. The intention is to move to Interface Testing with the functionality, set out in Release 1, subject to any functional de-scoping decisions taken by the programme's transitional governance. To maintain consistency with the IM8 approach DCC considers that the scope of Interface Testing could be set out and agreed as an annex to the Interface Test Approach Document. This annex could be agreed by the SEC Panel at an appropriate time before the commencement of Interface Testing.

## 6.4 Proposed Implementation Due Dates

63. DCC proposes that the Implementation Due Dates for IM9a and IM9b are aligned with the JIP milestone 'Interface Testing commence'<sup>16</sup> of **2<sup>nd</sup> February 2016**.

## 6.5 Proposed amount of term

64. DCC proposes that the percentage weighting is increased to 10% for each of IM9a and IM9b i.e. a total of 20%.
65. DCC proposes the tapering model below for IM9a and IM9b in line with the proposed tapering model outlined in [Section 3.2](#).

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<sup>15</sup> Interface Testing (IT) Approach Document, accessible here: [http://www.smartdcc.co.uk/media/10616/interface\\_testing\\_approach\\_document\\_1\\_docx](http://www.smartdcc.co.uk/media/10616/interface_testing_approach_document_1_docx). This document sets out the entry criteria for IT and User Entry Process Tests (UEPT); the manner in which IT is to be undertaken; timetables; the frequency and content of progress reports; details of alternative arrangements which can be used for IT; how DCC may allow UEPTs to be undertaken concurrently; Good Industry Practice methodology and how DCC will report on whether exit criteria have been achieved.

<sup>16</sup> This also aligns with the DCC plan, as approved by the Secretary of State on 5<sup>th</sup> March 2015, in accordance with Condition 13 Part E of the Licence.

Date	Proposed Time Factor
2 <sup>nd</sup> February 2016	0.0
2 <sup>nd</sup> May 2016	0.1
2 <sup>nd</sup> August 2016	0.9
2 <sup>nd</sup> November 2016	1.0

**Table 3 - Proposed Time Factors for IM9a and IM9b**

66. DCC proposes that the amount of any reduction in margin for IM9a and IM9b can be recovered in line with the tapering models for the proposed IM10a and IM10b respectively (subject to the conclusion on the proposal set out in [Section 3.3](#)). This is broadly consistent with the current regime where the recovery of IM10 margin is available at the 'go-live' IM (currently IM12).

**Consultation question 4:** Do you agree with the proposal for incentivising the readiness for the start of Interface Testing? Please provide rationale for your response.

## 7 Incentives for the provision of live Enrolment and Communication Services

### 7.1 Purpose of Implementation Milestones

67. Currently IM12 incentivises the commencement of Initial Operational Services. Following the approval of DCC's plan and delivery strategy, and as part of the general review of the IMs, DCC is proposing to revise this IM.
68. DCC proposes that the proposed IM10 milestones remain focused on incentivising the commencement of initial live Enrolment and Communication Services. DCC is, however, proposing changes to IM Criteria to ensure alignment with the approved plan and delivery strategy.

### 7.2 Proposed Implementation Milestone titles

69. DCC proposes to re-title the current IM12 as follows:
- "The proposed IM10a title is: "Licensee is ready for commencement of live Enrolment and Communication Services in the North Region
  - The proposed IM10b title is: "Licensee is ready for commencement of live Enrolment and Communication Services in the Central and South Regions".

### 7.3 Proposed Implementation Milestone Criteria

70. The proposed IM Criteria for the proposed IM10a is:
- "All Exit Criteria as described in the Interface Testing Approach Document have been achieved. The Exit Criteria will have been deemed to be met by the SEC Panel for the North Region in accordance with paragraph T3.27 of the Smart Energy Code.
  - In relation to all compliant Communications Hub Orders in the North Region for the month prior to DCC Live, a substantial majority of Parties have confirmed that Consignments of Communications Hubs deliveries are compliant.
  - The Routine Live Enrolment and Communication Services Criteria have been agreed by the SEC Panel. The SEC Panel<sup>17</sup> has approved that the Routine Live Enrolment and Communication Services Criteria have been met by the Communication Services Provider in the North Region, the Trusted Service Provider, the Parse and Correlate Provider and the Data Services Provider."
71. The proposed IM Criteria for the proposed IM10b is:
- "All Exit Criteria as described in the Interface Testing Approach Document have been achieved. The Exit Criteria will have been deemed to be met by the SEC Panel for the Central and South Regions in accordance with paragraph T3.27 of the Smart Energy Code.

