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Smart Energy Code

SECCo Procurement Policy

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Managed by

Gemserv

Change History

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1. Purpose

This policy outlines the principles and procedures that will be followed by the SECCo Board when determining the delivery approach for new activities, work packages and projects, and by SECAS when undertaking procurements on behalf of the SECCo Board. The policy comprises principles that are to be considered by the SECCo Board when determining whether a procurement should be run for the delivery of new services, and the approach that should be taken by SECAS when it has been determined that a procurement is required.

This policy has been produced to ensure good practice in SECCo delivery and procurement decisions, with the objective of providing fit for purpose solutions whilst ensuring value for money. It will be kept under review by the SECCo Board and updated when required.

2. Procurement Principles

When establishing new activities, work packages and projects, the SECCo Board will refer to the following set of Procurement Principles to determine whether to run a procurement for the services. These principles are not service-specific so can be applied to all required services. They comprise a description of the principle and the criteria that would mean a procurement should be undertaken:

Principle	Description	Criteria for Procurement
1. Estimated Cost of Work Package	Once the required activities have been identified, SECAS would estimate a cost of undertaking those activities based on the contractual arrangements with the SECCo Board. In line with promoting competition and value for money, the SECCo Board may wish to consider procuring third party services to undertake a work package / project if the criterion is met.	Estimated cost of the work package is >£100,000.
2. Required Skills	SECAS have access to a wide range of skills, knowledge and expertise through its Community of Experts. This includes technical, security and privacy expertise.	Skills required are not available through either the SECAS Core Team or the Community of Experts.
3. Independence Requirements	A new activity / work package / project may require an independent body to undertake certain activities, for example, audit / assurance work, and therefore SECAS may have a conflict of interest or may not meet the independence requirements.	Service Provider must be independent from SECAS, SECCo and the SEC Panel.
4. Enduring Requirement	A new activity / work package may be due to new requirements / obligations placed in the SEC.	Activity is stand-alone from current SECAS activities.

Principle	Description	Criteria for Procurement
	If the new activity sits outside of current core team activities, the Panel should consider whether the enduring activity should become a business-as-usual activity. The development / establishment activities could sit outside the core team and therefore could be delivered by a third-party service provider.	

Table 1: Procurement Principles

3. Procurement Process

When developing a delivery approach for any new activity, work package or project, the process below will be followed: -

3.1 Identification of Requirements

A high-level specification of the services required, and an indicative budget will be developed by SECAS. The SECCo Board will review the service requirements against each of the Procurement Principles and document its decision, and the rationale for this decision, on whether a procurement is required.

Where it is determined that a procurement is not required, and the services can be provided by SECAS, this will be formalised into a Work Package and presented to the SECCo Board for approval.

Where it is determined that a procurement is required, a detailed specification will be produced by SECAS including:

- Full description of the requirements;
- Budget – this will determine the procedure type that will be followed;
- Procurement timetable; and
- Supplier evaluation methodology.

The resulting specification will be used to develop the appropriate tender documentation, which, at a minimum, should include sufficient background information, a description of the services required and details of the type of response to be supplied by tenderers.

The procurement procedure to be followed will depend on the procurement value in accordance with the following thresholds:

Procurement Value	Procedure Type
Large **(> £100,000)**	Identification of suppliers through an open notice and advertisement Identification of preferred supplier through Pre-Qualification Questionnaire (PQQ), Invitation to Tender (ITT) and interview
Medium **(£50,000 to < £100,000)**	Identification of suppliers either through an open notice or by invitation only Minimum of three quotes obtained Identification of preferred supplier through an ITT and interview
Small **(< £50,000)**	Identification of suppliers by invitation only Three quotes obtained where appropriate Identification of preferred supplier through less in-depth ITT and an optional interview stage

The supplier evaluation methodology will be used to not only evaluate whether the supplier has the right skills and knowledge base / appropriate product, but to also assess other relevant considerations including:

- Conflicts of interest;
- Economic and financial standing;
- Health and safety;
- Equality standards;
- Sustainability and ethical standards;
- Convictions;
- Supply chain risk management; and
- References.

