



Smart Meters Programme Schedule 2.4

(Continuous Improvement) (DSP version)

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| Amendment History | | |
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**SCHEDULE 2.4
CONTINUOUS IMPROVEMENT**

PURPOSE

The overall purpose of this Schedule 2.4 (Continuous Improvement) is to ensure that the parties, together with the Prime CSPs, are able to identify, assess and, where applicable, implement potential improvements in relation to (i) the Contractor Solution, (ii) the Prime CSP Solutions and/or (iii) the Smart Metering Programme generally, which could:

- (a) increase quality, efficiency or productivity;
- (b) improve utilisation of relevant assets and/or capacity;
- (c) reduce operational risks;
- (d) improve security;
- (e) offer greater sustainability;
- (f) generate cost savings and/or other financial gains; and/or
- (g) otherwise offer increased value for money.

This Schedule 2.4 should be read in conjunction with Schedule 7.3 (Value for Money).

This Schedule 2.4 comprises the following parts:

| Part | Scope |
|-------------|---------------------------------------|
| Part A | General obligations on the Contractor |
| Part B | Continuous Improvement Plan |
| Part C | Innovation Reports |
| Part D | Implementation of improvements |
| Part E | Governance arrangements |

PART A – GENERAL OBLIGATIONS ON THE CONTRACTOR

1. GENERAL

1.1 The Contractor shall at all times during the Service Period:

- (a) ensure that the Services are performed in the most efficient manner that is reasonably practicable, taking appropriate account of the Contractor's obligations under this Agreement;
- (b) encourage and promote continuous improvement and innovation in relation to the performance of the Services;
- (c) pro-actively assess and identify potential improvements in relation to the Contractor Solution in accordance with the procedures set out in this Schedule 2.4; and
- (d) work pro-actively and co-operatively with the DCC and the Prime CSPs (in accordance with the procedures set out in this Schedule 2.4 and Schedule 8.7 (Co-operation)) to assess and identify potential improvements in relation to (i) the Contractor Solution, (ii) the Prime CSP Solutions and/or (iii) the Smart Metering Programme generally.

1.2 The Contractor shall:

- (a) ensure that all improvements identified by the Contractor, and other information provided to the DCC, under this Schedule 2.4:
 - (i) are sufficiently clear and detailed to enable the DCC to decide whether to implement the relevant improvement;
 - (ii) where applicable, are targeted towards identifying opportunities for the DCC to better achieve the DCC Objectives; and
 - (iii) where paragraph 1.2(a)(ii) applies, clearly demonstrates the manner in which the DCC will be able to better achieve the DCC Objectives; and
- (b) promptly provide any clarification or further information reasonably requested by the DCC in relation to any improvements identified by the Contractor under this Schedule 2.4.

2. MONITORING ACTIVITIES

The Contractor shall implement appropriate systems and business processes which will enable the Contractor to:

- (a) monitor the quality, efficiency and productivity of the Services (and to monitor any improvements to the same over time); and
- (b) identify "lessons learned" in relation to the performance of the Services which can be implemented by the Contractor in the future.

3. MARKET ANALYSIS

The Contractor shall carry out regular and appropriate market analysis in order to enable the Contractor to comply with its obligations under this Schedule 2.4, including to monitor and assess:

- (a) developments in technology or other forms of innovation which may be applicable to the Contractor Solution specifically and/or the Smart Metering Programme generally;
- (b) developments in Good Industry Practice and other prevailing industry norms which may be applicable to the Contractor Solution specifically and/or the Smart Metering Programme generally; and
- (c) the manner in which other organisations delivering similar services to the Services have been able to achieve improvements in the quality, efficiency and/or productivity of such services.

