

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 and Communication Service Providers. 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).

DCC fulfils a co-ordination role on behalf of the energy industry that will secure the implementation and roll-out of 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 (DCC) has been established as a discrete and separate entity within Capita plc.

The purpose of this Procurement Strategy is to set out and explain how 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 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 DCC website.

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

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

1.1. Procurement Objectives

The DCC procurement objectives for the Regulatory Year ending March 2026 are:

- Ensure the delivery of all major Procurement activity is on time and to the right quality, with clear evidence of value for money, compliance to license obligations and the revised Procurement strategy
- Ensure the Procurement team adds significant value to the license renewal process
- Be accountable for ensuring there is a robust commercial pipeline, with forecasted savings against each project
- Embed the Ofgem-agreed revised Procurement strategy and supporting policy & procedures across DCC via a structured change management approach that enables all benefits of the revised strategy to be realised
- Implement competitive frameworks for Consultancy, Professional Services, IT Services and Cloud by December 2025 and evidence the benefits of them by end of March 2026
- Be accountable for the successful implementation of business-aligned category strategies for Consultancy, Cloud and at least 2 others by end of FY25/26. Develop high-level category plans for all other categories

2. Relevant Service Capability (RSC)

RSC 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 (SEC).

Mandatory Business means the Authorised Business of 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

Licence Condition 16 sets out requirements that apply to DCC's procurement of RSC:

"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

These goods and services will be competitively procured (subject to section 4.1.2) in accordance with the six Licence procurement principles detailed in the Licence and outlined in Section 3.

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

DCC will review all of 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

Some internal support functions are sourced from existing Capita shared service infrastructure. 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 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. DCC does not anticipate competitively re-procuring these services, under the existing Licence. 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.

DCC will review all of 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 and hence are subject to 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, both in terms of negotiating contracts (subject to recognising the bid position, where Capita was the named bid provider for some services), internal governance processes and subsequent performance management.

2.2.3. Fundamental Service Capability (FSC)

FSC is RSC 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 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 six 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 RSC. The six procurement principles for RSC and how DCC will evidence compliance is outlined in section 3.1.

3.1. Part B: Procurement Principles

DCC will apply the following five procurement principles when procuring RSC:

Principle 1	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.
Evidenced by	<ul style="list-style-type: none"> • Formally approved DCC document, such as a sourcing strategy, business case or Project Initiation Document, that links the requirement to the Licence Application Business Plan (and updates), Licence, Legislation or SEC.
Principle 2	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.
Evidenced by	<ul style="list-style-type: none"> • Approved sourcing strategy outlining the requirement, procurement process, evaluation methodology and suppliers to be invited. • Documented Request for Quote (RFQ) or Request for Proposal (RFP) • An award report detailing the procurement outcome and recommendation for approval.
Supported by	<ul style="list-style-type: none"> • Use of an e-tendering sourcing portal (Curtis Fitch or Ivalua).
Principle 3	RSC must be procured from suitable and appropriate organisations, having due regard to: <ol style="list-style-type: none"> The good standing, conduct, and financial capacity of such organisations; and The capability and capacity of such organisation to deliver the RSC.
Evidenced by	<ul style="list-style-type: none"> • The procurement evaluation process includes: <ul style="list-style-type: none"> - Financial assessment of an organisation/s - Capability and capacity assessment • Detailed specification outlining the RSC, incorporating known standards, service levels, current and future requirements
Principle 4	RSC must be procured in a manner that: <ol style="list-style-type: none"> Secures value for money in terms of the combination of quality and cost over the lifetime of the contract; Delivers the required goods, services or works to the appropriate standards according to the

