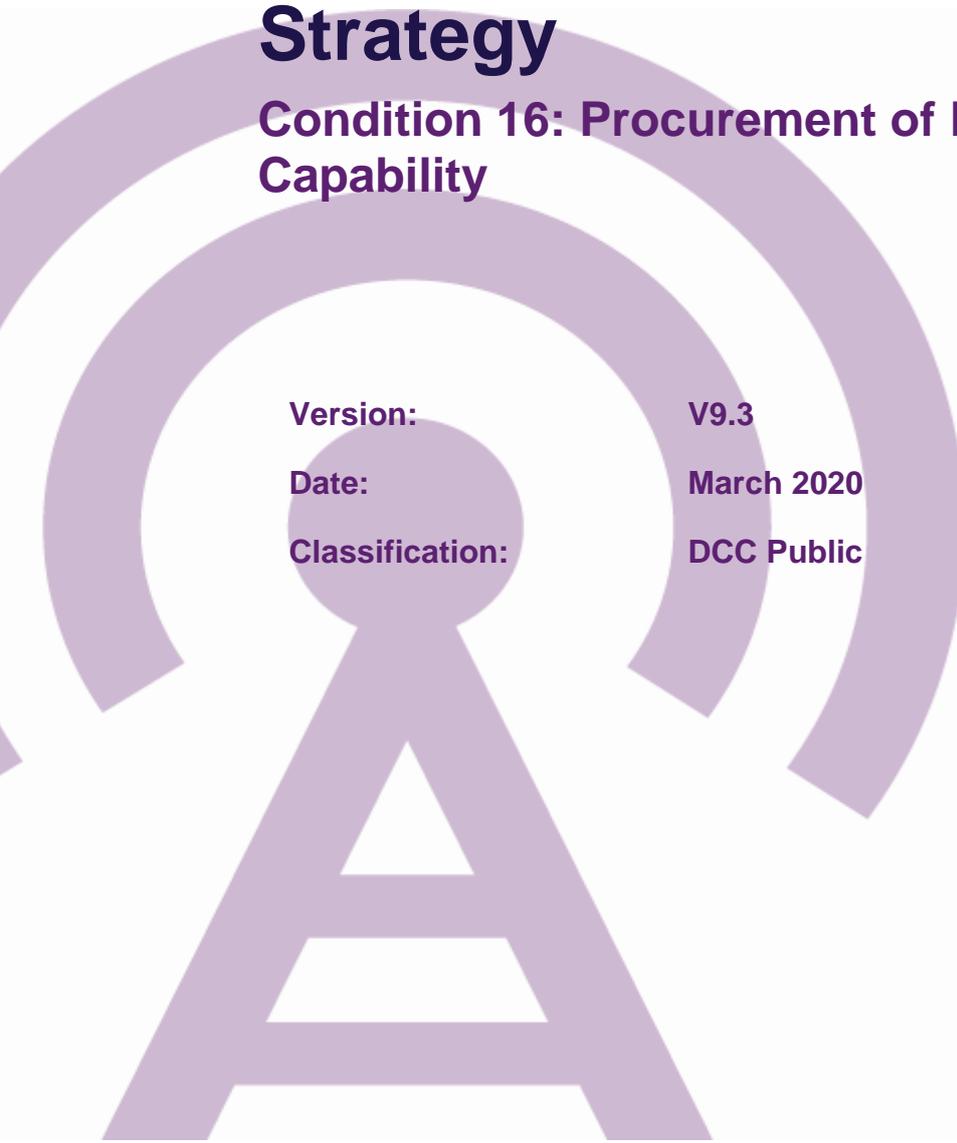


# Smart DCC Ltd Procurement Strategy

## Condition 16: Procurement of Relevant Service Capability



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## 1 Introduction and Summary

The Data and Communications Company (DCC) plays a central role in the GB smart metering system. The implementation of DCC services will be led and delivered by the DCC ecosystem. This is comprised of the Licensee, Smart DCC Ltd, the Data Service Provider (CGI IT UK Ltd) and Communication Service Providers (Telefónica Ltd and Arqiva Smart Metering Ltd). DCC's core remit, set out in the Smart Meter Communication Licence (the Licence) and the Smart Energy Code (SEC), is to implement and manage the data and communication services that enable messaging between smart meters and energy suppliers, energy networks and authorised third parties (Users).

In relation to the SMETS1 programme, Licence Condition 16: Part I outlines the arrangements and requirement for Smart DCC to adopt Energy Supplier Contracts as part of the SEC Adoption Process. This process is outlined in Section 7 below.

Such contracts that are procured in this way will be FSC and any re-procurement or extension of these services will follow the process outlined in Section 6: Re-procurement of FSC.

All the new SMETS1 Services contracts (for the purposes of providing communication or data services with respect to SMETS1 Smart Metering Systems) will be classed as **Legacy Procurement Contracts**.

The Switching Programme is regulated by the Retail Energy Code (REC) and therefore is outside the strict parameters of Licence Condition 16. That said, the DCC procured the four key Procurements for the Switching Programme in accordance with the spirit of Licence Condition 16, with each being competitively procured via a Competitive RFP.

DCC fulfils a co-ordination role on behalf of the energy industry that will secure the implementation and roll-out of SMETS2 smart meters. At the same time, DCC will bring focus and capability to the future development and improvement of DCC Services that drive innovation and secure value for money on behalf of the energy industry.