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<sup>17</sup> DCC recognises that the SEC may need to be modified to allow the SEC Panel to approve the criteria.

- In relation to all compliant Communications Hub Orders in the Central and South Regions for the month prior to DCC Live, a substantial proportion of Parties have confirmed that Consignments of Communications Hubs deliveries are compliant.
- The Routine Live Enrolment and Communication Services Criteria have been agreed by the SEC Panel. The SEC Panel has approved that the Routine Live Enrolment and Communication Services Criteria have been met by the Communication Services Provider in the Central and South Regions, the Trusted Service Provider, the Parse and Correlate Provider and the Data Services Provider.”

72. The following will apply for terms that are not already defined in the Licence or the SEC:

- “Routine Live Enrolment and Communication Services Criteria” is proposed to be a document which contains the ‘operational readiness criteria’ that DCC is required to meet to prove its capability to provide the live Enrolment and Communication Services. This may include operational readiness criteria not captured elsewhere in the regulatory framework.
- “DCC Live” would be a date set out in the latest plan for the purposes of testing and trialling which would be approved by the Secretary of State in accordance with Part D of Condition 13 of the Smart Meter Communication Licence.

#### 7.4 Proposed Implementation Due Dates

73. DCC proposes that the Implementation Due Dates for the proposed IM10a and IM10b are aligned with the JIP milestone ‘DCC Live’<sup>18</sup> of **1<sup>st</sup> April 2016**.

#### 7.5 Proposed amounts of terms

74. DCC recommends setting the percentage weighting for the proposed IM10a and IM10b at 17.5% each.

75. DCC proposes the tapering model below for IM10a and IM10b in line with the proposed tapering model outlined in [Section 3.2](#).

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<sup>18</sup> This also aligns with the DCC plan, as approved by the Secretary of State on 5<sup>th</sup> March 2015, in accordance with Condition 13 Part E of the Licence.

Date	Proposed Time Factor
1 <sup>st</sup> April 2016	0.0
1 <sup>st</sup> August 2016	0.1
1 <sup>st</sup> October 2016	0.9
1 <sup>st</sup> January 2017	1.0

**Table 4 - Proposed Time Factors for IM10a and IM10b**

76. DCC proposes that there is no recovery mechanism for IM10a and IM10b. This is consistent with the current regime.

**Consultation question 5:** Do you agree with the proposal for incentivising the readiness for live Enrolment and Communication Services? Please provide rationale for your response.

## 8 Incentives beyond live Enrolment and Communication Services

77. DCC's proposed delivery strategy recognises the potential need to apply constraints to the provision of initial live Enrolment and Communication Services. To align with this, DCC proposes that the proposed IM11 should incentivise DCC to work with Users to stabilise systems and processes in timely manner. This includes the removal of constraints, if applied, at the earliest reasonable time.
78. As per DCC's response to the Re-plan Consultation, DCC looks forward to working with DECC and its stakeholders to define the processes and governance for the application of any constraints. DCC considers that this work needs to complete prior to defining the final criteria for the proposed IM11: Initial stabilisation complete. DCC's initial view on what may be included in the proposed IM11 criteria are as follows:
- DCC develops and publishes a document, in consultation with stakeholders, setting out the criteria for the removal of constraints, if applied.
  - Any temporary constraints are removed through approval by the agreed governance forum.
  - If no constraints are proposed by DCC prior to the Implementation Due Date, the proposed IM11 would be considered to be achieved.
79. DCC considers that the Implementation Due Date for the proposed IM11 could be 3 to 6 months after the proposed IM10 (i.e. DCC Live) is achieved. DCC acknowledges that, at this point in time, the nature and timeframe of any constraints are unknown. However, in the context of providing incentives, DCC considers that this is an appropriate amount of time at this stage.
80. DCC proposes setting the percentage weighting for the proposed IM11 at 5%, recognising that the Operational Performance Regime<sup>19</sup> will predominantly drive the performance of DCC in this period.
81. DCC proposes that there is no recovery mechanism for IM11. This is consistent with the current regime.

