Data Communications Company

Executive Summary of DCC's Price Control Submission

Price Control RY22/23

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Table of Contents

1. Introduction

This document is intended to provide an Executive Summary of DCC's broader Price Control RY22/23 submission. It provides a high-level overview of our costs and the reasons why these have been incurred. More detailed information on each of these areas is provided in our price control submission.

As a licenced monopoly DCC is required to secure value for money for our customers, delivering our services as economically and efficiently as possible, as this ultimately impacts consumers' energy bills. While we seek to demonstrate this on an ongoing basis, our annual price control submission provides a detailed breakdown of where and how we have incurred costs, and our rationale for doing so.

Over the course of RY22/23, DCC incurred costs of £611.0m (compared to £525.2m in RY21/22). As in previous years, the majority of our costs (70%) are driven by external contracts, with internal costs representing 23%, and then overheads, gainshare and margin making up the remaining 7%.

These costs are broadly in line with (slightly under) our business plan and charging statement provided to customers and Ofgem in March 2022, and the preceding Quarterly Finance Forums. They reflect the clear step change in complexity, progress of and investment in DCC's operations across a number of domains.

- Continuing strong levels of delivery and performance across the increasing scope and scale of our mandatory business, recognising our role as deemed Critical National Infrastructure (CNI).
  - 7.3m meters, including 2.5m SMETS1, were added to the network during the year, connecting over half of homes in Great Britain.
  - Network availability for this year was 99.99%, significantly outperforming benchmarks from both UK and EU comparators and an improvement on the 99.94% from last year.
- Improving our business to support the scale and complexity of our ongoing operations more efficiently, while meeting the needs of our customers and stakeholders.
  - Our cost per meter continues to decrease as the scale of our network grows and the compound effect of our transformation initiatives takes effect (from £33.03/meter in 20/21 to £14.29/meter in 22/23).
  - Our engagement scores from SEC Panel are markedly improved (1.42 in 21/22, SEC Panel assessment of 2.0 in 22/23).
- Transforming our network to remain fit for the future as first-generation technology reaches end of life and the demands on, threats to, and expectations of the network evolve.
  - We received non-objection for the final 4G Communication Hubs & Networks (CH&N) Full Business Case (FBC) in September 2022, awarded contracts in October 2022 and remain on track to deliver against our joint industry implementation plan.
  - Considerable progress on the highly complex Data Services Provider (DSP) programme with the Strategic Outline Business Case (SOC) shared and discussed with DESNZ in May 2022 followed by extensive market engagement to inform options.

2. Delivering the Service

Our most fundamental obligation is to deliver a secure, stable and resilient service for our customers in an efficient and effective manner.

2.1. Increasing scale and scope of DCC's operations

RY22/23 saw a significant growth in the scope and scale of the smart metering network we operate. 7.3m meters, (38% growth) were added to the network over the course of the year. This included several significant milestones, with the 15 millionth premise connected in February 2023 meaning over half of British homes were connected.

As highlighted by the recent National Audit Office (NAO) report on the smart meter roll-out, DCC and its suppliers have made progress on the migrating of SMETS1 meters, with many of the technical challenges associated with this now addressed. During the regulatory year, DCC migrated 2.5m SMETS1 meters, helping to close two further cohorts. In January 2023, we passed the milestone of 10m SMETS1 meters connected to the network.

The growth in scale of the network, and an increasing focus on energy usage because of the gas crisis and cost of living challenges, have resulted in a growing cohort of Other Users leveraging the network to develop innovative products and services. RY22/23 saw activity from Other Users increase by over 200%, increasing the volume of traffic over the network. This uplift contributed to DCC managing over 1 billion messages a month for the first time in August 2022. As we write this paper, under a year later, that figure is now over 1.5 billion messages, underlining the rapid growth DCC is now required to manage and maintain.