Depending on the type and longevity of the service or product being procured, some of these factors may be more relevant than others.

The specification and supplier evaluation methodology will be approved by SECCo Board prior to the commencement of any procurement activities.

3.2 Identification of Suppliers

Where the Large procurement procedure is being followed, suppliers will be identified through an open notice and advertisement which contains details of how to obtain the PQQ documentation and the response deadline.

PQQs received by the deadline will be assessed against the supplier evaluation methodology and a supplier shortlist compiled. Those that do not pass the PQQ stage will be notified in writing.

Where the Medium or Small procurement procedures are being followed, either an external advertisement will be issued to attract interested parties for inclusion on a supplier shortlist, or research will be undertaken to identify potential suppliers, and their suitability assessed against requirements. A minimum of three candidates (or as appropriate, in the case of the Small procurement procedure) will be identified to submit a tender.

3.3 Issue Specification

The ITT documentation will be issued electronically to the shortlisted suppliers and will include a procurement schedule outlining the activities, associated timeframes and the information to be submitted by the supplier.

3.4 Supplier Assessment

On receipt of submissions from the potential suppliers, the submissions will be assessed against the supplier evaluation methodology with the results recorded on a supplier evaluation scorecard, developed specifically for each procurement. The evaluation criteria will comprise requirements that all suppliers must meet regardless of the procurement, and specific requirements relevant to the service being procured. Depending on the procedure type, the scorecard will either be used to identify the preferred supplier, or to create a shortlist of those to be progressed to interview.

SECAS will ensure that the Evaluation Panel are independent of the suppliers being evaluated. In the case of Gemserv bidding for work, SECAS will not be permitted to be on the Panel.

Where an interview stage is being undertaken, the shortlisted suppliers will be notified by email of the time and place of the interview, the number of representatives allowed to attend the interview, any preparation required and the interview format. An interview panel comprising a minimum of 2 people will be appointed and briefed on the evaluation criteria and scorecard. Interviews will be conducted in accordance with the communicated timescales, to ensure no supplier has an advantage.

Following the interview, the interview panel will complete their scorecards and the preferred supplier identified. Contract negotiations and price negotiations may also be undertaken at this point to ensure best value has been obtained.

3.5 Preferred Supplier

The SECCo Board will be informed of the outcome of the supplier evaluation and asked to approve the recommendation. Following approval, the successful supplier will be contacted to conclude contract negotiations and associated commercial arrangements. All unsuccessful suppliers will be contacted detailing why they were unsuccessful.

3.6 Contract Award

Following the completion of satisfactory contract negotiations, an authorised representative of SECCo Board will be required to sign finalised contracts.

Records of all suppliers invited to tender, submitting a tender, scorecards and appointed suppliers will be retained for audit trail purposes.

4. Key Sub-Contractors

Below details the principles and procedures for procuring key recurring contracts.

4.1 Independent Chairs

4.1.1 Procurement Principles

The SEC requires certain governance entities to have Independent Chairs that are appointed with support from SECAS. Where a Sub-Committee is required to have an Independent Chair, the Panel is required to appoint the Chair (without requiring the Authority's approval) and the process followed will be the same as for the Independent Panel Chair. Panel Chair appointment must be approved by the Authority.

The SEC outlines provisions for Independent Chairs for the SEC Panel (the Panel) (C3.5) and some of the Sub-Committees, as well as individual Terms of Reference documents:

- SEC C3.5 (a) – states that the Panel Chair must be sufficiently independent of any particular Party or class of Parties;
- SEC G7.5 (a) – states that the Security Sub-Committee (SSC) Chair must be sufficiently independent of any particular Party or class of Parties;
- SEC L1.5 (a) – states that the Smart Metering Key Infrastructure (SMKI) Policy Management Authority (PMA) Chair must be sufficiently independent of any particular Party or class of Parties;
- The Technical Architecture and Business Architecture Sub-Committee (TABASC) Terms of Reference, as set by the Panel, state that the TABASC Chair shall be selected by the Panel and the Panel should believe that the candidate will be able to act in a sufficiently independent manner in their role as the TABASC Chair; and
- The Operations Group Terms of Reference, as set out by the Panel, state that the selection of the Operations Group Chair shall be determined by the Panel and the Panel should believe that the candidate will be able to act in a sufficiently independent manner in their role as Operations Group Chair.

