

Smart Metering Implementation Programme
Regulatory Design Team
Department of Energy and Climate Change
3 Whitehall Place
London SW1A 2AW

16th May 2012

Dear SMIP Regulatory Design Team

DCC Licence and Licence Application Regulations Consultation – Questions 15-18

Thanks for the opportunity to respond.

We are broadly supportive of DECC's approach.

We support the work done so far on the processes instigated in the event of unsatisfactory performance of the temporary DCC and believe that this should continue.

Yours sincerely

RWE npower

Trigonos
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

T

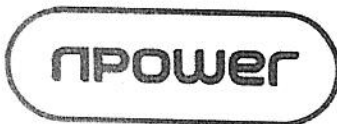
F

I

www.rwenpower.com

Registered office:
RWE Npower plc
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

Registered in England
and Wales no. 3892782



Q15. For the initial licence application, do you agree with the Government's intention to apply the Best and Final Offer (BAFO) stage in all circumstances, so as to mitigate the risks associated with the changing requirements and improve the competitive outcomes?

Yes

We believe that this will better differentiate between competing applicants providing, as it does, a clearer understanding of an applicants capabilities and expectations with regard to the role of DCC.

The BAFO process allows applicants to fine tune final applications whilst remaining in a formal framework. This is to the common good.

We ask that in determining the application of this BAFO stage that consideration is given to the time-scales allowed for this and the other stages of the process. This will ensure that applicants can provide the fullest response to the request for their BAFO. The key elements required for submission should be defined clearly in order to ensure consistency and comparability between applicants.

Q16 - 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?

Yes, broadly

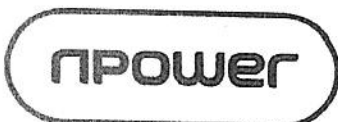
Whilst we previously supported the fast track of temporary DCC, it became apparent that there are some issues, for example relating to challenges by unsuccessful bidders, timing out of bid commitments, and prioritisation of pivotal DCC roles over less important roles.

Therefore we support the exclusion of the fast track selection of a temporary DCC.

We believe that it is necessary to develop and describe in greater detail the provisions of, and criteria for, intervention. This will enable a more expedient removal of a non performing DCC, improve the incentive of a non performing DCC to co-operate, and facilitate the timely appointment of a reserve party (which would have the relevant capability and capacity and be likely to be in a position to mobilise with good notice).

Some aspects that should be developed are;

- i) Regulatory definitions for performance shortfall
- ii) Provision for contracts between DCC and Service Provider to be novated over to a new DCC
- iii) The role of the SEC Panel in the provision of temporary governance during the interim period
- iv) Details of the how failing Service Providers may be dealt with
- v) The process of DCC oversight, reserve DCC selection, and transition process
- vi) The process for approach to a reserve DCC, for example at what stage to begin communication with them



vii) The role of Ofgem and the Special Administrator in administration

Q17 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?

See Q15 for our comments

Q18 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?

Yes

We support the application process described as it is based on a tried and tested approach that has proved to be both an effective and efficient way to grant a licence.

We believe that the draft DCC licence application regulations support the implementation.