



# Consultation

## On the DCC Business Handover Plan

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# 1. Introduction

## Background

Smart DCC Ltd (DCC) is a wholly owned subsidiary of Capita Business Services Limited and was granted the Smart Meter Communication Licence (the Licence) by the Department of Energy and Climate Change (DECC) on 23 September 2013. DCC operates under the conditions of its licence and is regulated by Ofgem.

DCC provides the shared smart metering communications infrastructure that allows energy suppliers, network operators and other authorised users to communicate with smart meters. These activities are collectively defined under the Licence as the “Authorised Business” of DCC.

DCC's term as Licensee is due to expire on 22 September 2025. Ofgem has communicated its expectation that this term will be extended by 12 to 36 months. If Ofgem determines that the current licence term is to be extended by a period of more than 12 months, it must issue a formal notice to DCC by no later than 21 September 2024.

Ofgem has indicated its intention to undertake a competition to appoint a single Licensee to act as holder of the licence. This new Licensee (‘the Successor Licensee’) will be granted a new licence and will succeed the current Licensee at the end of the current licence term.

It is expected that there will be a period of mobilisation and handover between DCC and the Successor Licensee of up to 18 months from the point of licence award.

Condition 43 of the Licence sets out provisions governing the arrangements for the handover of the Authorised Business. This includes an obligation on DCC to prepare a Business Handover Plan (BHP), seek stakeholder views on it and then submit it to Ofgem for approval. Ofgem has indicated that the BHP should be submitted for approval by the end of Q1 2024.

## Purpose of this consultation

DCC is keen to ensure that, in preparing the BHP, it is fully cognisant of the views of its stakeholders and to ensure that the BHP takes these into account as far as practicable. The Licence also requires s to ascertain and take account of the views of External Service Providers and SEC Parties in relation to the proposed contents of the plan. This consultation therefore seeks stakeholder views on the draft DCC Business Handover Plan (BHP), including to ensure that it meets the relevant Licence requirements (described further in Section 2.1 below).

## Business Handover Plan (BHP)

A robust Business Handover Plan (BHP) is the critical foundation for: DCC's handover programme planning; business readiness preparations; input to the Ofgem licence tender process; and provision of clarity, confidence and assurance to industry stakeholders.

The draft BHP has been published alongside this consultation document. The primary objectives of the BHP are:

- To set out the DCC's methodology for achieving an orderly and successful handover of the Authorised Business on the expiry or revocation of the Licence
- To provide a viable transition and exit approach that will be the basis of detailed transition and exit planning upon the commencement of a Handover Period
- To demonstrate to Ofgem and DCC stakeholders that the DCC's method to transition and exit from the Licence will not impact business operations during business handover.

The BHP will also be an important input to the process for appointing a Successor Licensee, as it will provide information on the handover assistance services that DCC will provide to the Successor Licensee.

## Views invited

We are seeking your views on the overall approach to DCC business handover as well as the detailed handover approach set out in the draft BHP. This consultation document:

- provides information on key overall considerations that have informed the development of the BHP, including the need to maintain some flexibility in the overall approach and plan as, for example, the detail of any Successor Licensee's legal structure and delivery model will not be known until the Licence competition process is underway or complete.
- Summarises and signposts key elements of the BHP and seeks your views on whether these are comprehensive and adequately address the key requirements and risks to ensure there will be an orderly business handover process.

## Next Steps

This consultation will be open until Friday 12 January 2024.

We welcome input and comment in response to the questions within this consultation. Please submit your responses using the web form provided alongside this consultation document on our website:

<https://smartdcc.co.uk/consultations/business-handover-plan/>

Following the evaluation and consideration of responses to the consultation questions, we will update the draft Business Handover Plan and provide this to Ofgem for formal approval in Q1 2024.

Date	Activity
15 December 2023	Consultation opens
12 January 2024	Consultation closes
February 2024	Conclusions submitted to the Authority with final Business Handover Plan

## 2. Purpose and scope of the Business Handover Plan

### 2.1. Licence Requirements for the Business Handover Plan

Condition 43 of the Licence imposes duties on DCC that are designed to ensure that the Authorised Business will be transferred without disruption and in an orderly manner to a Successor Licensee in the event of the revocation or expiry of the Licence.