Reprocurement is required after each three-year term for all Independent Chairs, to ensure that SECCo continues to achieve best value for money for SEC Parties, and to mitigate the risk of reliance on individual experts.

Selection Panel

The Panel Finance and Contracts Sub-Group (PFCG) should support the Panel with the appointment of an Independent Chair. The PFCG, a sub-group of the Panel, should preferably contain one Elected

Member from each Party Category, and should not include the current Panel Chair for the appointment of the new Panel Chair.

Recruitment Plan

Recruitment plan options should be presented to the PFCG. If the PFCG would like to use the services of a Selection Adviser, the Gemserv HR team will support in the recommendation of a selection of recruitment agencies. The job role would be advertised with the recruitment agency/on job boards depending on the chosen recruitment plan.

Candidate Selection

Following the deadline for applying for the role of the Independent Chair, SECAS (working with Gemserv HR) will provide the PFCG with an overview of each of the candidates along with their CVs and any supporting information provided. The PFCG would then agree on the candidates they would like to invite for an interview, with a view to holding no more than 6-8 interviews. Any candidates unsuccessful at this stage should either be informed via the Selection Adviser or SECAS/Gemserv HR.

Interviews

The interviews will be carried out by an Interview Panel, comprised of two members of the PFCG, a Gemserv HR representative, and a SECAS representative. The Interview Panel should provide feedback to the PFCG and an eventual recommendation to the Panel.

Panel Approval

Once the PFCG have agreed on a preferred candidate for the position, SECAS will prepare a confidential paper for the Panel, to seek approval for the preferred candidate. For a Sub-Committee Chair, the Panel's approval is final, and therefore contractual discussions will be able to commence at this stage.

Authority Recommendation

The appointment of the SEC Panel Chair candidate is conditional on the Authority approving the candidate (SEC C3.5 (b)). Once the Panel has approved its preferred candidate, it should provide the Authority with its letter of recommendation along with any appropriate supporting information.

Contract

Once the candidate has been approved by the Authority, the SECCo Board and the approved candidate can enter into contractual negotiations. Following contract signature via DocuSign, SECAS should store a soft copy on behalf of SECCo in the confidential contracts folder.

4.2 Other

The following guidelines can be applied when procuring other key recurring contracts, such as the, User Independent Privacy Auditor (IPA) and Competent Independent Organisation (CIO), SECCo legal advisors, SMDA Test House, SECAS, auditors, insurers, etc.

4.2.1 Procurement Principles

Procurement principles and/ or SEC requirements will differ against individual contracts, and are summarised below:

User CIO

The SEC requires the SEC Panel to procure:

- A User Independent Security Assurance Service Provider (UISASP) to undertake security assurance of I Users (SEC G8); and
- An Independent Privacy Auditor (IPA) to undertake privacy audits of I Users (SEC I2).

The UISASP and the IPA are together referred to as the Competent Independent Organisation (CIO).

SECCo Auditors

The SEC requires the SEC Panel to:

- arrange for the monies paid by and to SECCo pursuant to Section C8 during each Regulatory Year to be audited by a firm of chartered accountants on an annual basis in order to verify whether the requirements of this Section C8 have been met. (C8.17); and
- send a copy of such auditor's report to all the Parties within 10 Working Days of its receipt by the Panel (C8.18).

SECCo Legal Advisors

The procurement of a legal advisor to the SEC Panel is not directly prescribed by the SEC nor the Contract for the Code Administration and Secretariat Services. However, good operational practice requires a long-term strategy for legal advice to the Panel.