RY22/23 also witnessed a material expansion in the scope of DCC's remit with the launch of the Central Switching Service (CSS) in July 2022. In line with Ofgem's desire to increase competitiveness and maximise consumer benefits, this represented a significant milestone in the transformation of the retail energy market, enabling faster, more reliable energy supplier switching. Since it went live the CSS has supported over 8 million switches, delivering strong operational performance (99.8% success rate).

2.2. Managing and maintaining the network

The increasing scale and importance of smart metering places a greater emphasis on providing a reliable and stable service that meets our customers' expectations, enabling them to deliver their products and services for the benefit of consumers. We are pleased to say that service availability for this year was 99.99%, exceeding the service level agreements as set out in the Smart Energy Code (SEC) and outperforming benchmarks from both UK and EU comparators.

We recognise that we have an important role to play in supporting some of the most vulnerable consumers in society, especially at a time of high energy prices and significant cost of living challenges. In line with this responsibility, we have reduced pre-payment top up failures by 50% and downtime related to major incidents fell by 800 hours compared to RY21/22.

Part of this is ensuring we manage the significant volume of change activity required to keep the network stable. Now over a decade old, and increasing in scale and complexity, we need to undertake regular maintenance, with over 2,800 changes over the course of the year. This year, we have reduced planned maintenance outages by 85%, and successfully delivered change, at the first time of asking, 95% of the time. We have an ongoing programme of technical upgrades and refreshes to ensure we maintain high levels of service performance.

Through the course of this regulatory year, Ofgem and Government have made clear to DCC that as deemed Critical National Infrastructure, any sustained loss of service is unacceptable and DCC should take whatever steps are necessary to comply with our licence duty to ensure business continuity. This obligation is apparent in a number of our activities, notably:

- Project Civet: In March 2022, following engagement over several months, the Cabinet Office informed DCC of the urgent need to move away from "Civet". What followed was a fast-paced programme of work under crisis management conditions to move a crucial part of SMETS1 infrastructure from a failing service provider to a new one. In a very short amount of time DCC had to consider options, procure a new provider, as well as undertake design, build and rigorous testing of a new solution.

Both Ofgem and the Minister made it very clear that DCC must take any action possible to ensure no failure of service. This was clearly outlined in Ofgem's letter to DCC on 20 May 22 stressing that '*the consequences to consumers of the loss of service to SMETS1 meters would be unacceptable*' and that '*Ofgem expects DCC to take whatever steps are necessary to comply with the licence duty to ensure business continuity*'.

With close involvement of Cabinet Office, DESNZ and Ofgem, we made the decision to migrate the service away from Civet to Capita. Only the Capita solution enabled DCC to transition at speed due to the minimal change required, thus preserving continuity of service. Importantly, this in turn meant we were able to reduce the risks to the EBSS payments being made in time for winter.

As outlined above, Ofgem was kept closely informed and engaged throughout the course of Project Civet, with a summary letter outlining the context, timeline of events, stakeholder engagement and compliance with our licence set out in our letter to Ofgem dated 26 April 2023.

- Scaling and Optimisation: The Scaling and Optimisation project was established to ensure that the network in the North region has the capacity to support the continued roll-out of smart meters. The project is currently overseeing the delivery of additional channels to support scaling in densely populated areas. In addition, DCC is working closely with Arqiva to fully assess several scaling options with a view to creating a medium-long term development roadmap, whilst in parallel DCC will be discussing with our customers some opportunities to optimise the use of the network.

As demands on the network across all regions increases, it is becoming increasingly important for DCC to manage and optimise usage. To support this, we are undertaking increased capacity planning. This activity is led by the DCC Demand and Capacity management team who continuously assess intra-day and inter-day demand to predict and prevent capacity constraints across the DCC network. The team use this intelligence to develop the demand forecast and actively engage with DCC suppliers to ensure that the right capacity is available at the right place and at the right time to service demand for DCC users and industry. In addition to this, DCC is exploring technical solutions that may support more efficient use of the network, such as Network Traffic Management and opportunities to reduce the volume of duplicate SRVs crossing the network.