PART B – CONTINUOUS IMPROVEMENT PLAN

1. SCOPE

- 1.1 This Part B of Schedule 2.4 sets out the parties' respective rights and obligations regarding the development of a rolling thirty-six (36) month continuous improvement plan, as further described in paragraph 2 (the "**Continuous Improvement Plan**" or "**CIP**").
- 1.2 The Contractor and each Prime CSP shall be required to prepare a separate CIP. However, the Contractor undertakes to work pro-actively and co-operatively with the Prime CSPs (in accordance with the procedures set out in this Schedule 2.4 and Schedule 8.7 (Co-operation)) in relation to the development of the CIP in order to ensure, as far as reasonably possible, that:
- (a) the CIP prepared by the Contractor under this Agreement is consistent with the equivalent continuous improvement plans prepared by the Prime CSPs;
 - (b) any improvements proposed by the Contractor in the CIP are consistent and co-ordinated with any improvements proposed by the Prime CSPs in their equivalent continuous improvement plan; and
 - (c) where necessary, any improvements proposed by the Contractor in the CIP have been agreed, validated and, where applicable, tested with the applicable Prime CSPs before submission of the CIP to the DCC.
- 1.3 The DCC shall provide reasonable support and assistance to the Contractor and the Prime CSPs in relation to the activities referred to in paragraph 1.2, including by arranging appropriate meetings of the Operational Management Team or any of the Management Boards under Schedule 8.1 (Governance).

2. PURPOSE AND CONTENT OF CONTINUOUS IMPROVEMENT PLAN

Purpose

- 2.1 The purpose of the CIP is to ensure that the parties, together with the Prime CSPs, are able to identify, assess and, where applicable, implement potential improvements in relation to (i) the Contractor Solution, (ii) the Prime CSP Solutions and/or (iii) the Smart Metering Programme generally, which could:
- (a) increase quality, efficiency or productivity;
 - (b) improve utilisation of relevant assets and/or capacity;
 - (c) reduce operational risks;
 - (d) improve security;
 - (e) offer greater sustainability;
 - (f) generate cost savings and/or other financial gains; and/or
 - (g) otherwise offer increased value for money.
- 2.2 The potential improvements to be identified and assessed under this Part B may include:

- (a) developments in technology or other forms of innovation which may be applicable to (i) the Contractor Solution, (ii) any of the Prime CSP Solutions and/or (iii) the Smart Metering Programme generally;
- (b) developments in Good Industry Practice and other prevailing industry norms which may be applicable to (i) the Contractor Solution, (ii) any of the Prime CSP Solutions and/or (iii) the Smart Metering Programme generally;
- (c) changes in the Contractor's business processes or working methods relating to the performance of the Contractor Solution;
- (d) changes in the business processes or working methods of the Prime CSPs relating to the performance of the relevant Prime CSP Solutions; and
- (e) changes in other business processes or working methods relating to other aspects of the delivery of the Smart Metering Programme generally.

Relationship with Development Plan and Contractor Development Plan

2.3 The parties acknowledge that:

- (a) under the DCC Licence, the DCC is required to prepare a Development Plan (as further described in Clause 25);
- (b) in order to support such obligations on the DCC, the Contractor is required to perform certain obligations under Clause 25, including the development of a Contractor Development Plan (the content of which is further described in Schedule 8.9 (Operations Manual));
- (c) the Development Plan (and, accordingly, the Contractor Development Plan) is intended to be a high-level overview of the DCC's long-term business development objectives; and
- (d) by contrast, the CIP is intended to be focussed on:
 - (i) specific improvements which can be implemented in relation to (i) the Contractor Solution, (ii) any of the Prime CSP Solutions and/or (iii) the Smart Metering Programme generally in the shorter term; and
 - (ii) the specific content requirements set out in this paragraph 2.

2.4 The parties agree that, in order to avoid unnecessary duplication of effort by the Contractor, the Contractor shall be entitled to incorporate relevant content from the Contractor Development Plan into the CIP (and vice versa) where it is appropriate to do so (and provided that the CIP continues to comply with the requirements of this Part B of Schedule 2.4 and the Contractor Development Plan continues to comply with the requirements of Clause 25 and Schedule 8.9, as applicable).

Scope of the Continuous Improvement Plan

2.5 In preparing and updating the CIP in accordance with this Part B of Schedule 2.4, the Contractor shall be required to assess all aspects of the Contractor Solution, including:

- (a) efficient use of physical infrastructure and software;

- (b) service reliability; and
- (c) service management.