Smart DCC Ltd (Smart DCC) has been established as a discrete and separate entity within Capita plc. Smart DCC has been designed and established as a thin organisation with a dedicated management team. Smart DCC, as outlined in its Smart DCC Best and Final Offer (BAFO) proposal for the Licence, has used the Capita Shared Services infrastructure to obtain services to support business operations, minimise organisational fixed costs and provide flexibility, however from 1 April 2020, we will be entering into a new contracting regime with Capita, using a Master Service Agreement (MSA) to record the Terms and Conditions by which we undertake our relationship, with each individual Service being managed by a bespoke Service Schedule in the shape of a call off agreement. It is also recognised that Smart DCC will need to procure specific goods and services that support their ability to deliver the Mandatory Business Services during the Licence period.

The purpose of this Procurement Strategy is to set out and explain in appropriate detail how Smart DCC has and will procure Relevant Service Capability, as well as meet the obligations set out in Licence Condition 16: Procurement of Relevant Service Capability.

The intention is that the Smart DCC Procurement Strategy of Relevant Service Capability will be reviewed once in each regulatory year. This Procurement Strategy will be provided to the Authority and will be available on the Smart DCC website.

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This is the fourth edition of the Smart DCC Procurement Strategy and includes an update regarding historical procurements in section 5.2.

This Procurement Strategy should be read in association with our Procurement Policy and Procedure document Version V2.62.

For a list of all definitions please refer to the Licence.

## **1.1 Procurement Objectives**

The Smart DCC procurement objectives for the Regulatory Year ending March 2021 are:

- Ensuring that procurement of the Relevant Service Capability is in accordance with Licence Condition 16 Part A Procurement requirements and Part B Procurement principles (refer to section 3)
- Ensuring that guidance from any Public Interest Statement is reflected in subsequent procurement activity of Relevant Service Capability (refer to section 7)
- Ensuring that all Relevant Service Capability has discrete External Service Provider Contracts and a list of the contracts will be published and maintained on the Smart DCC website ([www.smartdcc.co.uk](http://www.smartdcc.co.uk))
- Maintaining the forward plan of Smart DCC procurement activity
- Supporting delivery of the General Objectives detailed in Licence Condition 5 Part A and Part B
- Enabling Smart DCC to deliver value for money for the consumer

## 2 Relevant Service Capability (RSC)

Relevant Service Capability is capability procured (or provided from within the Licensee's own resources) in accordance with Condition 16 (Procurement of Relevant Service Capability) for the purposes of securing the provision of Mandatory Business Services under or pursuant to the Smart Energy Code.

Mandatory Business means the Authorised Business of Smart DCC that consists of the operation or provision, on behalf of or to SEC Parties, of Mandatory Business Services under or pursuant to the SEC.

### 2.1 Licence Condition 16

The Licence Condition 16 sets out requirements that apply to Smart DCCs procurement of Relevant Service Capability:

“16.2 Relevant Service Capability is capability that is used (or is to be used) for the purposes of securing the provision of Mandatory Business under or pursuant to the Smart Energy Code (and includes Fundamental Service Capability).

Part A: Requirements that are imposed on procurement activities

16.4 The Licensee (Smart DCC) must procure Relevant Service Capability from External Service Providers on a competitive basis and under arrangements to be known as External Service Provider Contracts.

16.5 The duty imposed by 16.4 applies without exception to the procurement by the Licensee of such Relevant Service Capability as is specified as Fundamental Service Capability in Schedule 1.

16.6 Relevant Service Capability that is not so specified may be provided by the Licensee from its own resources, or procured from an Affiliate or related undertaking, is satisfied that the procurement of such capability by that means:

(a) would be the most economical and efficient option or (b) would be immaterial in terms of its value of use of resource within the overall context of the Mandatory Business of the Licensee.

### 2.2 Procurement of Relevant Service Capability

#### 2.2.1 Overview

DCC needs to procure specific goods and services that support its ability to secure the provision of Mandatory Business Services during the Licence period. These goods and services will be competitively procured (subject to section 4.1.2) in accordance with the five Licence procurement principles detailed in the Licence and outlined in Section 3.

Please refer to Section 5 Procurement Forward Plan for the goods and services that are defined as Relevant Service Capability that will need to be procured.

Smart DCC will review all the goods and services it purchases on a regular basis; and maintain procurement procedures to both ensure and demonstrate that they remain competitive. The costs of providing these services are also subject to retrospective review by Ofgem.

## 2.2.2 Internal Support Functions

As per the Smart DCC BAFO submission for the Licence, internal support functions will be sourced from existing Capita shared service infrastructure and in the future from Master Services Agreements. This is either through a specific charge for services directly provided to DCC, or services that DCC utilises, the costs of which are included within the shared service charge.

The costs of providing Smart DCC internal support functions through the shared service charge were reviewed as part of the Licence application process, and therefore tested and accepted as part of the application. Smart DCC does not anticipate competitively re-procuring these services. These support functions provide flexibility to changes in demand without incurring additional costs ensuring it is an economical and efficient way of using these services.

Smart DCC will review all the goods and services it purchases (including Capita shared services) on a regular basis and develop a strategy to both ensure and demonstrate that they remain competitive. The costs of providing these services are also subject to retrospective review by Ofgem.

The following services are currently sourced from Capita internal support infrastructure:

Service	Service Directly paid for	Benefit received through overhead charge
Company Secretariat Services	✓	
Internal Audit and Accounting Services		✓
HR Advice and Training		✓
Payroll and Pension Services		✓
Property and Facilities Management Services	✓	
ICT hardware, software and support services, including telecommunications	✓	
Legal Services		✓
Capita SAP solution accounting and general ledger	✓	

Where Capita bids to provide services to DCC, DCC considers the Special Position in the Licence and ensures that there is no preferential treatment for Capita.