Finally, in continuing to respond to new requirements from our diverse stakeholder group we delivered several key system releases throughout the year. For example, we delivered the SEC Systems Release in June 2022 and November 2022 on time and under budget. Following Switching Go Live, we have also supported REC Releases in August 2022 (v3.1) and November 2022 (v3.2).

3. Improving our performance

To effectively manage a network of the scale, security, and complexity of the smart metering system, recognising our obligations as deemed Critical National Infrastructure and balancing the needs from a diverse stakeholder landscape, the DCC as an organisation needs to evolve. Over the course of this year we have made significant progress across a number of different domains.

3.1. Driving accuracy and insight to support decision making

One of the key areas that required significant development was the provision of accurate and timely data, across the business. The Business Accuracy Programme was established in 2022 recognising the significant increase in the DCC's operations since inception, the need to manage and forecast with a heightened degree of accuracy and the need to provide greater transparency to customers and stakeholders.

Over the course of this year we have made significant progress including:

- Standardisation and improvement to Finance processes and data structure to improve efficiency and cost transparency.
- Introduction of the 'Front Door' process to ensure better alignment and increased control over proposed activity across DCC.
- Implementation of a time recording tool to improve cost management of programmes.
- Improved processes for Business Planning ('DCC Lock'), increasing cost challenge and interlocking, resulting in improved effectiveness of delivery and reduced variances to budget.
- Improved invoicing and PO processes allowing more efficient management of costs.
- Introduction of a Financial Planning Tool to improve the accuracy, timeliness and granularity of cost forecasts.
- Enhanced management reporting capability through the development of a business-wide data warehouse and management reporting tool (Power BI).

The programme is now winding down, delivering under budget, and already helping to realise over £300k from unplanned early benefits. £0.6m of benefits are due to be realised in RY23/24 as we finalise the remaining deliverables and begin to capitalise on the enduring benefits.

One of the enduring benefits from the programme has been a more granular understanding of the cost base. This has enabled us to undertake a cost benchmarking exercise, supported by Kearney's, to identify the areas where we are already delivering value for money, against a range of different comparators, and other areas where there is scope for further efficiencies. This insight has allowed us to identify a range of potential initiatives and set ourselves a target of realising £30m in enduring cost efficiencies by 2026.

Finally, we recognise the integrity of the data we provide has an important role to play in the price control process itself. Business Accuracy has provided greater alignment between our management reporting and the RIGS submission data, enabling a higher degree of automation which will improve regulatory compliance costs and reduce the potential for manual data entry errors. This is supported by a second line of assurance, outlined in our accompanying 'Data Process and Assurance' document.

3.2. Engaging with our diverse stakeholder group to enhance understanding and alignment

DCC sits at the heart of energy, telecoms, and government policy. As such, we need to operate in a complex and diverse stakeholder landscape. Each of these sectors is moving at a different pace, with different requirements, timelines, and expectations.

Over the course of 2022 and the early part of 2023, DCC worked collaboratively with Ofgem, DESNZ and SEC Panel to review the recommendations of Project Lighthouse. This provided an independent assessment of DCC's programme delivery capabilities. Many of the recommendations were delivered during RY22/23, including:

- Implementation and formalisation of DCC's programme lifecycle providing greater accountability at each stage, focus in resolving issues and delivering greater pace of progress, particularly at the early stages of our programmes.
- Establishing the Business Case Centre of Excellence. Recognising the scale, complexity, and volume of programmes which DCC now needs to manage, we have formally adopted a Treasury Green Book business case approach and established a centre of excellence to manage this. This has significantly improved our ability to share information and agree optimum approaches with both customers and DESNZ. It has also greatly improved the efficiency of our own operation, reducing the time and effort to complete each stage.

As Ofgem set out in its consultation on the future of DCC, our customers now have clearer expectations of what they need DCC to deliver. In turn, we recognise the criticality of good engagement with our customers to the efficient provision of our core service, to the development of the major programmes and ultimately to the realisation of benefits. This is true for both what we engage on, and how we engage.