The Licence stipulates that the Business Handover Plan must contain commitments, objectives, or other suitable provision for or in connection with the following mandatory matters:

- Securing the continuity of External Service Provider Contracts
- Allocation to the Successor Licensee of the whole of the Licensee's interest under the Smart Energy Code (SEC)
- Payment by the Licensee to the Successor Licensee, or vice versa, to fairly reflect the accrued under-recovery or over-recovery of Allowed Revenue as at the Transfer Date
- The ability for the Licensee to be represented in any dispute arising as between the Successor Licensee and an External Service Provider, a SEC Party, a REC Party or any other person that might reasonably be expected to affect the determination of the amount of any under-recovery or over-recovery of Allowed Revenue
- Transfer of relevant intellectual property rights to the Successor Licensee

The Licence states that the BHP may also address the following:

- DCC commitment to co-operate with the Authority and the Successor Licensee to secure the continuity and orderly handover of control of the Authorised Business, supplies or services in connection with the business and effective operation of any asset in connection with it
- The handover timetable, process and procedures, critical controls, and contingency and risk management plans
- The transitional arrangements and assistance services that DCC will provide to facilitate the handover
- The availability of appropriately skilled, qualified, and experienced members of DCC staff to support handover and knowledge transfer
- The treatment by DCC of all records, systems, documents, software, databases, information, and data held by it in connection with the Authorised Business
- The application or other appropriate treatment of any sums that are directed by the Authority to be released to the Licensee from such Financial Security Instrument as is in place under Part B of Condition 26 (Financial stability and financial security)
- The ability of either or both of the Licensee and Successor Licensee to propose modifications of the Business Handover Plan, and the Licensee's duty to make such (if any) of those modifications as the Authority may require it to make following consideration of the matter

The draft BHP has been developed to address the above requirements. Additionally the BHP has been informed by best practice approaches to service transition management.

### 2.2. Scope and structure of the Business Handover Plan

The BHP is structured into a number of parts to reflect the various requirements and phases of handover preparation and delivery activity, as follows:

**Part A: Overarching Provisions** – sets out the objectives of the plan, a number of key commitments in respect of the conduct of handover activity and overarching plan assumptions.

**Part B: Activities Throughout the Licence Term** – Describes a number of enabling activities required in order to deliver a robust and efficient business handover, by ensuring that the DCC and other involved parties (including e.g. External Service Providers) are fully prepared in advance of the handover activity – including ensuring that all information and assets are documented and key handover resources are identified.

**Part C: Support to Successor Licensee Appointment Process** – In advance of the handover the DCC will have an important role in providing input to the Ofgem process for competitive award of the new DCC Licence. This will include providing information for Licence applicants via a “Data Room” and supporting due diligence activity by the preferred applicant.

**Part D: Handover Mobilisation** – Handover Management Start-Up and Mobilisation will ensure the project is initiated on a solid foundation and that adequate resources are assigned to the project by the DCC, Service Providers and (once appointed) Successor Licensee to ensure a successful transfer of the Authorised Business. This will include production of detailed project plans and implementation of full handover governance and delivery controls including monitoring and reporting.

**Part E: Handover Delivery** – Details the overall business handover delivery approach, defines the key work packages, delivery workstreams and roles and responsibilities (including the handover governance model). This part also details the approach to key activities including delivery of handover support services to the Successor Licensee and the treatment of in-flight change programmes and contract renewals during the Handover Period.

**Part F: Readiness** – Sets out how progress towards the business transfer to the Successor Licensee will be monitored and assured, to provide confidence that the handover has been completed effectively (including transfer of knowledge and assets) and that the Successor Licensee can take over operation of the Authorised Business without disruption to existing service provision to DCC Users.

**Part G: Post Handover Support** – Provides for the Successor Licensee to request ongoing support after the transfer of the Authorised Business has taken place, should this be required.

**Part H: Closedown** – Describes that activities to ensure that the Handover programme is closed down after Handover is complete and that the current Licensee takes appropriate steps to dispose of any relevant assets or to retain such records as necessary to comply with any residual legal or regulatory obligations.