Any contracts with Capita have a lower limit of delegated authority (£500,000 as compared to £1,000,000) and hence are subject to a more rigorous review/approval by the Board (including the sufficiently Independent Directors).

Where Capita is a Service Provider, DCC manages the relationship as it would for any other supplier, in terms of negotiating contracts (subject to recognising the bid position, where Capita was the named bid provider for some services), Supplier Relationship Management, internal governance processes and subsequent performance management.

### **2.2.3 Fundamental Service Capability (FSC)**

Fundamental Service Capability is Relevant Service Capability that is provided under Legacy Procurement Contracts and defined in Schedule 1 to the Licence, including the provision of all such capability (including goods and products) as is necessary to enable Smart DCC to provide, or arrange for the provision of, the Communications Hub Service pursuant to Part E of Condition 17 (Requirements for the provision of Services).

FSC includes the capability provided by the Data Service Provider, Communication Service Providers as defined in Schedule 1 and Adopted Communication Service Providers.

The key attributes when procuring FSC include:

- A full competitive procurement process will be conducted following the five Licence procurement principles outlined in Section 3
- An External Service Provider will deliver the service
- The External Service Provider Contract for the FSC must include terms that provide for the novation or transfer to a Successor Licensee

This capability will not be procured through Capita plc.

### 3 Licence Condition 16: Procurement Principles

Licence Condition 16 Part B outlines principles that are applicable to procurement activities for Relevant Service Capability. The five procurement principles for Relevant Service Capability and how Smart DCC will evidence compliance is outlined in section 3.1.

#### 3.1 Part B: Procurement Principles

Smart DCC will apply the following five procurement principles when procuring Relevant Service Capability:

<b>Principle 1</b>	RSC must be procured with due regard for the Licensee's ability at all time to fully exercise the functions it has under or by virtue of the Principle Energy Legislation, the Licence, and the SEC.
<b>Evidenced by</b>	<ul style="list-style-type: none"> <li>Formally approved Smart DCC document, such as a sourcing strategy, business case or Project Initiation Document, that links the requirement to the Licence Application Business Plan, Licence, Legislation or Smart Energy Code.</li> </ul>
<b>Principle 2</b>	RSC must be procured competitively wherever practicable and proportionate, and with due regard for (i) the principles of equality and non-discrimination between economic operators and (ii) the employment of transparent and objective procurement processes.
<b>Evidenced by</b>	<ul style="list-style-type: none"> <li>Approved sourcing strategy outlining the requirement, procurement process, evaluation methodology and suppliers to be invited.</li> <li>Documented Request for Quote (RFQ) or Request for Proposal (RFP)</li> <li>An award report detailing the procurement outcome and recommendation for approval.</li> </ul>
<b>Supported by</b>	<ul style="list-style-type: none"> <li>Use of an e-tendering sourcing portal (Curtis Fitch).</li> </ul>
<b>Principle 3</b>	RSC must be procured from suitable and appropriate organisations, having due regard to: <ul style="list-style-type: none"> <li>(a) The good standing, conduct, and financial capacity of such organisations; and</li> <li>(b) The capability and capacity of such organisation to deliver the RSC.</li> </ul>
<b>Evidenced by</b>	<ul style="list-style-type: none"> <li>The procurement evaluation process includes:               <ul style="list-style-type: none"> <li>Financial assessment of an organisation/s</li> <li>Capability and capacity assessment</li> </ul> </li> <li>Detailed specification outlining the RSC, incorporating known standards, service levels, current and future requirements</li> </ul>

<b>Principle 4</b>	<p>RSC must be procured in a manner that:</p> <ul style="list-style-type: none"> <li>(a) Secures value for money in terms of the combination of quality and cost over the lifetime of the contract;</li> <li>(b) Delivers the required goods, services or works to the appropriate standards according to the needs of service users;</li> <li>(c) Takes account of the potential need to replace from time to time the persons engaged in providing the capability; and</li> <li>(d) Incorporates (at a cost that is not disproportionate to any expected benefit) sufficient flexibility to adapt to changing services user requirements over the duration of the contract.</li> </ul>
<b>Evidenced by</b>	<ul style="list-style-type: none"> <li>• The procurement evaluation process includes: <ul style="list-style-type: none"> <li>• Capability and capacity assessment</li> <li>• Commercial and pricing assessment</li> </ul> </li> <li>• Detailed specification outlining the RSC, incorporating known standards, service levels, current and future requirements</li> <li>• Contract and performance management reviews</li> <li>• Assurance and review of outputs and services delivered (if appropriate or specified)</li> <li>• Periodic reviews and benchmarking of the External Service Provider Contracts, conducted in line with value for money provisions in their contracts, and the Procurement Policy.</li> </ul>
<b>Principle 5</b>	<p>RSC must be procured under contractual arrangements that make provision for the full and enduring protection of business continuity. Including</p> <ul style="list-style-type: none"> <li>(a) Appropriate provision to secure Smart DCC ability to exercise all the Relevant Functions in the event of any material financial default of an External Service Provider;</li> <li>(b) Appropriate provision to secure Smart DCC's ability to exercise all the Relevant Functions in the event of any operational failure of an External Service Provider; and</li> <li>(c) Appropriate provision to secure the transfer or novation of the contract in the circumstances of a handover of the business of the Smart DCC to a Successor Licensee.</li> </ul>
<b>Evidenced by</b>	<ul style="list-style-type: none"> <li>• Signed External Supplier Contracts incorporating suitable provisions, proportionate to the service.</li> </ul>