As demonstrated by the increased level of engagement in the drafting of our 5-year Business and Development Plan, we have sought to take on board customers' views on the scope and prioritisation of future activities. Through this and other forums, our customers have been clear that they want to see greater cost transparency. While this is a complex issue given confidentiality and commercial constraints, we have developed innovative approaches this year to try and enable this. For example, as of March this year we have shared all business cases with SEC Panel and trialled a restricted session to review DSMS RFI costs.

Our commitment to how we engage with our customers applies across all parts of the lifecycle, seeking to drive an improved customer experience. One area of focus here has been the changes we are making to our Digital Service Management System (DSMS). The legacy platform has reached the end of its current contract and DCC has taken this opportunity to re-map the customer journeys to drive an improved customer experience and to disaggregate from the DSP contract to achieve commercial benefits.

We are delighted to see a marked improvement in our engagement scores from SEC Panel as testament to our efforts to drive greater transparency and visibility through our engagement activities. Similarly, through the year we have received positive feedback from DESNZ on the clarity our new lifecycle and governance structures bring.

We recognise there is more to do. These activities have provided the foundations for further activity to enhance alignment among our stakeholder groups, while driving efficiency in our own operations. We are in the process of implementing PRINCE2 methodology (another conclusion from Lighthouse). This is designed to support our lifecycle management approach, notably the Concept to Contract and Contract to Market stages, with an internationally recognised, process-based method helping to ensure we deliver right first time and operate as efficiently as possible. In addition, the adoption of PRINCE2 will support a common language across our customer and supplier base, reducing unnecessary misalignment, while also helping to attract and retain staff through the support of internationally recognised certifications. Combined we believe this will help us to deliver an improved experience for both our customers and our people.

3.3. Delivering better commercial outcomes

We rely on external partners to deliver many of our mandated obligations, in a manner that delivers stable network performance, ensures resilience, and provides value for money for customers, and ultimately end consumers. Our commercial team leads on our procurement activities, contract management efforts and ongoing supplier relationship management with an overarching aim to drive commercial excellence.

In RY22/23 we accelerated our commercial transformation activities. These will:

- Improve and streamline our core commercial processes to ensure robust yet pragmatic approaches to identifying, delivering and sustaining value and business outcomes, and ensure we operate efficiently.
- Enhance our digital capabilities to better support the execution of commercial strategies, improve end to end operational efficiency and enable proactive identification of risks and opportunities.
- Uplift DCC's Supplier Relationship and Contract Management, embedding industry best practice into DCC's standard processes and helping to drive value for money from our suppliers.
- Promote a culture of continuous improvement across our supply base that goes beyond contracted levels of performance to support DCC's delivery of service excellence and value for money.

These improvements are critical as the nature of DCC's business means external spend constitutes a significant portion of DCC's total cost. This places an increased emphasis on the need to procure services effectively, and with due regard for value for money, and manage our suppliers through the life of their contracts to ensure they are delivering the expected levels of service.

Procuring effectively

The DCC Licence – specifically Condition 16 – sets out procurement requirements and principles. In particular, the Licence requires DCC to procure 'on a competitive basis' and in line with certain principles as set out under Part B of this condition. The intent is to ensure that DCC creates a competitive market among its potential service providers, follows a practicable and proportionate process, delivers value for money for customers and ensures continuity of service.

DCC is fully committed to open and competitive procurement as an effective approach to delivering on the licence objectives, including on value for money. It is clear, however, that the procurement principles in the licence are broadly drafted - rightly focusing on outcomes, rather than detailed approaches. We interpret the Licence requirements as allowing DCC the ability to determine in any given situation which approach to procurement best meet the aims of the licence (including for Fundamental Service Capability). For example, LC16.9 states that 'capability must be procured competitively wherever practicable and proportionate'.