SECCo Insurance

As above, the SEC does not mandate that the SEC Panel procures insurers, but good operational practice would require a procurement process for obtaining insurance.

Reprocurement is also subject to the nature of the contract, but SECAS will support SECCo to ensure SECCo continues to achieve best value for money.

4.2.2 Procurement Process

The process will vary slightly between contracts; however the recommended process is as follows.

Agreement of Procurement plan

SECAS will need to prepare a SEC Panel decision paper seeking Panel approval of the approach and timetable of the procurement, including involvement of the PFCG.

Invitation to Tender and Draft Contract

SECAS will seek PFCG approval of the Invitation to Tender (ITT) document, outlining the role, scope and questions for submission, the scoring methodology and associated weightings. SECAS should also prepare a draft Contract/ Terms and Conditions, using the support of SECCo's Legal Advisor. Both the ITT and draft Contract require approval from SECCo Board. Following approval, both the ITT and draft Contract should be sent out to a list of appropriate organisations that are likely to be able to fulfil the requirements of the role (for the User CIO this would include having certain security credentials as defined within the SEC, and having the capacity to undertake potentially multiple audits simultaneously). The draft Contract is to be issued with the ITT and bidders asked to confirm their acceptance of the document, to mitigate the risks and lead-times involved in contract negotiations.

Clarification Questions

The ITT should set out the timescale for submitting responses and any clarification questions that organisations may wish to ask. Clarification questions should be responded to via a Clarifications Log, which will be emailed to all tendering organisations. The PFCG/Panel may be called upon to support SECAS in responding to any clarification questions submitted.

Review and Assessment of Responses

Following the submission deadline, all respondents should receive confirmation that SECAS has received their submission. SECAS should send submissions to the members of the PFCG along with a scoring template. The PCFG should review the submissions and submit their scoring to SECAS only (not the other members of the PFCG), who will collate into a central document, which calculates the scores against the agreed weightings within the ITT, to produce an average score per organisation. This facilitates ease of comparison between the tendering organisations.

A PFCG meeting should be scheduled (physical or via teleconference) to review the submissions, and the scoring submitted by each PFCG member .

Presentations/ Interview

Following a review of the ITT responses, the PFCG may decide to invite tendering organisations to present to the PFCG on prescribed topics, or attend an interview to answer specific questions regarding their submission. SECAS will facilitate these meetings.

Panel Approval

Following the presentation stage/interview and responses to all questions raised by the PFCG, the PFCG should revisit their scoring (updating where deemed necessary) and decide (either via teleconference, email or at a physical meeting) their preferred bidder in order to recommend to the Panel for approval. SECAS should produce a confidential Panel Paper laying out the PFCG's recommendation for the preferred bidder, describing the process undertaken to reach their decision, and the rationale. SECAS should ensure that the paper is supported by the scoring spreadsheet attached as an appendix to the Panel paper.

Preferred Bidder Status

Once the Panel has approved the Preferred Bidder, the other tendering organisations left in the process should be informed. The Preferred Bidder will be informed of their status and either reminded of their approval of the draft Contract/Terms and Conditions, or informed that contractual discussions will begin (if the bidder had highlighted the need to change certain clauses, or if the draft Contract was not issued with the ITT). A reserve bidder should also be considered in order to maintain competitive pressure on the preferred bidder. This bidder can also be called upon if the contract is not taken up by the preferred bidder.

Contract

On approval of the preferred bidder, SECAS will discuss the draft Contract/ Terms and Conditions with the organisation. Any changes requested by the bidder will need to be discussed with SECCo legal advisors and agreed with SECCo.

SECAS will provide the PFCG/Board with a draft contract for approval. Once contract signatures have taken place via DocuSign, a soft copy should be stored in the Contract Management folder.

Appointment

Once the contract has been dual signed, the successful appointment of the contractor should be communicated to the Panel through an update paper. If applicable (e.g. for the User CIO), this may also be communicated to Parties via the Meeting Headlines and the SEC Newsletter.