Introduction and Summary

DCC Price Control Submission RY2018/19
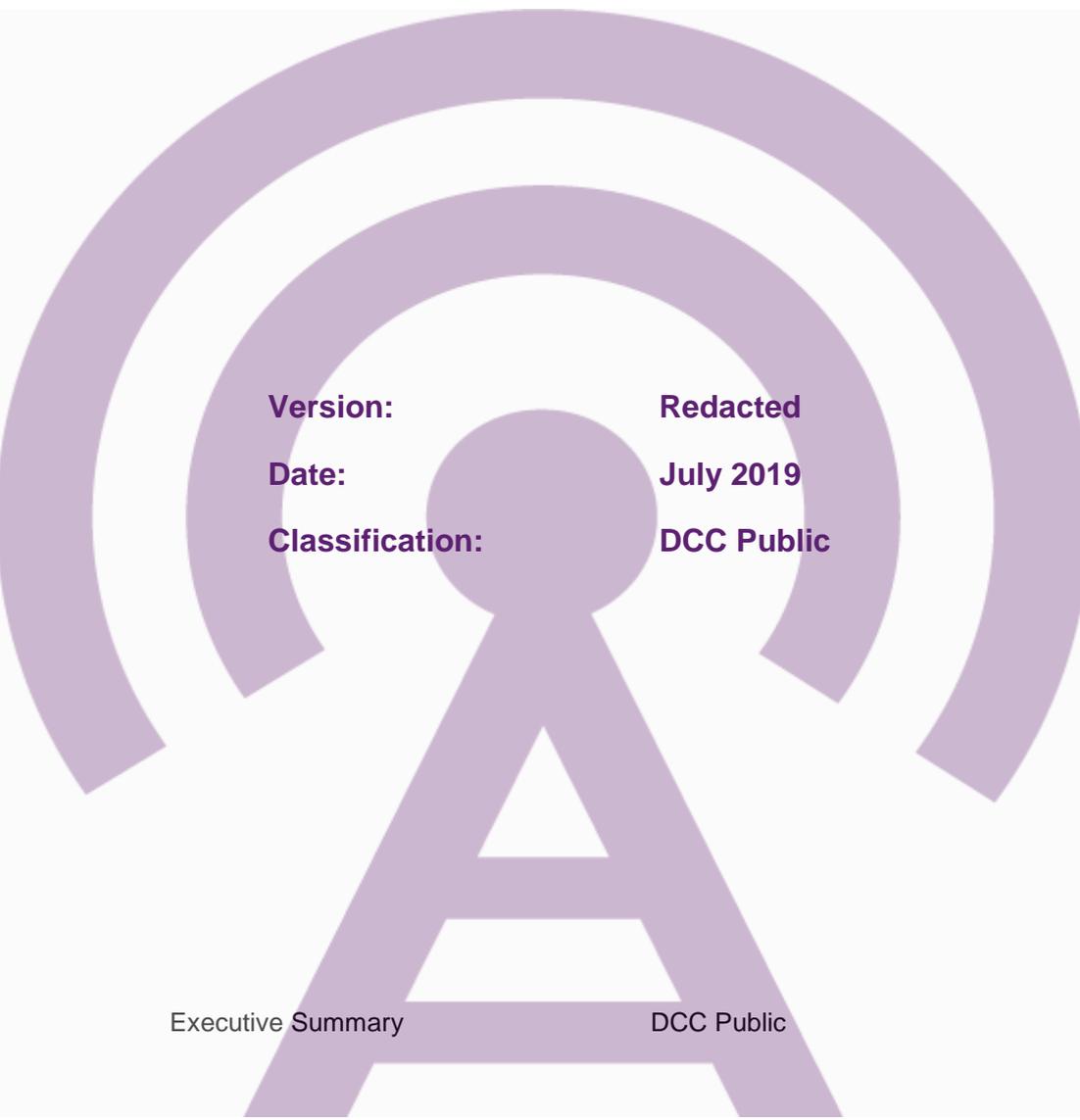
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1 Context and Background to 2018/19 Price Control submission

The annual price control process is a core element of the regulatory framework that governs DCC and its operations - it ensures that consumers obtain value for money from DCC's contribution to the delivery of the Smart Metering Implementation Programme (SMIP) and other activities covered by the Licence, such as Faster Switching.