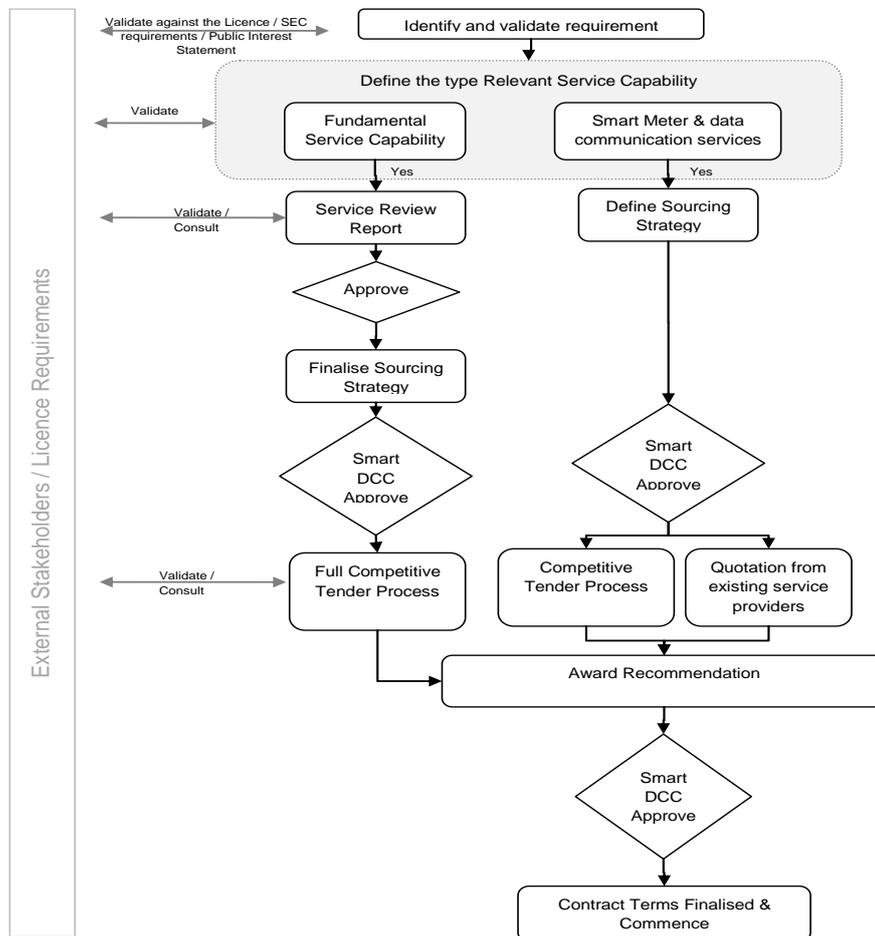
Relevant Service Capability that is specified as Fundamental Service Capability must be competitively procured and all five procurement principles demonstrated.

Competition in the procurement process is an easy means of establishing value for money and to satisfy the Licence principles. However, Licence condition 16.6 allows Smart DCC to provide from its own resources or to procure from an Affiliate or Related Undertaking. Smart DCC will determine on a case by case basis applicability of condition 16.6 taking into consideration factors outlined in Section 4.1.2. The level and detail of evidence will be proportionate to the value and complexity of the procurement. Key documentation supporting the decisions will be retained and made available to the Authority in accordance with Smart DCC Licence Conditions 16.34 and 16.35 and appropriate Regulatory Information and Guidance.

## 4 The Smart DCC Procurement Process

Smart DCC is required to satisfy the Procurement Principles listed in Licence Condition 16 and in section 3 above. In order to achieve this Smart DCC has developed the following, high level, procurement process for procuring goods and services to support compliance to Licence Condition 16, and support the achievement of the Licensee general objectives provided in Licence Condition 5. This high level process is supported by more detailed procedures included within the DCC Procurement Policy and Procedures document<sup>1</sup>

By adhering to the Procurement Principles it is Smart DCC's aim to achieve the best outcome for services users. These processes have been developed as Smart DCC Ltd is not a public organisation and is of the view that it is not subject to the Public Procurement procedural rules of the EU Procurement Directives or the UK Procurement Regulations including Utilities Directives as listed in section 9.1.<sup>2</sup>



### 4.1.1 Type of Relevant Service Capability

Once the need is identified, a Smart DCC cross functional team will firstly determine if it is a valid requirement, for example, is it included in the Licence Application.

<sup>1</sup> DCC Procurement Policy and Procedures v2.62

<sup>2</sup> This assumption will be reviewed at each Strategy Update, or when any indication of change of status

Business Plan (and updates) and Charging Statements. Smart DCC will also define the type of Relevant Service Capability, using the definitions in Section 2.

For Fundamental Service Capability there is a defined and separate process that needs to be followed prior to moving to the next stage, this is outlined in Section 6.

Where the procurement of RSC is not FSC, Smart DCC will define the Sourcing Strategy. Approval to proceed, specific governance requirements including consultation and discussion with the wider DCC will be defined at this stage. Where necessary, if consultation as part of the procurement process is required the level of, the form of consultation and point in the procurement processes will be based on input from stakeholders such as SEC and Ofgem. Procurement related consultation will be determined on a case by case basis.

#### **4.1.2 The Sourcing Strategy for RSC**

The sourcing strategy for each RSC procurement will clearly document the rationale and route to establishing the External Service Provider Contract/s for that requirement. The options for establishing RSC include completing a competitive procurement process (section 4.1.3), providing the services from its own resources, or procuring from an Affiliate or Related Undertaking, or procuring from an existing External Service Provider. It is the policy of Smart DCC to use a competitive procurement process unless it is in the interests of all stakeholders not to do so. The factors that will be considered for this are:

- is it interdependent, complementary or independent of existing Relevant Service Capability;
- value;
- capability and capacity to provide the goods and services;
- Affiliate, Related Undertaking or existing External Service Provider have recently provided costs that have been tested in a competitive procurement process;
- Economically efficient for Smart DCC to run a competitive procurement process; and
- Timescale and urgency.