For some of our procurements within this regulatory year, we believe it is the right decision to pursue an alternative approach to a full competitive procurement exercise, and it is our view that a direct negotiation aligns with both the spirit and letter of the licence – meeting all relevant objectives. On Project Civet, for example, our approach was driven by the need to safeguard continuity of service whilst responding at the pace demanded by an emergency situation. We have also noted that in a recent discussion, DESNZ has rightly highlighted the importance of delivering value for money while complying with the Licence.

We accept that the onus is on DCC to justify and evidence to both customers and Ofgem whichever procurement approach we decide to adopt. That is why, in addition to the detailed information contained throughout this price control document, we have provided Ofgem with specific information throughout the course of the year, and, as outlined above, undertaken more extensive customer engagement supported by Green Book business cases.

Managing our suppliers

As outlined above, a key element of our commercial transformation is upgrading our ability to manage our suppliers, working collaboratively to extract and deliver the best outcomes for GB consumers. For a significant period in DCC's history, it has been subject to managing contracts negotiated and agreed prior to its existence. Many of these have proven challenging to manage. Regardless, contract and supplier management is a critical element of DCC's operations, and the investment we have made to upgrade these capabilities is demonstrating good progress, with a number of areas highlighted in our independent audit, including:

- We do have the capability and resource to meet the current needs of the business and the proposed improvements will further strengthen this position, towards best in class.
- A range of mechanisms and incentives are leveraged to support supplier performance.
- There is a good balance of risk allocation between DCC and its suppliers.
- We are meeting the requirements of the framework in relation to contracts supporting strategic intent.

4. Continuously improving and transforming our infrastructure

As DCC has reached its first decade of operation, it has become increasingly important to continuously improve its infrastructure. Telecommunications technology has continued to advance at a rapid pace. As the number of connected devices has grown and the geopolitical context has transformed, the cyber security threat has also increased, especially for critical national infrastructure. Finally, as outlined above, our customers' expectations of the smart metering network have also evolved, supplemented by a growing cohort of Other Users seeking to leverage our platform to deliver innovative services.

4.1. Responding to an evolving technology and security landscape

In December 2021, the Government announced 2G and 3G services will sunset by 2033, with some 3G networks already in the process of shutting down. This is in part driven by the continued adoption of newer 4G and 5G technologies. The UK Wireless Infrastructure Strategy set an ambition to deliver nationwide coverage of standalone 5G to all populated areas by 2030 and increase 4G coverage to 95% of the UK landmass by 2025.

Our 4G Communications Hubs & Networks (CH&N) programme was established to address the planned sunsetting of these networks and ensure we maintain our licence obligation to provide continuity of service. Our plans incorporate customer views and future expectations to build in the flexibility and scalability needed to support over-the-air updates. This will allow future upgrades without the need for engineering visits, delivering significant cost savings.

Over the course of this regulatory year we made strong progress and remain on track to deliver against our joint industry implementation plan. DCC received non-objection for the final Full Business Case (FBC) in September 2022, consequently awarded contracts in October 2022 and is currently managing design and build of the new solution. DCC is planning to launch pilots in Q3 this year.

As deemed Critical National Infrastructure, the DCC adopts a low risk tolerance, and places security at the centre of its operations. As the number of connected devices grows and the importance of the smart metering network in Britain's digital energy infrastructure has increased, the requirement to ensure a secure and resilient network remains paramount. The war in Ukraine and broader geopolitical security context has led the National Cyber Security Centre to issue a warning that critical national infrastructure (CNI) and CNI-like organisations should be on high alert due to the increased threat from state-aligned groups. These groups are typically less motivated by financial gain, nor subject to control by the state, and therefore their actions can be less predictable and their targeting broader than traditional cyber-crime actors. Coupled with this is an increasing proliferation of commercial cyber tools, lowering barriers to entry for state and non-state actors and leading to a more unpredictable threat landscape over the next five years.

As such, DCC has invested in both the capacity and capability within its Security team to respond to the evolving security threat landscape, working closely with our colleagues at GCHQ and the National Cyber Security Centre, to enhance our security protocols and policies that enable us to detect and respond effectively to emerging cyber threats.