DCC is subject to an ex-post price control assessment by Ofgem each Regulatory Year as per Licence Condition 36 of DCC's operating Licence. All actual incurred costs incurred during the previous Regulatory Year (RY), in this case RY2018/19, are reported to Ofgem along with an explanation for any material variances between the actual costs incurred and the baseline costs. The same is repeated for forecast costs. The baseline costs are either defined by Ofgem in allowed forecasts from previous Price Control determinations or in the original Licence Application Business Plan (LABP).

The Executive Summary sets out the overall narrative for DCC's spend during RY2018/19. The main body of the submission expands on this narrative and is supported by a number of supplementary documents and evidence, including a completed set of Regulatory Instructions and Guidance (RIGs) tables, financial schedules, and a Financial Reporting Commentary. This year, for the first time, DCC is also submitting data in relation to its performance under the Operational Performance Regime.

In addition to the Price Control submission, DCC is submitting:

- A Baseline Margin Application Notice which proposes an adjustment to the Baseline Margin (BM) to reflect that DCC's costs this year were higher than forecast in the original LABP as a result of unforeseen activities or additional complexity / scale that was not previously envisaged.

- An External Contract Gain Share Notice which proposes an adjustment to DCC's allowed revenue to recognise DCC's contribution in achieving cost savings for customers on two major contracts with suppliers (the Data Service Provider contract and the Communication Service Provider contracts).

2 Executive Summary

2.1 Key Achievements in RY2018/19

Previous price control submissions have centred on expenditure to put in place the building blocks for the DCC system, its supporting operational services and the wider DCC organisation required to facilitate and reinforce these.

The Price Control submission for RY2017/18 described the delivery of the live system and capability to support the introduction of SMETS2 meters. In RY2018/19, DCC built on this capability - Release 1.3 was delivered in July 2018, followed later by Release 1.4 and then finally in October 2018 the code for Release 2.0, which will support the introduction of dual-band communications hubs. The delivery of Release 2.0 went smoothly, with no substantive issues. However, it should be noted that DCC has had difficulty completing testing of the Release 2.0 code due to a lack of compliant devices from industry. Until testing is complete, DCC cannot uplift customers to Release 2.0 code and dual band comms hubs.

The successful delivery of the R2.0 release was another huge step forward, demonstrating that with every release DCC is delivering closer to plan, demonstrating our growing experience, the effectiveness of our maturing processes and through the robust management of our service providers.