Specific content of the Continuous Improvement Plan

2.6 The CIP shall identify and assess potential improvements in relation to (i) the Contractor Solution and (ii) the Prime CSP Solutions, including:

- (a) the use, application and development of smart metering (or similar) technology in other jurisdictions;
- (b) the emergence of new and emerging technologies which could improve (or reduce the cost of) the Contractor Solution and/or the Prime CSP Solutions;
- (c) the application of alternative, existing technologies which could improve (or reduce the cost of) the Contractor Solution and/or the Prime CSP Solutions;
- (d) improvements regarding the quality, availability, responsiveness and stability of the Contractor Solution and/or the Prime CSP Solutions;
- (e) potential improvements to the interfaces or integration of the Contractor Solution and/or the Prime CSP Solutions with any other services or systems provided pursuant to (or otherwise related to) the Smart Metering Programme which might result in greater efficiency, productivity gains or a reduction of operational risks; and/or
- (f) changes in business processes or working practices that would enable the Contractor Solution and/or the Prime CSP Solutions to be delivered at a lower cost and/or in a manner which provides greater benefits to the DCC, DCC Service Users and/or Consumers.

2.7 The CIP may, but is not required to, propose potential improvements (including the types of improvement referred to in paragraph 2.6) in relation to any other services or systems provided pursuant to (or otherwise related to) the Smart Metering Programme, including:

- (a) the DCC Services and/or the DCC Environment; and
- (b) the services and/or systems provided by the DCC Service Providers (other than the Prime CSPs).

2.8 Not used.

2.9 Not used.

2.10 Not used.

Technology roadmap

2.11 The CIP shall include:

- (a) an assessment of the Contractor System as at the date of the relevant version of the CIP, including a detailed appraisal of the capacity of the Contractor System to fulfil the existing and planned requirements for the Services;
- (b) a detailed technology roadmap (covering at least the same period as the CIP) identifying:

- (i) the anticipated end-of-life in relation to applicable components of the Contractor System;
 - (ii) the expected upgrades, refreshes and other changes to the Contractor System (and the timescales for the implementation of the same), including to address any end-of-life arrangements referred to in paragraph 2.11(b)(i); and
 - (iii) any issues or risks relating to the obsolescence of any component of the Contractor System (including where such matters might have an adverse impact on the Services, the services provided by any of the Prime CSPs and/or the DCC Services as a whole).
- 2.12 For the avoidance of doubt, the DCC shall not be liable for any additional costs associated with any upgrades, refreshes or other changes to the Contractor System which are intended to address end-of-life or other obsolescence of any component of the Contractor System.
- 2.13 The Contractor shall not be obliged to disclose its technology roadmap (as further described in 2.11(b)) to any of the Prime CSPs as part of the development of the CIP.

Energy efficiency

- 2.14 The CIP shall include a review (on an annual basis) in relation to the Contractor's performance against the following energy efficiency metrics in relation to the provision of the Services:
- (a) overall energy consumption;
 - (b) power usage effectiveness (PUE); and
 - (c) carbon footprint,
- (each, an "**Energy Efficiency Metric**").
- 2.15 In respect of each of the Energy Efficiency Metrics, the CIP shall include:
- (a) a description of the methodology used by the Contractor to determine its performance against the Energy Efficiency Metric;
 - (b) the Contractor's performance against the Energy Efficiency Metric during the twelve (12) month period prior to the Initial CIP Date or the relevant CIP Review Date (as applicable) (as defined in paragraphs 3 and 4 respectively);
 - (c) details of the change in the Contractor's performance against the Energy Efficiency Metric:
 - (i) between the period referred to in paragraph 2.15(b) and the previous twelve (12) month period; and
 - (ii) cumulatively, since the twelve (12) month period following the date on which the Commencement of Market Entry Milestone was Achieved;
 - (d) an explanation (in appropriate detail) of the reason for any increase or decrease in the Contractor's performance against the Energy Efficiency Metric under paragraph 2.15(c)(i) and/or 2.15(c)(ii); and

- (e) potential improvements to the Contractor's performance against the Energy Efficiency Metric.