The above determination will be evidenced as within the sourcing strategy and such evidence will be made available to the Authority as and when required. It should be noted that a competitive procurement process may also include tenders from an Affiliate or Related Undertaking or existing External Service Provider. In such cases, as with all competitive procurement, Smart DCC will strictly adhere to confidentiality provisions to ensure that there is no advantage given to these parties compared with other bidders.

When Smart DCC concludes that RSC should either be provided from its own resources or procured from an Affiliate or Related Undertaking the key criteria that will need to be met is that this provides the most economic and efficient solution. This may be tested in a number of ways but a starting point will be whether or not the RSC formed part of the Licence Application Business Plan (LABP) and its value is in

accordance with the plan. The cost of RSC not in the original plan would be tested against current market rates in order to ensure value for money.

Where applicable, contracts for RSC, whether with new or existing External Service Providers or with an Affiliate or Related Undertaking, shall contain provisions for the periodic benchmarking and market testing of the services to ensure ongoing value for money.

The Sourcing Strategy needs to consider the type of goods or services required, the value, the ease or difficulty in procuring the service, the strategic importance to Smart DCC, the speed to obtain the new requirement and how it will satisfy the procurement principles. Smart DCC will also include its determination of the discrete contract/s that will be required for that RSC as well as its outline evaluation methodology and scoring criteria.

The Sourcing strategy may be a standalone document or form part of a larger project initiation document (PID). It will include the rationale, timetable and resources for the proposed procurement process.

### 4.1.3 The Procurement Process

Smart DCC can deploy a range of flexible and adaptable procurement processes to procure goods and services to meet its needs and to satisfy the General Objectives, the processes are listed below.

Process and Approach	Features	Rationale & Benefit	Example
<b>Competitive Procurement 1</b> Full Tendering Process*	Defined multi-stage or gateway approach. Create a preferred bidder short list against complex specification Duration: Nine months+	Multi-layer capability review. Refine solution options, test assumptions (both parties). Control and rigour. Early relationship building.	FSP Re-Procurements.
<b>Competitive Procurement 2</b> Request for proposal (RFP)*	Optional multi stage or gateway approach against detailed specification Duration: Three months+	Competition from a short list of identified suppliers. Control and rigour applied in shorter timescales.	Parse & Correlate solution. SMKI service.
<b>Competitive Procurement 3</b> Request for quote (RFQ) Frameworks e.g. Three suppliers	Standard or non-complex specification to obtain quote Duration: Two weeks+	Competition against simple specification. Speed and agility.	Consultancy support.

Process and Approach	Features	Rationale & Benefit	Example
<b>Procurement 4</b> Preferred Supplier Lists, Frameworks, Affiliates (RFQ)	Existing negotiated contracts for goods and services. RFQ confirms ability to deliver Duration: One week+	Access to services at agreed rates. Speed and agility. Leverage Capita purchasing power to achieve economies of scale.	Technical specialist consultancy services. ICT products and services. Office and supplies.
Additional services from Existing Service Providers	RFQ against a specification confirms scope and ability to deliver Duration: One week+	Speed and agility. Lower access costs. Coherence and alignment with Smart DCC architecture. Knowledge and understanding of FSPs.	Testing Services.
	The execution and contractual delivery of this service may be in the form of a: a) Change control process, if the existing contract had included the goods / services as existing set of service/s or A discrete and separate contract		

\*Full tendering and RFP procurements will be conducted utilising an e-sourcing portal (currently Curtis Fitch).

Regardless of the procurement process or approach used, Smart DCC will prepare an award recommendation report for Smart DCC to approve. The approval to award will be based on defined delegated authority and will include Smart DCC Board approval where required. The award recommendation report is a summary of the outcome of the procurement demonstrating how it has satisfied the five procurement principles and how the outcome represents value for money.

The key procurement documentation (including but not limited to the sourcing strategy, request for proposal / quote, evaluation, award recommendation) will be retained and made available to the Authority in accordance with Smart DCC Licence Conditions 16.34 and 16.35. In addition, Smart DCC is required to submit price control reporting to the Authority under Condition 32. Accordingly, the Authority has issued the Regulatory Instructions and Guidance (RIGs) referred to under Licence Condition 33, setting out how DCC must collect and provide Price Control Information to the Authority. DCC must always act in accordance with the RIGs, and these will continue to apply to each year of price control reporting for the duration of the Licence. Section 7, Specified Information, specifically requires reporting on Procurement for Relevant Service Capability. The annual regulatory report shall contain appropriate details of each procurement undertaken by Smart DCC for relevant service capability including justifications for any procurement where Smart DCC has elected not to use a competitive procurement exercise.

#### 4.1.4 The External Service Provider Contract

The basis of the commercial relationship with any External Service Provider for Relevant Service Capability will be in the form of an External Service Provider Contract. Smart DCC has determined that it will use the use the following contracts, these are:

1. Competitively Procured Contract
2. Agreement with Affiliates and Related Undertakings

Regardless of the basis for the commercial contracts outlined above, Smart DCC has determined that the contracts will derive standard terms and conditions from the Fundamental Service Capability Legacy Procurement Contracts and the Licence conditions. External Service Provider contracts will include terms providing for:

- The novation or transfer in the event of Licence expiry or a revocation event.
- Periodic reviews of and benchmarking of the External Service Provider Contracts will be conducted in line with value for money provisions in their contracts.

A list of External Service Provider contracts is available on the Smart DCC website.