The roll-out of SMETS2 meters is starting to accelerate and, by the end of March 2019, over 600,000 SMETS2 meters had been installed successfully with installations running at a rate of 16 per minute. The rate of installations is increasing steadily. Bulb installed the 1.5 millionth SMETS2 smart meter onto our network on 18 July 2019 at 5pm.
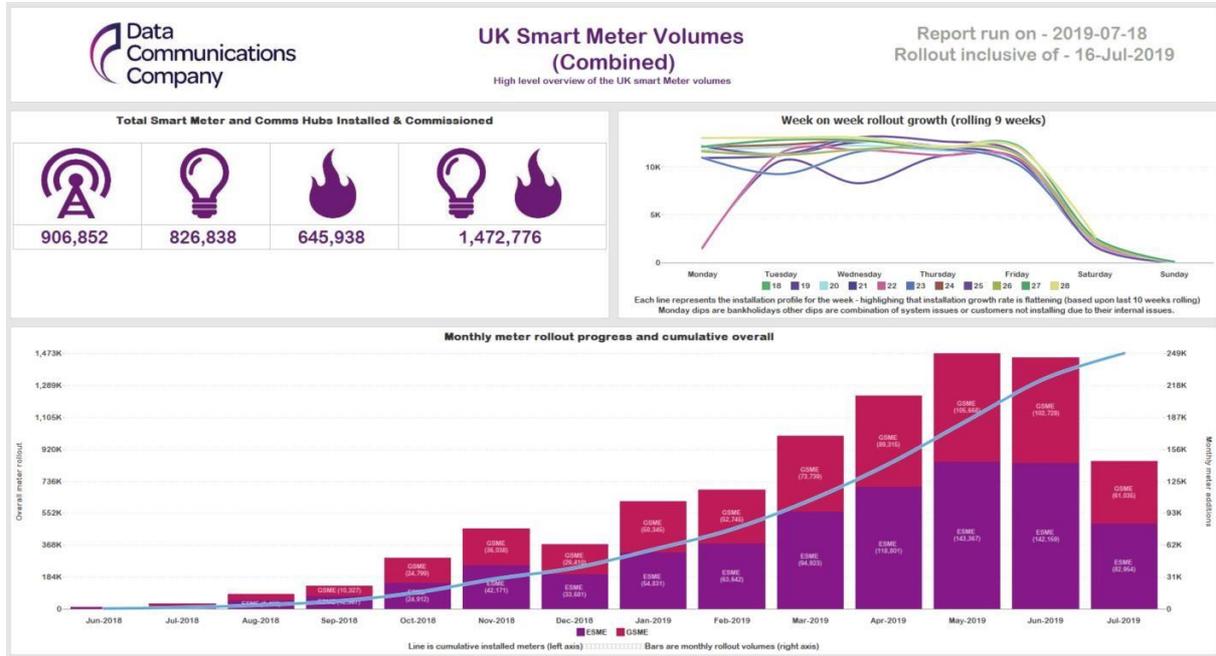
Most importantly for both DCC and its customers, the systems and processes which were implemented have proven robust, effective and able to scale.

Whilst it was once anticipated that the SMETS2 rollout would mark the peak of DCC activity, the Government's decision to allow the continued installation of SMETS1 meters means that nearly 15 million SMETS1 meters need to be migrated into the DCC infrastructure in parallel with SMETS2 rollout.

RY2018/19 saw the approach to enrolling and adopting these meters into the DCC infrastructure agreed with Government. This was followed by a consultation with industry on the plan for implementation and the rapid ramp-up of a programme team to deliver it.

DCC has put in place the building blocks that will enable SMETS1 migration. In an exciting "proof of interoperability" demonstration in Ibex on 27 November 2018, senior government officials from BEIS watched DCC systems connect with a SMETS1 meter. DCC simulated a household smart meter enrolling onto the network under a new energy supplier and tariff. Achieving the interoperability milestone took just a few minutes, and was achieved with the help of our partner, CGI. The SMETS1 code release needed to support the enrolment of the first cohort of SMETS1 meters was successfully released on 28 July 2019 with no negative impacts on the installation of SMETS2 meters.

It helps pave the way for the coming months when energy suppliers will begin migrating first generation meters onto the DCC network at scale, completing the process ahead of the 2020 deadline. Given that SMETS1 dormant meter migrations are not due to start until August 2019, SMETS1 migration is likely to form the centrepiece of our RY2019/20 submission.

It has become increasingly clear that SMETS1 migration is the largest and most complex delivery programme that DCC has attempted to date. The DCC operational capability such as its technical and security operations centre is now the base for the new SMETS1 migration control centre giving customers the confidence for mass migration.

In May 2019, DCC completed the enactment phase of the Switching programme on schedule and under budget – an achievement of which DCC is incredibly proud, and which further demonstrates the increasingly mature nature the organisations delivery capability. DCC has now embarked on a two-year phase to design, build and test the new Switching service.

DCC is now the operator of significant national infrastructure at the heart of the GB energy market. The DCC believes in making Britain more connected so we can all live smarter, greener lives. Digitising a nation will have a profound and positive impact on all energy consumers, as well as providing the platform upon which a host of new services might be launched. The DCC takes its role very seriously.

It is vital that DCC's operational processes support commissioning of SMETS2 meters as well as the migration of SMETS1 meters into the DCC system, particularly live prepayment meters. Any breakdown in operational processes could have an immediate and direct effect on end-consumers. It is therefore imperative that DCC has an operational capability which is expert, robust, appropriately resourced and has the customer experience at its heart.