	<p>needs of service users;</p> <p>c. Takes account of the potential need to replace from time to time the persons engaged in providing the capability; and</p> <p>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.</p>
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Evidenced by	<ul style="list-style-type: none"> • The procurement evaluation process includes: <ul style="list-style-type: none"> - Capability and capacity assessment - Commercial and pricing assessment • Detailed specification outlining the RSC, incorporating known standards, service levels, current and future requirements • Contract and performance management reviews • Assurance and review of outputs and services delivered (if appropriate or specified) • 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.
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Principle 5	<p>RSC must be procured under contractual arrangements that make provision for the full and enduring protection of business continuity. Including</p> <p>a. Appropriate provision to secure DCC ability to exercise all of the Relevant Functions in the event of any material financial default of an External Service Provider;</p> <p>b. Appropriate provision to secure DCC's ability to exercise all of the Relevant Functions in the event of any operational failure of an External Service Provider; and</p> <p>c. Appropriate provision to secure the transfer or novation of the contract in the circumstances of a handover of the business of the DCC to a Successor Licensee.</p>
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Evidenced by	Signed External Supplier Contracts incorporating suitable provisions, proportionate to the service.
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Principle 6	The procurement of RSC must not also include or incorporate the procurement of additional, contingent, excess or surplus capability or capacity for the purposes of, or with the intention of, the utilisation of such capability or capacity by the Licensee for the provision of Permitted Business Services.
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Evidenced by	<ul style="list-style-type: none"> • Stakeholder and customer engagement
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RSC that is specified as FSC must be competitively procured and all six procurement principles demonstrated.

Competition in the procurement process is a means of establishing value for money and to satisfy the Licence principles. For RSC that is not FSC, Licence Condition 16.6 allows DCC to provide from its own resources or to procure from an Affiliate or Related Undertaking. 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 DCC Licence Conditions 16.34 and 16.35 and appropriate Regulatory Information and Guidance.

4. The DCC Procurement Process

DCC is required to satisfy the Procurement Principles listed in Licence Condition 16 and in section 3 above. In order to achieve this 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

By adhering to the Procurement Principles it is DCC's aim to achieve the best outcome for services users. These processes have been developed as DCC is not a public organisation and is of the view that it is not subject to the Public Procurement procedural rules.

This assumption will be reviewed at each Strategy Update, or with any indication of change of status.