**Consultation question 6:** Do you agree with the proposal for incentivising implementation beyond live Enrolment and Communication Services? Please provide rationale for your response.

<sup>19</sup> This regime is to be determined by the Authority as set out in LC38.10 of the Licence.



## 8.1 Regional incentives beyond the provision of live Enrolment and Communication Services

82. DCC notes that the proposed IM11 could either be sub-divided by the two Region categories (i.e. IM11a and IM11b) or combined.
83. DCC suggests that the proposed IM11 is split by the two Region categories so as to strengthen incentives to remove constraints as soon as possible within each Region. This would be particularly significant if the proposed IM10 was achieved in one Region category first.
84. An alternative approach would be for the proposed IM11 to be set at a national level so as to incentivise the removal of constraints for all regions at the same time. We would welcome your views on which approach would be most appropriate.

**Consultation question 7:** What are your views on the proposal for the proposed IM11 to be sub-divided by two region categories and the alternative approach set out above? Please provide rationale for your response.

## 9 Incentives for the completion of User Integration Testing

85. The current IM14 incentivises the completion of User Integration Testing. The criteria were based on meeting the exit criteria for User Integration Testing Phase and the Market Entry Phase. These concepts no longer apply to the programme and DCC recommends that this IM is removed.

**Consultation question 8:** Do you agree with the proposal to remove the current IM14? Please provide rationale for your response.

## 10 Recognition of external dependencies

86. DCC's ability to meet IM Due Dates (or the extent to which IM achievement is delayed), may be reliant upon one or more external dependencies or may be affected by matters beyond DCC's reasonable control.
87. In undertaking the general review of IMs, DCC has identified a number of dependencies on third parties (other than External Service Providers) to meet the remaining IMs. We have identified a number of external dependencies including:
- Completion and stability of DECC deliverables (e.g. GBCS, CHTS, SMETS, SEC<sup>20</sup>).
  - Readiness of key parties including:
    - Meter manufacturers (for SIT, Interface Testing and End-to-End Testing<sup>21</sup>);
    - Registration Data Providers (for SIT and provision of Registration Data for live Enrolment and Communication Services).
    - Prospective Users (two large suppliers must complete User Entry Process Tests for completion of Interface Testing).
  - Completion and stability of specifications (e.g. ZigBee, Device Language Message Specification, Commercial Product Assurance<sup>22</sup>).
  - Availability of certification bodies (e.g. Commercial Product Assurance (CPA) certification for Communications Hubs).
  - Availability of test houses.
  - Timely approval of DCC deliverables by the Secretary of State and the SEC Panel (as applicable) where DCC has provided these deliverables for approval of an appropriate quality and within appropriate timescales.
88. DCC is seeking to mitigate these risks through engagement in the consultation process, regular stakeholder engagement including joint planning and playing an active role in the SMIP Transitional Governance arrangements. Dependency management is an active part of programme management, it is impossible to provide a definitive list of dependencies.
89. However, DCC considers that the Implementation Performance Regime needs to explicitly recognise certain dependencies and other matters beyond DCC's reasonable control (typically those events categorised as 'force majeure events').

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<sup>20</sup> As per the Secretary of State's direction on 5<sup>th</sup> March 2015, the current versions are GBCS v0.8.1, SMETS v1.58, CHTS v1.46.

<sup>21</sup> DCC notes that it may apply to the SEC Panel to use 'test stubs' for SIT and Interface Testing, recognising that the date at which an issue is identified relating to availability of meters allows the use of this mitigation in time.

<sup>22</sup> The current versions are: ZigBee v1.2a, CPA v1.0, DLMS blue book v12, green book v8.

90. DCC considers that any dependencies could be reflected in each of the IM Criteria, or as a single clause elsewhere in Schedule 3 of the Licence. In addition DCC proposes that further external dependencies could be added to the list as part of future reviews of the IMs.

**Consultation question 9:** Do you agree with the proposal to introduce the recognition of external dependencies, and the concept of matters beyond DCC's reasonable control, in the Implementation Performance Regime (Schedule 3 of the Licence)? Do you have any views or suggested changes/additions to the provisional list of dependencies provided above? Please provide rationale for your response.