## 5 Procurement of Relevant Service Capability Forward Plan

Smart DCC is required to have a forward plan of procurement<sup>3</sup> activity to secure RSC External Provider Contracts. This section outlines the Fundamental Service Capability Contracts and the known RSC External Service Provider Contracts it needs to establish.

Smart DCC will create a forward plan for RSC that it needs to establish; it will be reviewed regularly to consider new RSC requirements and anticipated activity. If there are changes to the forward plan then the Procurement statement for RSC will need to reflect this update.

### 5.1 Fundamental Service Capability and External Service Provider Contracts

Below is the list of current External Service Provider Contracts for Fundamental Service Capability.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033				
<b>Fundamental Service Capability</b>																								
<b>Smart Meter Communication Licence (Smart DCC Ltd)</b>	Initial Term												Extension (6 years)											
<b>DSP Contract (CGI)</b>	Initial Term					Service Reviews			Extension (3 x 1 yr)															
<b>CSP Contract North (Arqiva)</b>	Initial Term												Service Reviews		Extension (5 x 1 yr)									
<b>CSP Contract Central (Telefonica)</b>	Initial Term												Service Reviews		Extension (5 x 1 yr)									
<b>CSP Contract South (Telefonica)</b>	Initial Term												Service Reviews		Extension (5 x 1 yr)									

The Smart Communication Licence was awarded to Smart DCC Ltd on 23 September 2013. The Licence is for 12 years with the option to extend for a further six years.

The Data Service Provider (DSP) Contract is for the provision of data services and covers the whole of Great Britain. The contract was awarded to CGI IT UK Ltd on 9 September 2013. The contract is for eight years, plus three optional further periods each of twelve months' duration.

The Communication Service Provider (CSP) contract is for the provision of communication services, they were awarded as follows:

The Northern Region of Great Britain including Scotland. Awarded to Arqiva Smart Metering Ltd on 20 September 2013. The contract is for fifteen years, plus five optional further periods each of twelve months' duration.

The Central Region of Great Britain including Wales. Awarded to Telefonica Ltd on 12 September 2013. The contract is for fifteen years, plus five optional further periods each of twelve months' duration.

<sup>3</sup> Licence Condition 16.21 (e)

The Southern Region of Great Britain. Awarded to Telefonica Ltd on 12 September 2013. The contract is for fifteen years, plus five optional further periods each of twelve months' duration.

## 5.2 Status of Procurement Requirements reported in RY 2019/20 Procurement Strategy

	Reference Name	Planned Procurement Process	Update
1	ESS Programme	TBC	Cancelled
2	EMF Programme	RFP	Completed as Planned
3	Service design catalogue	RFP	On hold
4	Price Control Support	RFQ	Completed as Planned
5	Service Management Toolset	RFP	Postponed to RY 2020/21
6	GRC tool replacement	RFQ	Completed as Planned
7	Testing services provider	RFP	Completed as Planned
8	ISO 9001 Consultation	Framework	Completed as Planned
9	GDPR Audit	Framework	Completed as Planned
10	BCDR Audit	Framework	Completed as Planned
11	Strategic advisor for move to new regulatory framework	Framework	Completed as Planned
12	Thought Leadership and Research Delivery	RFP	Completed as Planned
14	Independent review of overhead charge to Capita	RFQ	Cancelled
15	Financial statement audit	Framework	Completed as Planned

## 5.3 New Requirements for RSC External Provider Contracts

Forward look from the Business Plan Smart DCC has identified the following Relevant Service Capability requirements that will need to be procured from External Service Providers.

Ref	Reference Name	Planned Procurement Process
1	Delivery Practice: 18-month transformation roadmap	Framework
2	Accredited e-learning and development tools	RFQ
3	In-Life Change and Innovation Tools	RFQ
4	Development of agile approach Support	Framework
5	Umbrella Comms framework	RFP
6	Website design	RFP
7	Price Control support	RFP
8	ITIL V4 Foundation	RFQ
9	Strategic Tool for Capacity Management	RFQ
10	CMMI Level 3 consultation	RFQ
11	Integrated Design Authority (DA) Toolset	RFP
12	Kanban Workflow Toolset	RFP
13	EIT – Price Control Tool	RFP
14	ISO9000 Consultation and Implementation	Framework
15	Delivery Practice: tools to support practice transformation	RFQ
16	Partnership development	RFQ
17	ERP	RFP
18	Wholesale Products	RFP
19	DCC led innovation challenge / hackathon	Framework
20	Procurement Tool	RFP
21	Innovation Hub	RFP
22	Half-hourly Settlement	RFP
23	Market Insights & Market Sizing	RFP
24	Strategy Consulting	RFP
25	Social listening and management platform	RFQ
26	New intranet and employee app	RFQ
27	Benchmarking	RFP
28	Business Analysis tool: Requirements Management	RFP
29	Development resource for PCAT phases 2 and 3	Framework
30	Support to redesign of regulatory framework	Framework
31	Awareness assessments - Secure4	RFQ
32	ICR0091 - T-Scheme	RFQ
33	T-Scheme Audit	RFQ
34	ISO27001 Audit	RFQ
35	ICR0389 - SOC 2 Assessment: Enduring Cost	RFP
36	DCCKI Audit	RFQ
37	Annual Penetration Testing	RFQ
38	Red Team Testing	RFQ
39	CIS Benchmark	RFQ
40	Enterprise Security 3 <sup>rd</sup> Party Maintenance-SOC Service	RFP
41	IOC	RFQ
42	ISO Standards (Mandatory)	RFQ
43	Security Function External Audit	RFQ
44	Portal	RFP
45	Test Management Tool	RFP
46	Internal Audit	Framework
47	CI	Framework

## 5.4 Procurement Forward Plan

The following section outlines when Smart DCC anticipates procuring the identified Relevant Service Capability. For some requirements, Smart DCC know there will be a time delay between the procurement activity ('Procure') of the RSC and 'go live' of the RSC due to build and test requirements', these distinct activities are shown on the forward plan ('Service starts'). If there is no time delay it is assumed the procurement activity directly precedes contract and service delivery.