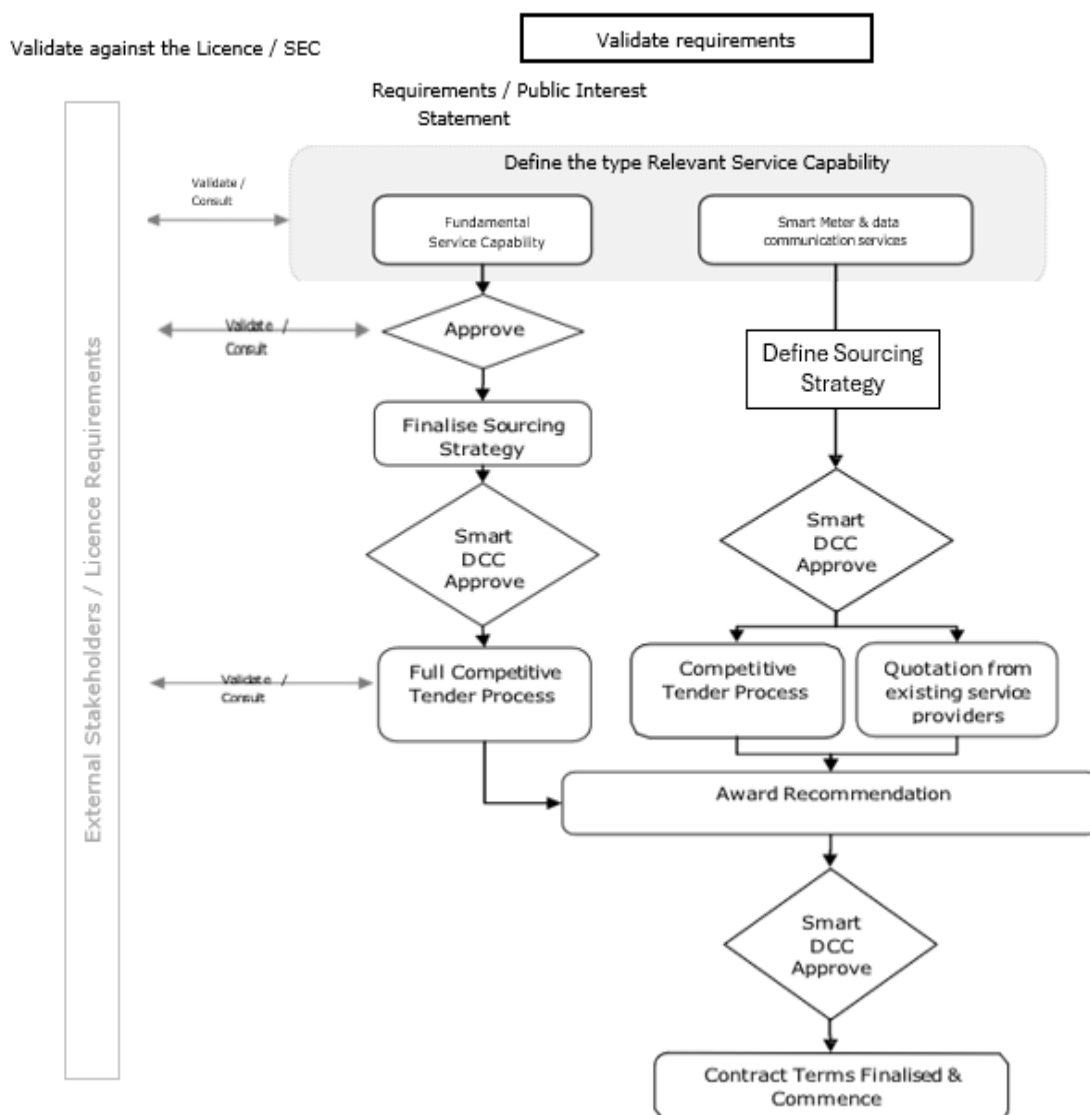


Fig. DCC Procurement Policy and Procedures

4.1.1. Type of Relevant Service Capability

Once the need is identified, a DCC cross functional team will firstly determine if it is a valid requirement, for example, is it included in the Licence Application Business Plan (and updates) and Charging Statements. DCC will also define the type of RSC, using the definitions in Section 2.

For FSC 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, 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 and 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. DCC's policy is to use a competitive procurement process unless it is in the interests of all stakeholders not to do so. The factors that will be

- is it interdependent, complementary or independent of existing RSC;
- 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 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, DCC will strictly adhere to confidentiality provisions to ensure that there is no advantage given to these parties compared with other bidders.

When 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 (and updates) 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 of the services to ensure ongoing value for money.

The Sourcing Strategy needs to take into account the type of goods or services required, the value, the ease or difficulty in procuring the service, the strategic importance to the DCC, the speed to obtain the new requirement and how it will satisfy the procurement principles. 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

DCC is able to 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
Competitive Procurement 1 Full Tendering Process*	<p>Defined multi-stage or gateway approach.</p> <p>Create a preferred bidder short list against complex specification</p> <p>Duration: Nine months+</p>	<p>Multi-layer capability review. Refine solution options, test assumptions (both parties). Control and rigour.</p> <p>Early relationship building.</p>	FSP Re-Procurements.
Competitive Procurement 2 Request for proposal (RFP)*	<p>Optional multi stage or gateway approach against detailed specification</p> <p>Duration: Three months+</p>	<p>Competition from a short list of identified suppliers. Control and rigour applied in shorter timescales.</p>	Parse & Correlate solution. SMKI service.
Competitive Procurement 3 Request for quote (RFQ) Frameworks e.g. Three suppliers	<p>Standard or non- complex specification to obtain quote</p> <p>Duration: Two weeks+</p>	<p>Competition against simple specification. Speed and agility.</p>	Consultancy support.
Procurement 4: Call-off contracts, Preferred Supplier Lists, Frameworks, Affiliates (RFQ)	<p>Frameworks only awarded after a competitive process has been followed to ensure that best value can be demonstrated.</p> <p>Frequently purchased and pre-defined goods and services. RFQ confirms ability to deliver</p> <p>Duration: One week+</p>	<p>Access to services at agreed or better rates.</p> <p>Speed and agility. Leverage Capita purchasing power to achieve economies of scale.</p>	<p>Technical specialist consultancy services and other professional services.</p> <p>ICT products and services.</p> <p>Office and supplies.</p>
Additional services from Existing Service Providers	<p>RFQ against a specification confirms scope and ability to deliver</p> <p>Duration: One week+</p>	<p>Speed and agility. Lower access costs. Coherence and alignment with DCC architecture.</p> <ul style="list-style-type: none"> • Knowledge and understanding of FSPs. 	Testing Services.