Approach to phases under this Agreement

- 2.16 The content of each version of the CIP prepared under this Part B of Schedule 2.4 shall be specifically tailored to reflect the individual phases of this Agreement which will occur during the period covered by that version of the CIP.

Implementation proposal

- 2.17 In respect of any improvement to the Contractor Solution and/or any Prime CSP Solution set out in the CIP, the CIP shall contain a proposal (in reasonable detail) regarding the manner in which such improvement would be implemented by the DCC, the Contractor and/or the relevant Prime CSP(s).

Format of the Continuous Improvement Plan

- 2.18 The CIP shall be provided in the format agreed by the parties from time to time (acting reasonably), provided that it complies with the requirements of paragraphs 2.19 and 2.20.

- 2.19 The CIP shall provide a level of detail which is sufficient for the DCC:

- (a) to make informed decisions; and
- (b) to carry out strategic and operational planning activities,

in relation to any proposed improvements identified in the CIP regarding (i) the Contractor Solution, (ii) any of the Prime CSP Solutions and/or (iii) the Smart Metering Programme generally.

- 2.20 The CIP shall include clear sections addressing the following issues in relation to any proposed improvements regarding (i) the Contractor Solution, (ii) any of the Prime CSP Solutions and/or (iii) the Smart Metering Programme generally:

- (a) potential benefits (including any potential reduction of the ongoing Charges and/or other financial benefits);
- (b) strategic fit with the DCC's strategy, business development objectives and existing change programmes;
- (c) strategic fit with the DCC Objectives;
- (d) prioritisation (i.e. relative to other proposed improvements);
- (e) risks; and
- (f) estimated costs and timescales for implementation.

3. PREPARATION OF CONTINUOUS IMPROVEMENT PLAN

- 3.1 By no later than the second anniversary of the Effective Date (the "**Initial CIP Date**"), the Contractor shall deliver to the DCC a draft of the CIP which:

- (a) sets out the content required under paragraph 2 of this Part B of Schedule 2.4 in relation to the thirty-six (36) month period starting from the Initial CIP Date;
 - (b) unless otherwise agreed with the DCC, is consistent with the DCC's business development objectives, as set out in the then current version of the Development Plan;
 - (c) unless otherwise agreed with the DCC, is consistent with the content of the then current Contractor Development Plan (as further described in Schedule 8.9 (Operations Manual)); and
 - (d) otherwise complies with the requirements of this Part B of Schedule 2.4.
- 3.2 Within thirty (30) days after receipt of the draft CIP from the Contractor, the DCC shall notify the Contractor if it (acting reasonably) considers that the draft:
- (a) is insufficiently detailed to be properly evaluated; and/or
 - (b) does not comply with any of the requirements set out in paragraph 3.1,
- (each, for the purposes of this paragraph 3, a "**non-conformity**").
- 3.3 By no later than twenty (20) days after receipt of a notice from the DCC under paragraph 3.2 or 3.4, the Contractor shall:
- (a) make any amendments to the CIP that are necessary to address the non-conformities notified by the DCC under paragraph 3.2 or 3.4; and
 - (b) re-submit the revised CIP to the DCC for approval.
- 3.4 Within thirty (30) days after receipt of the revised CIP from the Contractor, the DCC shall notify the Contractor of any new or outstanding non-conformities.
- 3.5 The process in this paragraph 3 will then be repeated until the DCC notifies the Contractor that the CIP is approved. Any dispute relating to the existence of non-conformities in the CIP shall be referred to the Dispute Resolution Procedure.
- 3.6 The DCC shall provide any information or assistance reasonably requested by the Contractor in relation to the preparation of the CIP under this paragraph 3 (or any updates to the CIP under paragraph 4).
4. **ONGOING REVIEW OF THE CONTINUOUS IMPROVEMENT PLAN**
- 4.1 By no later than each anniversary of the Initial CIP Date (each, a "**CIP Review Date**"), the Contractor shall review and update the CIP in order to:
- (a) update the content of the CIP (as specified in paragraph 2 of this Part B of this Schedule 2.4) in relation to the thirty-six (36) month period starting on the relevant CIP Review Date; and
 - (b) ensure that the CIP is otherwise fully up-to-date and accurately reflects the then current scope and nature of the Contractor Solution (and otherwise continues to comply with the requirements of this Part B of Schedule 2.4),

and submit an updated version of the CIP for approval by the DCC.