In addition, we are upgrading our infrastructure to increase our resilience, with our PKI enduring programme central to this. The current Public Key Infrastructure (PKI) provides cryptographic services to the smart metering infrastructure. This a tactical solution that was deployed during September 2022 and will run until April 2025 with an option to extend. DCC has established the PKI-E programme to provide the required levels of security, flexibility, and cost-efficiency to support both core services and future enhanced DCC capabilities over a 10-to-15-year time horizon. DCC has undertaken an independent strategic review of the options available in the market and issued an RFI in February 2023. The outcome of these will support DCC in the next phases of procurement for PKI-E.

4.2. Developing a more flexible and efficient platform

We need to ensure that our network remains fit for the future, providing the accessibility, flexibility, and speed of change expected of a modern network and commensurate with the scale of the net zero challenge. Central to this will be the evolution of our Data Service Provider (DSP) – the smart metering network's core messaging platform – into a more flexible, disaggregated architecture reducing the cost of change and cycle time. In doing so, we will not only enhance our customers' experience of the network but also ensure that they, and others, can unlock its transformative possibilities.

The DSP manages data services between DCC Users and devices at their consumers' premises. The DSP contract is due to expire on 31 October 2024. DCC is seeking to modernise the DSP architecture using a state-of-the-art microservices approach, which will provide commercial leverage and future flexibility to change. This is a highly complex challenge, with considerable constraints around, for example, the Intellectual Property Rights (IPR) of the current systems and the need to ensure any transition achieves benefits while minimising the risk to continuity of the service and the security of smart metering. DCC has made considerable progress this year with the Strategic Outline Business Case (SOC) shared and discussed with DESNZ in May 2022, extensive market engagement to inform options and ensure a robust procurement and the development of technical and commercial strategies in March 2023.

5. Delivering Value for Money

5.1. How we calculate and report our costs

Our outturn spend for 2022/23 was not materially variant from our own Business Plan forecast totals, and so approximates closely to what we had planned to spend in this year. In addition, and in keeping with our policy of 'no surprises', we have kept Ofgem and our stakeholders informed of our planned spend, together with an opportunity to feed back through our Quarterly Charge Statements and Financial Reporting, together with the regular stakeholder events that accompany them.

It should be noted that the forecast cost we submit as part of the price control needs to meet the 'certainty criteria' so should not be considered as DCC's current view on the expected overall expenditure. These certainty criteria mean that the costs we submit to Ofgem are only those that are "committed", which typically means a contract has already been signed. This is a fundamentally different approach to DCC's Charging Statements, which include "non-committed" expenditure as well. DCC's Charging Statements and actual expenditure are typically closely aligned, with DCC also subject to penalty interest rates if it significantly over or under-recovers. We are pleased to report that this year we are within the penalty threshold.

Many of the variances discussed in the sections that follow are to be expected as a reflection of the complex and uncertain environment we operate in and the annual forecasting requirements imposed on us by Ofgem.

More specifically, variances can be accounted for in one of four ways:

1. As a function of how we are required to forecast (e.g. we only include committed spend in our external figures).
2. Internal DCC reorganisation to improve business efficiency that has occurred post forecast (e.g. Finance).
3. Unavoidable programme costs – typically through unavoidable delays meaning that resources are required for longer than forecast.
4. Additional requests from stakeholders meaning that DCC must add resource.

5.2. RY22/23 Costs: Internal and External

As outlined above, RY22/23 saw a material step change in the scope, scale and complexity of DCC's operations and programme delivery, as well as investment in our underlying capability and infrastructure to ensure we are more efficient and flexible in the future. This is reflected in an increase in our main cost buckets, internal and external costs (further detail on these can be found throughout our broader submission).