## 11 Conclusions and consultation process

### 11.1 Conclusions

91. The proposals made in this document form a package. The consolidated set of proposals that make up this package are set out in [Annex A](#).
92. DCC considers that these proposals represent a challenging but achievable incentive framework, which principally strengthens the overall incentive for DCC to meet the 'go live' IM.

**Consultation question 10:** Do you agree with the overall proposal to amend the Implementation Milestones? Please provide rationale for your response.

### 11.2 Consultation process

93. The deadline for responses to this consultation is 5<sup>th</sup> June 2015. Please email your response to: [contact@smartdcc.co.uk](mailto:contact@smartdcc.co.uk).
94. Consultation responses may be published on DCC's website [www.smartdcc.co.uk](http://www.smartdcc.co.uk) with the exception of any part that is confidential. Please state whether all, or any part, of your consultation response is confidential. Please note that responses in their entirety (including any text marked confidential) may be made available to DECC and Ofgem.

## Annex A – Consolidated proposal

Table 5, below, sets out a consolidated view of the overall proposal in this consultation document.

Current			Proposed												
IM title and criteria	IM due date	Amount of term	IM title and criteria	IM due date	Amount of term										
<p>IM8: DSP Ready for Systems Integration Testing with Licensee</p> <ul style="list-style-type: none"> <li>Phase Entry Criteria for the Systems Integration Testing of the DCC Systems have been achieved (with the exception of the billing system).</li> <li>Phase Entry Criteria for Systems Integration Testing of Industry Registration Systems have been achieved.</li> </ul>	31 Oct 2014	<p>IM8t = BMIT x (10% x TF), where TF (Time Factor) has the value of:</p> <p>0 if the specified criteria are achieved by 31 October 2014</p> <p>0.1 if the specified criteria are achieved after 31 October 2014 but before (+ 2 weeks)</p> <p>0.4 if the specified criteria are achieved after (+ 2 weeks) but before (+ 4 weeks)</p> <p>0.7 if the specified criteria are achieved after (+ 4 weeks) but before (+ 6 weeks)</p> <p>1.0 if the specified criteria are not achieved before (+ 6 weeks)</p>	<p>IM8a: Licensee is ready for Systems Integration Testing in the North Region</p> <ul style="list-style-type: none"> <li>"The Licensee has met all entry criteria (demonstrated via the Quality Gate Review process) as set out in the SIT Approach Document applying to itself, the Communication Services Provider in the North Region, the Trusted Service Provider, the Parse and Correlate Provider and the Data Services Provider for the first phase of Systems Integration Testing.</li> <li>The functionality to be tested in each phase of Systems Integration Testing has been set out in an annex to the SIT Approach Document which has been approved the SEC Panel no later than 30 working days prior to the commencement of Systems Integration Testing (or a later date agreed by the Secretary of State).</li> <li>DCC has issued Approval to Proceed Certificates for each of the above referenced External Service Providers which will approve entry into Systems Integration Testing in accordance with the SIT Approach Document."</li> </ul>	1 Sep 2015	<p>IM8at = BMIT x (7.5% xTF), where TF (Time Factor) has the value of:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Proposed TF</th> </tr> </thead> <tbody> <tr> <td>1 Sep 2015</td> <td>0.0</td> </tr> <tr> <td>1 Oct 2015</td> <td>0.1</td> </tr> <tr> <td>1 Nov 2015</td> <td>0.9</td> </tr> <tr> <td>1 Dec 2015</td> <td>1.0</td> </tr> </tbody> </table>	Date	Proposed TF	1 Sep 2015	0.0	1 Oct 2015	0.1	1 Nov 2015	0.9	1 Dec 2015	1.0
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1 Dec 2015	1.0														
<p>IM9: DSP and CSPs Ready for Systems Integration Testing</p> <ul style="list-style-type: none"> <li>Pre-Integration Test Phase Certificates have been issued by the Licensee.</li> <li>At least one Communication Services Provider has met the Phase Entry Criteria for the</li> </ul>	28 Nov 2014	<p>IM9t = BMIT x (10% x TF), where TF (Time Factor) has the value of:</p> <p>0 if the specified criteria are achieved by 28 November 2014</p> <p>0.1 if the specified criteria are achieved after 28 November 2014 but before (+ 2 weeks)</p> <p>0.4 if the specified criteria are achieved</p>	<p>IM8b: Licensee is ready for Systems Integration Testing in the Central and South Regions</p> <ul style="list-style-type: none"> <li>"The Licensee has met all entry criteria (demonstrated via the Quality Gate Review process) as set out in the SIT Approach Document applying to itself, the Communication Services Provider in the Central and South Regions, the Trusted</li> </ul>	1 Sep 2015	<p>IM8bt = BMIT x (7.5% xTF), where TF (Time Factor) has the value of:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Proposed TF</th> </tr> </thead> <tbody> <tr> <td>1 Sep 2015</td> <td>0.0</td> </tr> </tbody> </table>	Date	Proposed TF	1 Sep 2015	0.0						
Date	Proposed TF														
1 Sep 2015	0.0														