**Part I: Revocation** - Sets out how the handover activities would be enacted in a Revocation Event scenario. The general principle is that the DCC shall, as far as practicable, endeavour to follow the business handover approach set out in Parts B-H of this Business Handover Plan. However, depending on the circumstances at the time of notice of revocation, the approach may need to be varied as appropriate to reflect the specific situation and timetable for handover.

## 3. Context and key considerations

### 3.1. Addressing stakeholder priorities

We appreciate that there will be significant stakeholder interest in the business handover approach and arrangements. Ofgem will require confidence that the BHP is robust, compliant with Licence requirements and will facilitate the approach to Licence award and transition. DCC Users will expect assurance on continuity of DCC services and focus on performance of DCC's core functions during the handover. They will also want to ensure that the handover approach is efficient to limit the overall cost of transition. Licence applicants will also need to understand the handover assistance that will be available to them if awarded the licence and that appropriate support and information will be made available by DCC during the licence tender process.

This consultation is therefore an important step in understanding stakeholder views. We have also included requirements in the draft Business Handover Plan for the handover programme to put in place effective stakeholder communications and engagement activities throughout the handover.

### 3.2. Need to maintain flexibility

The full context within which the business handover may take place is not yet known. In particular:

- Ofgem has indicated that it intends to extend the current Licence period by between 12 and 36 months and will make a direction on this matter in Summer 2024
- The detail and timing of the Successor Licensee application and award process is not yet confirmed, so the exact timing and duration of the Handover Period is currently unknown
- Specific details of the Successor Licensee's proposed operating model will be established as part of the Successor Licensee application process that will be undertaken by the Authority. Once that process is concluded, the appropriate detailed Handover Delivery plans will be developed to reflect the selected applicant's overall solution. This may have implications for the handover duration and complexity; the transfer of service provider contracts; dependencies on Capita as the existing provider of corporate services; and the approach to DCC staff transfer.
- Ofgem has proposed a number of interim changes to the DCC that would take effect during any Licence extension period, including: a move towards and ex-ante cost control regime from April 2025; changes to governance via appointment of customer representatives to DCC's Board and a potential observer role for Ofgem to oversee the Business Handover; and a review of current arrangements for the Centralised Registration Service (Switching)
- Depending on handover timing, a number of External Service Provider contract extensions and renewals; major in-flight programmes; and changes to DCC may be at different stages of completion.

In light of the above, the draft Business Handover Plan has been developed in a manner that will allow for the detailed handover delivery plans and approaches to be confirmed once there is full information on the above areas of uncertainty. In order to maintain some flexibility to adapt to these emerging decisions and circumstances, a number of the supporting detailed processes, procedures and tools for the execution of the BHP will be developed as "BHP Subsidiary Documents". These are referenced in the BHP and will enable elements of the plan to be adapted as the detail of the programme and delivery context becomes clearer (e.g. as tender market engagement commences and once any appointed Successor Licensee's proposed solution is known).

#### Question 1

**Are there any other factors that should be taken into consideration in developing the detailed handover approach and plans?**

## 4. Key Commitments

Section 2 of the BHP includes a number of commitments in respect of how the DCC shall manage the overall handover activity, including in relation to:

- Maintaining the existing services and performance throughout the Handover Period
- Ensuring compliance with regulatory duties
- Facilitating effective cooperation with all relevant parties
- Ensuring a fair process for Successor Licensee appointment

### Question 2

**Do you agree that the commitments set out in Section 2 of the BHP are appropriate and complete?**

## 5. Mobilisation of the Business Handover

In the BHP, we are proposing that a mobilisation period will commence at the point of Successor Licence Award, or later as agreed between the Authority, the DCC and Successor Licensee with the intention of ensuring that all handover assistance from the DCC that the Successor Licensee requires will be ready to commence as soon as reasonably and practically achievable after Licence Award. This suggested approach is also intended to ensure there is low risk of nugatory expenditure prior to the point at which the Successor Licensee's solution is known and can be fully planned against. At this point the Handover governance bodies and delivery teams will start to "ramp up" and prepare for handover delivery activities.