	Regulatory Year →			2020 - 21		2021 - 22	
	Reference Name ↓	Current Supplier Name	Contract Expiry Date	Q1 & Q2	Q3 & Q4	Q1 & Q2	Q3 & Q4
1	SMKI	BT	02/04/2022		Plan	Plan	Plan
2	DSP	CGI	01/11/2024	Plan	Plan	Plan	Procure
3	Service Desk & Systems	CAPITA	31/1/2021	Plan	Procure	Service Start	
4	DCC System and Service Integrator			Plan	Procure	Service Start	
5	SMIP Fabric Solution: Cloud (Hosting)	Capita ITES	24/09/2020	Plan	Procure		
6	Agreement for the Provision of Services in Respect of the SMETS1 Smart Metering Programme	Capgemini (SMETS1)	31/10/2021		Plan	Procure	Service Start
7	Agreement for the Provision of Services in Respect of the Switching Programme	Netcompany (Switching)	27/02/2021	Plan	Procure		
8	Agreement for the Provision of Services in Respect of the Switching Programme	Expleo (Switching)	31/08/2021		Plan	Procure	
9	L&G meters from Npower	Npower Ltd (SMETS1)	08/05/2020	Service Start			

Regulatory Year →				2020 - 21		2021 - 22	
	Reference Name ↓	Current Supplier Name	Contract Expiry Date	Q1 & Q2	Q3 & Q4	Q1 & Q2	Q3 & Q4
10	L&G meters from GB	British Gas Trading Limited (SMETS1)	08/05/2020	Service Start			
11	Salesforce Shield	Salesforce UK Ltd	03/02/2022				Plan
12	Salesforce Lightning Service Cloud, Surveys and External Apps Plus	Salesforce UK Ltd	31/01/2022				Plan
13	Agreement for the Provision of Services in Respect of the SMETS1 Smart Metering Programme	Critical Software Technologies (SMETS1)	31/08/2021		Plan	Procure	Service Start
14	Agreement for the Provision of Services in Respect of the SMETS1 Smart Metering Programme	Morrison Data Services Ltd (SMETS1)	05/08/2021		Plan	Procure	Service Start
15	Agreement for the Provision of development and support services for the Order Management System	Cognizant Worldwide Ltd	03/10/2020	Procure	Service Start		
16	Agreement for the Provision of Test Lab Operator Services at Brabazon House	HCL Technologies UK Limited	31/03/2022				Plan
17	Master Services Agreement	Vodafone Global Enterprises (VGE) (SMETS1)	31/10/2021		Plan	Procure	Service Starts
18	Agreement for the Provision of Services in Respect of SMETS1 Programme (Provision of SI, Hosting and application management services with NOC and SOC Capabilities)	ENTSERV UK LIMITED (DXC) (SMETS1)	31/07/2022				Plan
19	Agreement for the Provision of Services in Respect of the SMETS1 Smart Metering Programme	Secure SMSO Ltd (SMETS1)	31/10/2021		Plan	Procure	Service Starts
20	Agreement for the Provision of Services in Respect of the SMETS1 Smart Metering Programme	Trilliant Networks Operations UK Ltd (SMETS1)	31/10/2021		Plan	Procure	Service Starts

Note – The SMETS1 Contracts are long term in nature (usually 10 – 12 Years), however there are break clauses at these dates to be coterminous with the DSP Re-Procurement timeline of October 2021. It is unlikely that these contracts where the Service can only be delivered by that organisation will be tendered, however planning for a “global” change of strategic direction alongside the DSP Re-Procurement is something that we will plan for.

## **6 Re-Procurement of Fundamental Service Capability (FSC)**

For the Regulatory Year 2020/21 Smart DCC does not anticipate the re-procurement of the CSP contracts. For these contracts the review and determination if those individual contracts would be extended or re-procured would not take place earlier than 36 months prior to initial contract term expiry as Smart DCC is not able to issue the Termination Assistance Notice prior to this time.

The review of the re-procurement of the DSP contract began in 2019, and a Programme has been created with a view to assessing the effects of the re-procurement, and the timeline for such. The Programme will also look at the appropriateness of extending the current contract for up to three years in accordance with the terms of the current DSP Contract. It is expected that this Programme will report back its findings and recommendation in FY 2020/21.

If Smart DCC did need to re-procure, in part or all, of the Fundamental Services as a result of early termination it would start the following three stage process. The three stages are briefly outlined below.

### **6.1.1 Stage 1: Service Review**

In advance of a formal decision to re-procure Smart DCC would undertake a detailed Service Review for the individual FSC contract would be required. The Service Review would have input from a technical, operational, commercial and future capability perspective. The output will be a Service Review report.

The outcome and recommendations of the Service Review would be presented to SEC Panel before proceeding.

### **6.1.2 Stage 2: Procurement (Re-Procure)**

If the decision is taken to re-procure the Fundamental Service Capability a formal procurement programme to conduct a full tendering exercise will be initiated.

An outline procurement project plan would be created and included in the Stage 1: Service Review.

### **6.1.3 Stage 3: Transition and Implementation**

Planning for transition would commence during Stage 2: Procurement. An Exit Team would be established, their role being to ensure that the ramp-up of services required by new suppliers align with the plans and commitments set out in Exit Plans of the incumbent External Service Provider Contracts.