<p>Systems Integration Testing as approved by the Licensee.</p> <ul style="list-style-type: none"> <li>The Data Services Provider is ready for Systems Integration Testing and the assessment of testing outcomes.</li> </ul>		<p>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) but subject to TF taking the value of: 0 if the specified criteria for Implementation Milestone 12 (see below) are achieved by 30 September 2015.</p>	<p>Service Provider, the Parse and Correlate Provider and the Data Services Provider for the first phase of Systems Integration Testing.</p> <ul style="list-style-type: none"> <li>The functionality to be tested in each phase of Systems Integration Testing has been set out in an annex to the SIT Approach Document which has been approved the SEC Panel no later than 30 working days prior to the commencement of Systems Integration Testing (or a later date agreed by the Secretary of State).</li> <li>DCC has issued Approval to Proceed Certificates for each of the above referenced External Service Providers which will approve entry into Systems Integration Testing in accordance with the SIT Approach Document."</li> </ul>		<table border="1"> <tr> <td>1 Oct 2015</td> <td>0.1</td> </tr> <tr> <td>1 Nov 2015</td> <td>0.9</td> </tr> <tr> <td>1 Dec 2015</td> <td>1.0</td> </tr> </table>	1 Oct 2015	0.1	1 Nov 2015	0.9	1 Dec 2015	1.0														
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<p>IM10: Completion of Systems Integration Testing</p> <ul style="list-style-type: none"> <li>Interfaces and Gateways between the Data Services Provider and the Licensee have been integrated successfully and comply with DSP obligations.</li> <li>Interfaces between the Data Services Provider and Industry Registration Systems have been integrated successfully.</li> <li>Test Stage Exit Criteria for non-functional testing for the Licensee and for the Industry Registration Systems have been achieved.</li> <li>UAT Test Stage Exit Criteria for the Licensee and for the Industry Registration Systems have been achieved.</li> <li>The Test Stage Certificate has been issued by the Licensee.</li> </ul>	<p>31 Mar 2014</p>	<p>IM10t = BMIT x (10% x TF), where TF (Time Factor) has the value of: 0 if the specified criteria are achieved by 31 March 2015 0.1 if the specified criteria are achieved after 31 March 2015 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) but subject to TF taking the value of: 0 if the specified criteria for Implementation Milestone 12 (see below) are achieved by 30 September 2015.</p>	<p>IM9a: Licensee is ready for Interface Testing in the North Region</p> <ul style="list-style-type: none"> <li>"The Licensee has met all entry criteria (demonstrated via the Quality Gate Review process) as set out in the Interface Testing Approach Document applying to itself, the Communication Services Provider in the North Region, the Trusted Service Provider, the Parse and Correlate Provider and the Data Services Provider.</li> <li>DCC has issued Approval to Proceed Certificates for each of the above referenced service providers which will approve entry into Interface Testing in accordance with the Interface Testing Approach Document."</li> </ul> <p>IM9b: Licensee is ready for Interface Testing in the Central and South Regions</p> <ul style="list-style-type: none"> <li>"The Licensee has met all relevant entry criteria (demonstrated via the Quality Gate Review process) as set out in the Interface Testing Approach Document applying to itself, the Communication Services Provider in the Central and South Regions, the Trusted Service Provider, the Parse and Correlate Provider and the Data Services Provider.