

CAPGEMINI RESPONSE TO CONSULTATION ON THE DRAFT DCC LICENCE AND LICENCE APPLICATION REGULATIONS

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TABLE OF CONTENTS

| | |
|---|----------|
| INTRODUCTION | 3 |
| 1 EXECUTIVE SUMMARY | 4 |
| 1.1 Executive Summary | 4 |
| 2 RESPONSES TO QUESTIONS 15-18 | 5 |
| 2.1 Question 15 | 5 |
| 2.2 Question 16 | 5 |
| 2.3 Question 17 | 6 |
| 2.4 Question 18 | 6 |

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INTRODUCTION

This document is presented in response to consultation on the draft DCC Licence and Licence Application regulations.

This document includes the following:

- Section 1 Executive Summary
- Section 2 Responses to Questions 15-18

Capgemini would like to thank DECC for the opportunity to respond to this Consultation. For any further information, please contact:

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1 EXECUTIVE SUMMARY

1.1 Executive Summary

Capgemini are pleased to submit this initial set of responses to the consultation on the draft DCC licence and licence application regulations.

By way of a brief introduction to the questions relating to the licence application and competitive process we have made a few summary remarks which you will see below. Please note that a more extensive summary of our overall position on the DCC Licence and the Smart Energy Code (SEC) will be provided with the main body of our response to both consultations which are due to be submitted back to DECC by the 1st June.

As a service provider to many central government organisations, perhaps most notably HMRC, we have extensive experience of participating in regulated procurements. We understand the complexities involved and the need to maintain probity and prudence. These procurements work best when there is a high level of early market engagement and dialogue. Such engagement builds rapport between the client and the market, reducing ambiguity and encouraging responses in procurements that are fully informed by your business strategy and objectives. This opportunity to share our views and experience is therefore greatly appreciated.

We recognise that there is an important balance to be struck between ensuring the best outcome and limiting the costs of procurement for both DECC and potential service providers. Keeping BAFO optional supports this aim but care will be needed so that it does not become part of the process by default.

Furthermore we are happy that DECC have abandoned the fast-track process for appointing a temporary DCC as that would have been a costly distraction from the real issue of appointing an enduring successor DCC. A fast-track process carries the risk of introducing further risk into the service, the opposite of what is intended.

2 RESPONSES TO QUESTIONS 15-18

2.1 Question 15

| Question 15 | |
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| 15 | <p>For the initial licence application, do you agree with the Government's intention to apply the BAFO stage in all circumstances, so as to mitigate the risks associated with the changing requirements and improve the competitive outcomes?</p> |
| | <p><i>Whilst the draft Licence Application Regulations suggest that the BAFO stage is optional (for both the initial and subsequent license applications) we recognise that DECC have given a clear indication in the consultation document, that it intends to make use of the BAFO stage for the initial application.</i></p> <p><i>However, in the eventuality that requirements remain constant and DECC believe they have achieved what they set out to achieve after the proposal stage then the option not to have a BAFO phase should remain. Should DECC determine that a BAFO is necessary then Capgemini would welcome the opportunity for dialogue in order to refine its proposal</i></p> |

2.2 Question 16

| Question 16 | |
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| 16 | <p>Do you agree with the proposal not now to include a fast-track process to appoint a temporary DCC, but instead to rely upon the provisions for intervention to keep the DCC's service functioning whilst a standard licensing application process is conducted to appoint an enduring successor DCC?</p> |
| | <p><i>Yes.</i></p> <p><i>The complexity of the task and time required to set up a temporary DCC make this an unattractive option both for DECC and the market.</i></p> <p><i>It is unlikely that DECC could oversee both the establishment of a temporary DCC and the standard licensing application process to appoint an enduring successor DCC. This would inevitably lengthen the term of the temporary DCC and incur significant additional cost.</i></p> <p><i>Potential suppliers would incur significant cost of sale for what might be a short-lived agreement. This will discourage some organisations from bidding which raises the possibility of a sub-optimal outcome. It would also tend to raise the overall price of the temporary service.</i></p> <p><i>DECC should consider relying upon the provisions for intervention and engaging the services of a potential enduring successor to support them in this; as it is unlikely that DECC will have the required skills or resources in-house. If such an approach were taken DECC would have to consider how that supporting organisation could then participate in the standard licensing process while retaining a fair and equitable process.</i></p> |

2.3 Question 17

| Question 17 | |
|-------------|---|
| 17 | <p>Do you have any comments on the proposed competitive application process for the DCC licence and, in particular, on the Government's stated intention to operate an extensive 'best and final offer' stage for the first licence competition?</p> |
| | <p><i>Capgemini are generally comfortable with the application process as described in the Licence Application Regulations.</i></p> <p><i>When considering the BAFO process there are some key factors to consider in order to create a balanced process which will provide a proposal of the best value for DECC. Firstly, the number of bidders should be minimised to, preferably two, three at most. Any more than this will restrict DECC from assessing the true value of any proposed improvements to the requirements, as they will spend excessive amounts of time managing the process and engaging with numerous applicants, with limited time for consideration. The DECC team should consider discussing this with other Government departments for any lessons learned. From a bidders perspective the more bidders, the more potential changes to requirements may be raised and therefore the longer the process needs to be.</i></p> <p><i>Until the structure of the final offer and final tender documents are fully understood it is difficult to assess whether the 10 week/5 week split for negotiation and offer is appropriate. In order to achieve a valid BAFO (which achieves supplier internal signoff), the negotiation phase will need to establish any changes to the service requirements, to dig down in any supplier assumptions made and to also ensure there is clear agreement on the key terms of the service provider contract that will be entered into by the successful bidder. It is worth stressing that any subsequent changes in client requirements may invalidate that BAFO so for it to be meaningful, the negotiation phase must ensure that both parties are comfortable that the supplier solution will meet the requirements.</i></p> <p><i>Finally, we believe that keeping the number of bidders in the BAFO stage to an "absolute minimum" will also generate the best opportunity for DECC to receive the optimal number of bids at the proposal stage. If bidders are aware of a tiered down select process they are more likely to invest in the proposal stage on the basis that if they are selected for BAFO stage then their chances of success improve. If there is a possibility of multiple stages for all bidders then the chance of success versus the size of investment make the opportunity less inviting.</i></p> |

2.4 Question 18

| Question 18 | |
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| 18 | <p>Do you have any comments on the draft DCC licence application regulations and, in particular, whether they effectively implement the proposed competitive application process described in this consultation document?</p> |
| | <p><i>No comments to make.</i></p> |