### **6.1.4 Fundamental Service Provider Exit Plans**

The DSP and CSP contracts contain a specific Exit Schedule that details the requirements required by the External Service Providers in the event of Exit. Each individual service provider, as part of the Exit Schedule has established Ordinary Exit Plans and Emergency Exit Plans. Smart DCC would refer to and utilise the specific Exit Plan to manage ongoing service delivery during any re-procurement phase, be it Ordinary or Emergency Exit.

## 7 Adoption of Energy Supplier Contracts

Licence Condition 16: Part I outlines the arrangements and requirement for Smart DCC to adopt Energy Supplier Contracts as part of the SEC Adoption Process. The specific provisions of this adoption are still to be finalised.

An Energy Supplier Contract is a contractual arrangement that an Energy Supplier has entered into with any person other than Smart DCC for the purpose of procuring and providing communication or data services for Metering Systems.

Following adoption of some or all the relevant Energy Supplier Contracts, Smart DCC will review all its Service Provider contracts to determine if further commercial efficiency can be achieved by negotiating and consolidating contracts.

These contracts will be FSC. Any re-procurement or extension of these services will follow the process outlined in Section 6: Re-procurement of FSC.

It is proposed that all new SMETS1 Services contracts (for the purposes of providing communication or data services with respect to SMETS1 Smart Metering Systems) will be classed as **Legacy Procurement Contracts**.

Following a review of the existing contracts it was concluded that novation (adoption) for the CSP provider contracts was not a viable solution and the following approaches are being undertaken depending on the supplier:

Supplier	Approach
Vodafone	New contract – direct negotiation completed May 2019
Stream	New contract – direct negotiation. As it has not yet been agreed if the EDMI Cohort of meters is to be enrolled into the DCC, this is currently outstanding.
Telefonica	New contract – direct negotiation completed February 2020.

## 8 Public Interest Statement

No Public Interest Statement has been issued during this period.

## 9 References

For further information please refer to the following:

### Smart Meter Communication Licence

A copy of the licence can be found at:

<https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions>

### External Service Provider Contracts

List of External Service Provider Contracts can be found on our website:

<https://www.smartdcc.co.uk/about-dcc/service-providers/>

### Smart Energy Code (SEC)

<https://www.smartenergycodecompany.co.uk/>

Ofgem

<https://www.ofgem.gov.uk/>

## 9.1 EU Procurement Directives and UK Procurement Regulations

European Legislation	UK Implementation
<p><u>Public Contracts Directive 2014/24/EU</u> Procedures for the award of public works contracts, public supply contracts and public service contracts.</p>	<p><u>Statutory Instrument 2015 No. 102</u> <u>The Public Contracts Regulations 2015</u></p> <p><u>Statutory Instrument 2006 No. 5</u> The Public Contracts Regulations 2006 (see amendments below)</p> <p><u>Scottish Statutory Instrument 2012 No. 88</u> The Public Contracts (Scotland) Regulations 2012.</p>
<p><u>Utility Contracts Directive 2014/25/EU</u> Procedures of entities operating in the water, energy, transport and postal services sectors.</p>	<p><u>Statutory Instrument 2006 No. 6</u> The Utilities Contracts Regulations 2006 (see amendments below).</p> <p><u>Scottish Statutory Instrument 2012 No. 89</u> The Utilities Contracts (Scotland) Regulations 2012.</p>
<p><u>Concessions Directive 2014/23/EU</u> Procedures for the award of works and services concession contracts.</p>	
<p><u>Defence &amp; Security Directive 2009/81/EC</u> Procedures of entities operating in the fields of defence and security.</p>	<p><u>Statutory Instrument 2011 No. 1848</u> The Defence and Security Public Contracts Regulations 2011</p>

European Legislation	UK Implementation
<p><u>Directive 2007/66/EC Remedies Directive</u> Amends the existing Remedies Directives (89/665/EEC and 92/13/EEC) to improve the effectiveness of review procedures concerning the award of public contracts.</p>	<p><u>The Public Contracts (Amendment) Regulations 2009</u></p> <p><u>The Utilities Contracts (Amendment) Regulations 2009</u> The Utilities Contracts (Amendment) Regulations 2009 Incorporated into The Public Contracts (Scotland) Regulations 2012 and The Utilities Contracts (Scotland) Regulations 2012 as above.</p>
<p><u>Standard Forms - Regulation 842/2011</u> Standard forms for the publication of notices in the framework of public procurement procedures pursuant to Directives 2004/17/EC and 2004/18/EC</p>	
<p><u>Threshold Amendments – Regulation 1336/2013</u> Amending Directives 2004/17/EC, 2004/18/EC and 2009/81/EC of the European Parliament and of the Council in respect of their application thresholds for the procedures for the awards of contract.</p>	
<p><u>Communication 2013 C366/01</u> The corresponding values in the national currencies other than the Euro of the thresholds as amended by Commission Regulation (EC) No 1336/2013.</p>	
	<p>The Public Contracts Regulations 2006 &amp; The Utilities Contracts Regulations 2006 have been amended as below:</p> <p><u>The Money Laundering Regulations 2007</u></p> <p><u>The Public Contracts and Utilities Contracts (Amendment) Regulations 2007</u></p> <p><u>The Public Contracts and Utilities Contracts (Postal Services Amendments) Regulations 2008</u></p> <p><u>The Public Contracts and Utilities Contracts (CPV Code Amendments) Regulations 2008</u></p> <p><u>The Bribery Act 2010 (Consequential Amendments) Order 2011</u></p>