</li> </ul>	<p>2 Feb 2016</p>	<p>IM9at = BMIT x (10% x TF), where TF (Time Factor) has the value of:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Proposed TF</th> </tr> </thead> <tbody> <tr> <td>2 Feb 2016</td> <td>0.0</td> </tr> <tr> <td>2 May 2016</td> <td>0.1</td> </tr> <tr> <td>2 Aug 2016</td> <td>0.9</td> </tr> <tr> <td>2 Nov 2016</td> <td>1.0</td> </tr> </tbody> </table> <p>IM9bt = BMIT x (10% x TF), where TF (Time Factor) has the value of:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Proposed TF</th> </tr> </thead> <tbody> <tr> <td>2 Feb 2016</td> <td>0.0</td> </tr> <tr> <td>2 May 2016</td> <td>0.1</td> </tr> <tr> <td>2 Aug 2016</td> <td>0.9</td> </tr> <tr> <td>2 Nov 2016</td> <td>1.0</td> </tr> </tbody> </table>	Date	Proposed TF	2 Feb 2016	0.0	2 May 2016	0.1	2 Aug 2016	0.9	2 Nov 2016	1.0	Date	Proposed TF	2 Feb 2016	0.0	2 May 2016	0.1	2 Aug 2016	0.9	2 Nov 2016	1.0
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<p>IM11: Completion of User Interface Testing</p> <ul style="list-style-type: none"> <li>User Interface Testing (Exit Criteria met) with Communication Services Providers for at least two Large Supplier Parties has been completed.</li> <li>The Test Stage Certificate has been issued by the Licensee.</li> <li>Final criteria for this IM11 have been completed and are approved by the SEC Panel.</li> </ul>	1 Jun 2015	<p>IM11t = BMIT x (15% x TF), where TF (Time Factor) has the value of:</p> <p>0 if the specified criteria are achieved by 1 June 2015</p> <p>0.05 if the specified criteria are achieved after 1 June 2015 but before (+ 3 weeks)</p> <p>0.25 if the specified criteria are achieved after (+ 3 weeks) but before (+ 6 weeks)</p> <p>0.5 if the specified criteria are achieved after (+ 6 weeks) but before (+ 9 weeks)</p> <p>1.0 if the specified criteria are not achieved before (+ 9 weeks)</p>	removed												
<p>IM12: Commencement of Initial Operational Services</p> <ul style="list-style-type: none"> <li>At least one Large Supplier Party has passed through the User Integration Testing in accordance with the IM11 criteria.</li> <li>The scope of “routine live operational services” has been agreed with the Data Services Provider and approved by the SEC Panel.</li> <li>The Licensee has approved the commencement of routine live operational services (by the DSP) within the area of at least one Communication Services Provider region.</li> </ul>	30 Sep 2015	<p>IM12t = BMIT x (15% x TF), where TF (Time Factor) has the value of:</p> <p>0 if the specified criteria are achieved by 30 September 2015</p> <p>0.05 if the specified criteria are achieved after 30 September 2015 but before (+ 3 weeks)</p> <p>0.25 if the specified criteria are achieved after (+ 3 weeks) but before (+ 6 weeks)</p> <p>0.5 if the specified criteria are achieved after (+ 6 weeks) but before (+ 9 weeks)</p> <p>1.0 if the specified criteria are not achieved before (+ 9 weeks)</p>	<p>IM10a: Licensee is ready for commencement of live Enrolment and Communication Services in the North Region</p> <ul style="list-style-type: none"> <li>“All Exit Criteria as described in the Interface Testing Approach Document have been achieved. The Exit Criteria will have been deemed to be met by the Panel for the North Region in accordance with paragraph T3.27 of the Smart Energy Code.