Process and Approach	Features	Rationale & Benefit	Example
	<p>The execution and contractual delivery of this service may be in the form of</p> <ol style="list-style-type: none"> a. Change control process, if the existing contract had included the goods / services as existing set of service/s or b. A discrete and separate contract 		

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

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

The key procurement documentation (including but not limited to the sourcing strategy and/or approved category strategy, request for proposal / quote, evaluation, award recommendation) will be retained and made available to the Authority in accordance with Licence Conditions 16.34 and 16.35. In addition, DCC is required to submit price control reporting to the Authority under Licence 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 at all times 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 DCC for relevant service capability including justifications for any procurement where 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 RSC will be in the form of an External Service Provider Contract. 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, 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 DCCs website.

5. Procurement of Relevant Service Capability Forward Plan

DCC is required to have a forward plan of procurement 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.

DCC will create a forward plan for RSC that it needs to establish; it will be reviewed regularly to take into account 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		
Fundamental Service Capability																						
Smart Meter Communication Licence (Smart DCC Ltd)	Initial Term												Extension (6 years)									
DSP Contract (CGI)	Initial Term					Service Reviews			Extension (3 x 1 yr)													
CSP Contract North (Arqiva)	Initial Term												Service Reviews		Extension (5 x 1 yr)							
CSP Contract Central (Telefonica)	Initial Term												Service Reviews		Extension (5 x 1 yr)							
CSP Contract South (Telefonica)	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. On 20 September 2024, Ofgem determined that the Licence shall be extended for an Additional Licence Term of 24 months until 22 September 2027.

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.

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.

DCC does not anticipate re-procuring or procuring FSC in this Regulatory Year.

5.2. Status of Procurement Requirements reported in RY 2023/24 Procurement Strategy

Reference Name	Description (i.e. licence, SEC etc.)	Planned Procurement Process	Update
1 FSM	DCC's Future Service Management programme is replacing the DCC IT Service Management System (BMC Remedy) which is at the end of contractual support and is going end-of-life.	Competitive Procurement – Full Tendering Process	Contract was signed on 23/09/24 following a competitive tender
2 DCO	SMETS1 Dual Control Organisation (SMETS1 DCO) is a security application designed to help detect if a SMETS1 Service Provider (S1SP) is compromised and prevent mass meter attack using anomaly monitoring and cryptography.	Competitive Procurement – Full Tendering Process	Contract was signed 23/12/24 following a competitive tender
3 DSP Core	Agreement for the provision of data services in relation to the Smart Metering Programme (DSP) -Data Services Provider.	Competitive Procurement – Full Tendering Process	Competitive tender process concluded and awarded end March 2025

5.3. New Requirements for RSC External Provider Contracts

DCC has identified the following RSC requirements that will need to be procured from External Service Providers.

