



SCOTTISHPOWER
The Energy People

By email to contact@smartdcc.co.uk

5 June 2015

Dear Sirs,

Consultation on Proposed changes to DCC's Implementation Milestones

Thank you for the opportunity to respond to the above consultation.

Our responses to the consultation questions are set out in Annex 1; however, we would like to highlight the following points:

- In our view, the prevention of further delays is best served by having strong financial incentives that are linked to delivery of the live DCC service;
- We are concerned that the focus is firmly on the start, rather than the completion of these test phases; and
- The matters contemplated in this consultation are of such a complex and important nature that we strongly believe they should have been subject to a much longer consultation period. For that reason, we only offer our comments as a first impression, and reserve the right to respond further following our more detailed examination of these matters over the coming weeks.

Should you wish to discuss any aspect of this response please do not hesitate to contact me at davidross.scott@scottishpower.com.

Yours faithfully,

David Ross Scott
Industry Relationship Manager
Smart Meters Programme

Annex 1

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

In our view, the prevention of further delays is best served by having strong financial incentives in place. Although interim Milestones are clearly very important, we still believe that basing the recovery of lost margin on delivery of the live DCC service offers the strongest financial incentive.

While we note DCC's concerns that a requirement for 'contingency' is very likely, we are not persuaded that either of the approaches proposed will do anything to strengthen the incentives aimed at ensuring timely delivery.

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.

We note that the proposed arrangements would only apply to IM5; the other Milestones listed here having already been achieved. However, we also note Ofgem specifically disallowed the recovery of monies in relation to IM5 in its final DCC Price Control Decision in February of this year - although it highlighted that DCC could recover the lost margin if the 'Commencement of Initial Operational Services' milestone was achieved by the due date.

If, as we believe, IM5 has since been achieved, it would appear this change would effectively allow the DCC to recover the relevant lost margin earlier than envisaged in the regulatory direction. We do not think this would contribute to a culture of strong incentives.

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

While we agree with most aspects of the proposed approach to incentivising readiness for the start of Systems Integration Testing, such as splitting the Milestones according to regions with proposed changes to weightings, we are not persuaded that the proposed recovery arrangements offer the strongest incentive towards delivering a live DCC service by the due date.

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

While we agree with most aspects of the proposed approach to incentivising readiness for the start of Interface Testing, such as the Implementation Due Dates and the changes to weightings, we are not persuaded that the proposed recovery arrangements offer the strongest incentive towards delivering a live DCC service by the due date.

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

We broadly agree with the DCC's proposals for incentivising the readiness for live Enrolment and Communication Services.

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

We broadly agree with the DCC's proposals for incentivising implementation beyond live Enrolment and Communication Services.

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.

We broadly agree with the DCC's proposal to sub-divide IM11 into two region categories.

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

We agree with the proposal to remove the current IM14.

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.

We generally accept that there are matters over which the DCC has no control, but that might affect its delivery of Milestones. In most cases, however, we would exhort the DCC to use its best endeavours to overcome any such matters through strategic planning, so that it is able to continue delivering in line with the agreed schedule.

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

Given the alterations to the implementation plan, we recognise that changes to the Implementation Milestones are inevitable. However, we are concerned that proposals for recovering lost margin through a 'tapered' approach might actually serve to weaken the overall incentive to deliver a live and operational DCC service. This would be evidenced by earlier recovery of lost margin previously removed by Ofgem price controls.

We are also concerned that the focus is firmly on the start, rather than the completion of these test phases, which might allow DCC to simply extend completion of test phases without risking payment.