</li> <li>In relation to all compliant Communications Hub Orders in the North Region for the month prior to DCC Live, a substantial majority of Parties have confirmed that Consignments of Communications Hubs deliveries are compliant.</li> <li>The Routine Live Enrolment and Communication Services Criteria have been</li> </ul>	1 Apr 2016	<p>IM10at = BMIT x (17.5% x TF), where TF (Time Factor) has the value of:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Proposed TF</th> </tr> </thead> <tbody> <tr> <td>1 Apr 2016</td> <td>0.0</td> </tr> <tr> <td>1 Aug 2016</td> <td>0.1</td> </tr> <tr> <td>1 Oct 2016</td> <td>0.9</td> </tr> <tr> <td>1 Jan 2017</td> <td>1.0</td> </tr> </tbody> </table> <p>IM10bt = BMIT x (17.5% x TF), where TF (Time Factor) has the value of:</p>	Date	Proposed TF	1 Apr 2016	0.0	1 Aug 2016	0.1	1 Oct 2016	0.9	1 Jan 2017	1.0
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			<p>agreed by the SEC Panel. The SEC Panel<sup>23</sup> has approved that the Routine Live Enrolment Services Criteria have been met by the Communication Services Provider in the North Region, the Trusted Service Provider, the Parse and Correlate Provider and the Data Services Provider.”</p> <p>IM10b: Licensee is ready for commencement of live Enrolment and Communication Services in the Central and South Regions”.</p> <ul style="list-style-type: none"> <li>“All Exit Criteria as described in the Interface Testing Approach Document have been achieved. The Exit Criteria will have be deemed to be met by the Panel for the Central and South Regions in accordance with paragraph T3.27 of the Smart Energy Code.</li> <li>In relation to all compliant Communications Hub Orders in the Central and South Regions for the month prior to DCC Live, a substantial majority of Parties have confirmed that Consignments of Communications Hubs deliveries are compliant.</li> <li>The Routine Live Enrolment and Communication Services Criteria have been agreed by the SEC Panel. The SEC Panel has approved that the Routine Live Enrolment and Communication Services Criteria have been met by the Communication Services Provider in the Central and South Regions, the Trusted Service Provider, the Parse and Correlate Provider and the Data Services Provider.”</li> </ul>		<table border="1"> <thead> <tr> <th>Date</th> <th>Proposed TF</th> </tr> </thead> <tbody> <tr> <td>1 Apr 2016</td> <td>0.0</td> </tr> <tr> <td>1 Aug 2016</td> <td>0.1</td> </tr> <tr> <td>1 Oct 2016</td> <td>0.9</td> </tr> <tr> <td>1 Jan 2017</td> <td>1.0</td> </tr> </tbody> </table>	Date	Proposed TF	1 Apr 2016	0.0	1 Aug 2016	0.1	1 Oct 2016	0.9	1 Jan 2017	1.0
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1 Oct 2016	0.9														
1 Jan 2017	1.0														
<p>IM13: Commencement of Initial Mass Rollout</p> <ul style="list-style-type: none"> <li>At least one Large Supplier Party has passed through User Integration Testing.</li> </ul>	30 Sep 2015	<p>IM13t = BMIT x (15% x TF), where TF (Time Factor) has the value of:</p> <p>0 if the specified criteria are achieved by 30 September 2015</p> <p>0.05 if the specified criteria are achieved</p>	<p>IM11: Initial stabilisation complete</p> <ul style="list-style-type: none"> <li>To be agreed</li> </ul>	3 to 6 months after IM10 is achieved	To be agreed at a later date.										