The objective of this mobilisation period is to ensure that, once the Licence Award is made, there are no delays from DCC in supporting the handover and any pre-work that can be done is completed, for example agreement of the detailed programme plan and preparation for provision of critical information, documentation and knowledge to the Successor Licensee.

### Question 3

**Do you agree that Licence Award is the correct point at which to start the BHP delivery mobilisation phase?**

## 6. External Service Provider Contracts

The BHP sets out an approach for how External Service Provider contracts will be managed during the handover. It is important that the DCC retains responsibility for contract management and any scheduled contract renewals during the Handover Period.

The DCC shall continue to take decisions and progress all activities during the Handover Period that are critical to the continuity of the Authorised Business and compliance with Licence obligations. This includes, for example, procurement or renewal of External Service Provider contracts that deliver aspects of the Authorised Business. DCC shall seek to de-risk the amount of commercial change over the handover period where practicable. However, this needs to be balanced with prioritisation of service continuity and minimising any additional costs to DCC customers.

The Successor Licensee shall be kept informed of all contract renewal activity during the Handover Period.



**Question 4**

**Do you agree with the proposed approach to External Service Provider contracts during the Handover Period?**

## 7. In-flight Programmes and Projects

The BHP provides an approach for how “in-flight” programmes will be handed over. As with contract renewals discussed above, the DCC shall continue to progress all approved change programmes and projects up until the point of handover to the Successor Licensee. This will include, for example, any changes required to implement approved SEC modifications.

DCC shall provide the progress status of such activities and key information surrounding them to the Successor Licensee during the Handover and at the Transfer Date such that the Successor Licensee can take on delivery for any programmes that are to be concluded after the Handover is complete.

**Question 5**

**Do you agree with the proposals relating to treatment of in-flight programmes and projects?**

## 8. Risks

The BHP describes the approach to risk and issue management throughout all phases of the handover delivery and includes a view of risk areas and related mitigations. Risks relating to the business handover will be managed within the standard DCC risk governance framework and mitigation progress shall be shared regularly with the DCC Board and proposed Joint Handover Steering Group as part of the general oversight of the Handover programme.

A Handover risk log will be continuously updated and tracked as more information about the licence renewal and handover process becomes available.

**Question 6**

**Do you agree with the Handover risk areas that have been identified and the proposed mitigating actions?**

## 9. Handover Governance

We have detailed a proposed governance structure that comprises representatives from both the outgoing and incoming Licensees to oversee the handover process and ensure that decisions are made collectively and in the best interest of the business and stakeholders.

We have provided details of the overall objectives and purpose of the governance, proposed structure and the purpose of each of the elements of the governance framework.

**Question 7**

**Do you agree that the proposed governance approach will ensure adequate oversight of the handover process?**

## 10. Stakeholder Engagement

The BHP identifies the key stakeholder groups identified to date and details the principles of the communications plan and how the plan will be developed.

### Question 8

**Do you agree with the key stakeholder groups that have been identified and approach to stakeholder engagement during the handover?**

## 11. Programme Structure and Work Packages

The BHP provides high level details of the work packages that will be delivered by the BHP workstreams including a brief overview of the activities for each work package.

The BHP also provides an overall programme structure that will be put in place to deliver the work packages.

### Question 9

**Do you agree with the proposed handover work packages and the scope of activities in each work package?**

## 12. Readiness

The BHP outlines a framework and appropriate activities throughout the Handover Programme to ensure that there is effective monitoring and assessment of the readiness of all key participants in the Business Handover Programme to complete the handover to the Successor Licensee.

### Question 10

**Do you agree with the proposed readiness framework and monitoring approach?**

## 13. Support to Licence Appointment Process

The BHP describes the support that DCC shall provide to the Authority in their competitive Licence application process for a Successor Licensee, including:

- Provision of relevant information and data to inform the tender process
- Providing access to DCC people and materials to inform and transfer knowledge to the selected Licence applicant

### Question 11

**Do you agree that the proposed DCC support to the tender process is appropriate?**

## 14. Other views

We invite any other views you may have on the draft Business Handover Plan.

### Question 12

**Do you have any other comments or suggestions in relation to the draft Business Handover Plan?**