	Price Control cost incurred in RY21/22	Price Control cost incurred in RY22/23	Charging Statement for RY22/23	Commentary
Internal costs	£97.3m	£140.0m	£170.7m	• While internal costs show an increase vs last year, they are under our charging statement forecast for the year. • Increases in staff costs have primarily been driven by growth in our programme team with the ramp up of the critically important 4G CH&N programme, and additional capacity within our Security team, in line with the increased threat level, and Technology team (as a result of a number of programmes at pre-low level design stage and hence requiring high levels of technical support). • The Benchmarking report supplied with this submission highlights how effective our role and salary benchmarking process is, ensuring an appropriate balance between recruitment and retention, whilst still paying an efficient cost-effective wage. • Professional fees also increased this year, driven by the continued progress with our Business Accuracy programme, external support to help identify the most cost-effective financing arrangements and an extension from DESNZ of the SMETS1 migration activity. • IT operating costs also increased, resulting in investment in our Security capabilities and internal data centre charges.
External costs	£377.8m	£429.6m	£381.3m[1]	• Progression of key programmes through the design, build, test phase (notably CH&N) has seen an associated increase in external costs. • Broader operational cost increases in line with growing scale of the network (e.g. SIM charges for SMETS1) and level of upgrades / changes requested by customers (e.g. SEC modifications). • Although absolute costs have increased, the cost to operate each meter has shown a material reduction in this regulatory year

[1] Does not include Communication Hubs or explicit charges, equivalent to an additional £80.7m.

				demonstrating growing economies of scale and broader efficiencies.

5.3. Forecast summary – RY23/24 and beyond

The regulatory regime that DCC is subject to has an impact on forecast costs. We are required to apply a high certainty threshold for our Price Control forecasts. This broadly translates into a requirement that only activities that have a signed contract are eligible to be included in future years' forecasts. There is frequently a mismatch between the activities we intend to undertake and forecast internally compared to the forecast that is submitted for the Price Control, simply because of this high certainty threshold.

The table below summarises the total costs (Internal, External, Pass-Through and Baseline Margin[2]) forecast for the remainder of the Licence term.

£m	RY2023/24	RY2024/25	RY2025/26
PC22/23	614.8	663.3	533.1

5.4. Securing Value for Money and Savings for Our Customers

The costs we incur to implement and maintain the smart metering system and other programmes are borne by our customers and we have a responsibility to deliver in a cost-effective and economic way. In practice this means the organisation focuses on:

- Delivering efficiency and savings through our planned service development activities, exploiting technology, automation and new ways of working to deliver better service at lower cost.
- Using people and resources effectively, bearing down on contract and consultancy costs and driving savings through high-quality competitive procurement.
- Continuing to improve the way we manage our supply chain, negotiating new contracts and holding our Service Providers accountable for their costs and service.
- Providing greater cost transparency through an increasingly customer-centric approach. Our new strategy commits us to improving clarity on our planned initiatives and carry out specific engagement activities for major initiatives.
- Provide more information on how efficiency savings are planned and realised for the different cost centres.
- Continuing to enhance and embed our benchmarking of staff salaries to provide confidence that our recruitment offers value for money whilst allowing us to recruit the skills we require.
- Transforming DCC's functions to improve how we forecast, plan our business and deliver for customers.

Our full Price Control submission expands on the information contained in this Executive Summary and is supported by a suite of supplementary documents and evidence, including a complete set of Regulatory Instructions and Guidance (RIGs) tables, financial schedules, the Financial Reporting Commentary and a number of other related documents[3].

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[2] These values do not include the correction factor.
[3] Additional documents provided include 1) A Baseline Margin Adjustment (BMA) Application Notice which proposes an adjustment to the Baseline Margin (BM) to reflect where DCC's costs were higher than forecast in the original Licence Application Business Plan (LABP) because of unforeseen activities, additional complexity or scale that was not envisaged at the time the Licence was granted; 2) An External Contract Gain Share (ECGS) Notice which proposes an adjustment to DCC's allowed revenue to recognise

DCC's contribution in achieving cost savings for customers; and 3) Our Operational Performance Regime (OPR) incentive scheme performance assessment