- 4.2 Unless otherwise agreed by the DCC in writing, in relation to any updated version of the CIP under this paragraph 4, the parties shall comply with the procedure set out in paragraph 3 relating to the approval of the updated version of CIP by the DCC.

PART C – INNOVATION REPORTS

1. SCOPE

- 1.1 This Part C of Schedule 2.4 sets out the parties' respective rights and obligations regarding the Quarterly reporting of short-term innovation improvements and opportunities in addition to, and in order to support, the more long-term planning under the CIP.
- 1.2 It is intended that Innovation Reports will be focussed on potential improvements to the Contractor Solution and will not need to address potential improvements to the Prime CSP Solutions and/or the Smart Metering Programme generally.

2. PROVISION OF INNOVATION REPORTS

- 2.1 By no later than the start of each Quarter, the Contractor shall provide to the DCC a report which complies with the requirements set out in paragraph 2.2 (each, an "**Innovation Report**").
- 2.2 Each Innovation Report shall:
- (a) provide a current, up-to-date "snapshot" of the issues referred to in paragraph 2.6 of Part B of this Schedule 2.4 in relation to the Contractor Solution;
 - (b) focus on potential improvements under paragraph 2.2(a) which are capable of being implemented during the next twelve (12) months (or other period agreed by the parties from time to time);
 - (c) comply with paragraph 2.19 of Part B of this Schedule 2.4 in respect of any potential improvements under paragraph 2.2(a); and
 - (d) contain the information referred to in paragraph 2.20 of Part B of this Schedule 2.4 in respect of any potential improvements under paragraph 2.2(a).

PART D – IMPLEMENTATION OF IMPROVEMENTS

1. IMPROVEMENTS TO THE CONTRACTOR SOLUTION

If the DCC wishes to implement any improvements which have been identified in (i) the CIP or any Innovation Report prepared by the Contractor under this Agreement and/or (ii) the equivalent continuous improvement plans or innovation reports prepared by any of the Prime CSPs, then:

- (a) where the DCC (acting reasonably) determines that the relevant improvement should be implemented (or further analysed) as a Project, it may issue a Project Request to the Contractor in accordance with Schedule 8.8 (Projects), and the parties shall comply with their respective obligations under Schedule 8.8 (Projects) in relation to the agreement and implementation of the relevant Project; or
- (b) otherwise, the DCC shall issue a Change Request to the Contractor in accordance with Schedule 8.2 (Change Control) and the parties shall comply with their respective obligations under the Change Control Procedure in relation to the agreement and implementation of the relevant improvement.

Any improvements to the pricing of any element of the Contractor Solution (including the Communications Hub and/or their components) shall be implemented in accordance with the Change Control Procedure.

2. IMPROVEMENTS TO PRIME CSP SOLUTIONS

2.1 If the DCC wishes to implement any improvements to any of the Prime CSP Solutions identified in (i) the CIP or any Innovation Report prepared by the Contractor under this Agreement and/or (ii) the equivalent continuous improvement plans or innovation reports prepared by any of the Prime CSPs, then such improvement shall be agreed and implemented by the DCC and the relevant Prime CSP(s), whether as a project or a change, under the applicable provisions of the relevant ESP Contract.

2.2 Where any further co-operation, information or other assistance is required from the Contractor by the DCC or the relevant Prime CSP(s) in relation to the implementation of an improvement under paragraph 2.1, it may issue a Project Request to the Contractor in accordance with Schedule 8.8 (Projects), and the parties shall comply with their respective obligations under Schedule 8.8 (Projects) in relation to the agreement and implementation of the relevant Project.