<sup>23</sup> DCC recognises that the SEC may need to be modified to allow the SEC Panel to approve the criteria.

		<p>after 30 September 2015 but before (+ 3 weeks)</p> <p>0.25 if the specified criteria are achieved after (+ 3 weeks) but before (+ 6 weeks)</p> <p>0.5 if the specified criteria are achieved after (+ 6 weeks) but before (+ 9 weeks)</p> <p>1.0 if the specified criteria are not achieved before (+ 9 weeks)</p>			
<p>IM14: Completion of User Integration Testing</p> <ul style="list-style-type: none"> <li>▪ Completion of the User Integration Testing Phase (with Stage Exit Criteria met) has been achieved (subject to UIT extension).</li> <li>▪ Market Entry Phase Criteria have been established and are approved by the SEC Panel.</li> </ul>	1 Apr 2016	<p>IM14t = – ( the amount of the term IM11t + the amount of the term IM12t + the amount of the term IM13t ) x 0.7</p>	removed		

Table 5 - Consolidated proposal

## Annex B – Consultation questions

Table 6, below, summarises the consultation questions.

#	Consultation question
1	What are your views on the proposed recovery mechanism and the alternative approach set out above? Please provide rationale for your response.
2	Do you agree with the proposal for the recovery of IM4, IM5, IM6 and IM7, where the Time Factor was greater than 0, to be proportionate to the tapering of the proposed IM10? Please provide rationale for your response.
3	Do you agree with the proposal for incentivising readiness for the start of Systems Integration Testing? Please provide rationale for your response.
4	Do you agree with the proposal for incentivising the readiness for the start of Interface Testing? Please provide rationale for your response.
5	Do you agree with the proposal for incentivising the readiness for live Enrolment and Communication Services? Please provide rationale for your response.
6	Do you agree with the proposal for incentivising implementation beyond live Enrolment and Communication Services? Please provide rationale for your response.
7	What are your views on the proposal for the proposed IM11 to be subdivided by two region categories and the alternative approach set out above? Please provide rationale for your response.
8	Do you agree with the proposal to remove the current IM14? Please provide rationale for your response.
9	Do you agree with the proposal to introduce recognition of external dependencies, and their proposed treatment, in Schedule 3 of the Licence? Please provide rationale for your response.
10	Do you agree with the overall proposal to amend the Implementation Milestones? Please provide rationale for your response.

Table 6 - Consultation questions

## Annex C – Glossary

Table 7, below, sets out a list of definition of terms used in this document.

Term	Reference	Definition
Baseline Margin (BM)	LC 35.5	Means in relation to each Regulatory Year an amount of additional revenue, over and above the sum of the Licensee's Internal Costs and External Costs, that the Secretary of State has agreed shall be included (subject to the operation of the Baseline Margin Performance Adjustment) in the Licensee's Allowed Revenue, and is determined in accordance with the provisions of Part C of Condition 36 of the Licence.
Baseline Margin Implementation Total (BMIT)	LC 35.5	Means the Licensee's Baseline Margin, in total, for the period running from 23 September 2013 until the end of the Regulatory Year in which the Completion of Implementation (within the meaning given to that term in Condition 5) occurs (and, arising from the Licence Application Process, is calculated for the purposes of Schedule 3 to the Licence to have the value of £7.687 million, subject to future adjustments for inflation in accordance with Part C of Condition 36 of the Licence).
Communication Service	SEC A1	Means the Core Communication Services or the Elective Communication Services.
Enrolment Service	SEC A1	Means the Service described in Section H5 of the SEC (Enrolment Services and the Smart Metering Inventory).
Implementation Milestone (IM)	LC Sch3	Has the meaning that is given to those terms respectively in Schedule 3 (The Implementation Performance Regime) to the Licence.
Implementation Due Date (IM Due Date)	LC Sch3	Has the meaning that is given to those terms respectively in Schedule 3 (The Implementation Performance Regime) to the Licence.
Implementation Milestone Criteria (IM Criteria)	LC Sch3	Has the meaning that is given to those terms respectively in Schedule 3 (The Implementation Performance Regime) to the Licence.
Interface Testing (IT)	SEC T3.1	Interface Testing tests the capability of the DCC and the DCC Systems together with the Communications Hubs selected pursuant to Section T1 of the SEC to interoperate with User Systems and Non-Gateway Supplier Systems.
Interface Testing Approach Document	SEC T3.8	Has the meaning given to that expression in Section T3.8 of the SEC (Interface Testing Approach Document).
Operational Performance Regime	LC Sch4	The regime under which the operational performance of the Licensee will be monitored.
Party	SEC A1	Means, from time to time, a person that has agreed to be bound by the SEC (either pursuant to the Framework Agreement or an Accession Agreement), and (without prejudice to Section M8.14 of the SEC (Consequences of Ceasing to be a Party)) that has not at that time ceased to be so bound in accordance with Section M8 of the SEC (but excluding SECCo).

Term	Reference	Definition
Systems Integration Testing (SIT)	SEC T2.1	Systems Integration Testing tests the capability of the DCC and the component parts of the DCC Systems together with the Communications Hubs selected pursuant to Section T1 of the SEC to interoperate with each other and with the RDP Systems.
SIT Approach Document	SEC A1	Has the meaning given to that expression in Section T2.5 of the SEC (SIT Approach Document).
Time Factor (TF)	LC Sch3	The Time Factor is the factor used in the calculation of the amount of term to account for any delay in achievement of a given Implementation Milestone.
User	SEC A1	Means a Party that has completed the User Entry Process (and, in respect of Services available in accordance with this Code to Users acting only in one or more User Roles, a Party that has completed the User Entry Process for that User Role).
User Entry Process Tests (UEPT)	SEC H14.13	User Entry Process Tests test the capability of that Party and the Party's Systems to interoperate with the DCC and the DCC System.

Table 7 - Glossary