Reference Name	Description (i.e. licence, SEC etc.)	Planned Procurement Process	Update
1 Future Connectivity - Virtual WAN provider for Virtual WAN Device	Virtual WAN Provider and Hosting to support connectivity for the Virtual WAN Device initiative	Competitive Procurement – Full Tendering Process	
2 Recruitment Process Outsourcing	Recruitment Process Outsourcing covering perm and contingent labour.	Competitive Procurement – Full Tendering Process	
3 Capita IT MSA	Extension of 'Master Services Agreement for Corporate Services (The "Capita IT Services MSA").'	Single Source Procurement - Extension	
4 Consultancy Framework	Procurement to provide DCC with access to a PSL for consultancy services.	Competitive Procurement – Full Tendering Process	Competitive tender process progressing, due

Reference Name	Description (i.e. licence, SEC etc.)	Planned Procurement Process	Update	
			to be awarded end of May 2025.	
5	Devices Support Services	Procurement of devices lab support services.	Single Source Procurement – Extension	Contract due to be awarded August 2025.
6	Strategic Learning Partner	Establish strategic partnerships to outsource the Learning & Development (L&D) needs	Competitive Procurement – Full Tendering Process	Competitive tender process progressing, due to be awarded end of April 2025.
7	Professional Services Framework	Procurement to provide DCC with access to a PSL for various professional services.	Competitive Procurement – Full Tendering Process	Competitive tender process progressing, due to be awarded end of Sept 2025.

5.4. Procurement Forward Plan

The following section outlines when DCC anticipates procuring the identified RSC. For some requirements, DCC knows 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 →		2025-26		2026-27	
Reference Name ↓		Q1 & Q2	Q3 & Q4	Q1 & Q2	Q3 & Q4
1	Future Connectivity - Virtual WAN provider for Virtual WAN Device	Procure	Go live		
2	Recruitment Process Outsourcing	Procure	Go live		
3	Capita IT MSA	Procure	Go live		
4	Consultancy Framework	Go live			
5	Devices Support Services	Procure	Go live		
6	Strategic Learning Partner	Go live			

7	Professional Services Framework	Procure	Go live
8	HR systems and services currently provided by Capita (license renewal)	Procure	Go live
9	Finance systems and services currently provided by Capita (license renewal)	Procure	Go live
10	Property leases	Procure	Go live

6. Re-Procurement of Fundamental Service Capability (FSC)

For the Regulatory Year 2024/25 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 DCC is not able to issue the Termination Assistance Notice prior to this time.

The review of the DSP contract is being finalised after the re-procurement activity throughout FY23/24 and FY24/25 and is expected to be signed on or around the end of FY24/25.

In the event that 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 DCC would undertake a detailed review of the service for the individual FSC contract. This review would have input from a technical, operational, commercial and future capability perspective. 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 FSC 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. 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. Public Interest Statement

No Public Interest Statement has been issued during this period.

8. 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/partners-suppliers/>

Smart Energy Code (SEC)

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

Ofgem

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

Appendix A – Criteria for Direct Award

As per principle 2 of Licence Condition 16 of the Smart Meter Communication Licence, Relevant Service Capability must be procured competitively wherever practicable and proportionate. However, in situations where it is not practicable and proportionate to procure competitively, we expect DCC to demonstrate and share evidence, at the request of the Authority, detailing its reasoning for why it has chosen not to adopt a competitive procurement process.

We include below some examples for where it may potentially not be practical and proportionate to run a competitive procurement. For the avoidance of doubt, these examples should be referred to as guidance only; DCC will nonetheless be required to justify and demonstrate to Ofgem, during the price control process and on a case-by-case basis, that the use of a direct award was appropriate.

- Procuring a prototype or other novel good or service.
- No suitable tenders or requests to participate have been received in the competitive tendering procedure and DCC considers that the award of a contract using a competitive tendering procedure is not possible in the circumstances.
- DCC wishes to partly replace existing goods, services or works which are the same or compatible with existing provisions. A direct award may be made here if a change of supplier would result in DCC receiving goods, services or works that are incompatible with the existing goods, services or works, and that the degree of incompatibility would result in disproportionate technical difficulties in operation or maintenance.
- The goods, services or works to be supplied under the contract are strictly necessary for reasons of extreme and unavoidable urgency. For the avoidance, the urgency is considered unavoidable if it could not have been reasonably foreseen by DCC.