3. IMPLEMENTATION OF OTHER IMPROVEMENTS

3.1 The Contractor acknowledges that the DCC shall be entitled to implement any improvements to the Smart Metering Programme generally:

- (a) which are identified in (i) the CIP or any Innovation Report prepared by the Contractor under this Agreement and/or (ii) the equivalent continuous improvement plans or innovation reports prepared by any of the Prime CSPs; but
- (b) which do not fall within the scope of paragraph 1 or 2 of this Part D.

3.2 Where any further co-operation, information or other assistance is required from the Contractor by the DCC or any of the DCC Service Providers in

relation to the implementation of an improvement under paragraph 3.1, it may issue a Project Request to the Contractor in accordance with Schedule 8.8 (Projects), and the parties shall comply with their respective obligations under Schedule 8.8 (Projects) in relation to the agreement and implementation of the relevant Project.

4. **COST SAVINGS AND OTHER FINANCIAL GAINS**

In determining the manner in which any improvement to the Contractor Solution is to be implemented, whether as a Project or a Change, the parties shall comply with the requirements of Part B of Schedule 7.3 (Value for Money) and the applicable provisions of Schedule 7.1 (Charges and Payment).

PART E – GOVERNANCE ARRANGEMENTS

1. OMB MEETINGS

- 1.1 The Service Improvement & Innovation OMB (as referred to in Schedule 8.1 (Governance)) shall have primary responsibility for overseeing the continuous improvement initiatives under this Schedule 2.4 (including the implementation of any improvements identified under this Schedule 2.4).
- 1.2 At each meeting of the Service Improvement & Innovation OMB during the Service Period, the parties shall (together with the Prime CSPs):
- (a) review the current version of the CIP;
 - (b) review the latest Innovation Report;
 - (c) identify and assess any improvements identified under this Schedule 2.4 which the DCC may wish to implement;
 - (d) assess the status of the implementation of improvements identified under this Schedule 2.4 (including progress against any applicable Milestones or other similar arrangements);
 - (e) identify any potential obstacles or other issues which may adversely affect the implementation of any improvements identified under this Schedule 2.4 (and determine appropriate causes of action to eliminate or mitigate such obstacles or other issues); and
 - (f) review the Contractor's performance against the Energy Efficiency Metrics referred to in paragraphs 2.14 and 2.15 of Part B.

Unless otherwise agreed by the parties, only representatives of the DCC and the Contractor shall be present for any discussion relating to the issues referred to in paragraph 1.2(f).

- 1.3 The Contractor shall comply with its obligations under Schedule 8.1 (Governance) regarding the conduct of, and attendance at, meetings of the Service Improvement & Innovation OMB.
- 1.4 By no later than five (5) Working Days before each meeting of the Service Implementation OMB, the Contractor shall deliver to the DCC a copy of:
- (a) the current version of the CIP; and
 - (b) the latest Innovation Report.

2. APPOINTMENT OF IMPROVEMENT MANAGERS

- 2.1 Each party will appoint a senior representative who shall be responsible for ensuring that party's compliance with the requirements of this Schedule 2.4 and otherwise encouraging and promoting continuous improvement and innovation in relation to the performance of the Services (each, an "**Improvement Manager**"). Each party shall provide written notification of such appointment to the other party by no later than the start of the User Integration Phase.

- 2.2 The Contractor's Improvement Manager shall be deemed to be a member of the Key Personnel for the purposes of this Agreement.
- 2.3 The parties' Improvement Managers will liaise with one another in relation to all matters connected with this Schedule 2.4 and each party's compliance with it.
- 2.4 Either party may request a meeting of the Improvement Managers by giving the other not less than five (5) Working Days' written notice. Such meeting shall take place within five (5) Working Days after the date of such notice at a mutually convenient time and venue. For the avoidance of doubt, this paragraph 2.4 of Part E of Schedule 2.4 does not limit the ability of the Improvement Managers to meet on a day-to-day basis in accordance with paragraph 2.3 as agreed by the parties from time to time.