In last year's submission it was flagged that DCC was moving from an organisation focussed heavily on programme delivery to one which is more rounded, it is moving from 'Project to Business'. This has continued with a focus on improving the effectiveness of its operational processes, making improvements and responding to the needs of its customers. Specifically, DCC undertook the start of Customer Journey mapping to identify points in the process that could be improved for customers. Additionally, DCC established a new Technical Operations Centre which provides customers with access to data and information about how the DCC system is performing, and whether there are any issues with their own systems and processes that may impact the roll out of SMETS2.

In RY2018/19, DCC has taken a further step in the journey to becoming a well-rounded organisation, capable of operating sustainably over the long-term. One of the major capabilities that DCC built in RY2018/19 is the new test lab, technical and operational control facility at Brabazon House near Manchester. Demand for space in the existing test laboratories, provided by DCC's suppliers was exceeding supply and substantial additional demand was expected from the SMETS1 migration programme. Therefore, it became clear additional provision was needed. Initial investigations showed that commissioning further space from the existing providers would be slow and expensive.

DCC was already searching for a long-term base office in the North West, to provide the main operational centre for future growth in DCC. By amending the brief to include scope for construction of test facilities, DCC was able to meet both needs. The creation of the new, highly secure test facility, consolidation of business and testing activities and closure of the Preston Brook office was expected to reduce operational costs and generate cost savings of more than £68m over ten years. It was on this basis that the DCC Board approved the business case. We now expect comparable benefits to be more than £90m over ten years. Bringing testing in house and building a dedicated test lab facility for customers has enabled DCC to better meet customer demands for testing capacity in a flexible and responsive way, at a much lower cost.

While DCC continues to mature it recognises that the expectations of customers are also maturing. A clear message was received from Industry last year that they expect DCC to be more transparent with the cost of new programmes and to seek customers views to inform its decision making. DCC published a consultation in December 2018 to seek customer views on how they would like to be engaged. The response to this consultation was published in May 2019 and DCC is making progress in putting in place the building blocks to support the implementation of a new approach.

Finally, this year, for the first time, DCC has looked beyond its mandated programmes and started to consider how to deliver against its wider licence obligations to promote competition in the energy market and to seek opportunities for the reuse of the DCC system, for the benefit of existing customers. The SEC requirements in relation to elective services went live in the Autumn of 2018 and DCC is now under an obligation to respond to any elective services requests from its customers.

DCC has established a small team to develop its approach to innovation and the potential delivery of services into new markets as part of its licence obligations. This team has started to build relationships with prospective partners both through reaching out but also in responding to the significant number of enquiries received from parties wanting to explore the capabilities that the DCC infrastructure may provide. DCC will develop a more detailed proposition for taking forward its innovation and new services obligations in RY2019/20.

All in all, it has been a very demanding year for all staff at DCC, as well as its service providers and customers, but a hugely successful one. The mass roll out of smart meters within the UK is now a reality, supported by DCC's secure network. A fully operational smart meter service is the key to unlocking future low carbon initiatives, such as nation-wide electric vehicle charging and innovations in home energy management. It is a key step to achieving the Government's goal of net zero carbon by 2050. DCC is proud to be doing its part towards realising this future.

2.2 The year in summary

This year has seen DCC continue to grow and mature as an organisation. As DCC has started to build a track record of delivery, the organisation has reflected on what it has learned and used this to improve the way it operates and to prepare itself for delivery at scale. DCC is also taking positive steps to put its customers even more at the front and centre of everything it does, responding to customer needs and putting in place more robust processes that will ensure customer views are reflected in internal decision making. Finally, as DCC has started to look to the future and how it will deliver on its wider license obligations, it is starting to build its capability to develop innovation and new services over the coming years.

Key events in RY201819

2.2.1 DCC – engaging, listening and acting

DCC has always engaged with its customers and other stakeholders, and many of its staff are well known outside of DCC through their routine participation in DCC and Industry forums and meetings. However, building on the feedback from Ofgem in last year's Price Control Decision Document, DCC is evolving and strengthening its engagement with customers on prioritisation of its activities and around areas of new activity or spend.

In RY2018/19, there have been two main initiatives in relation to customer engagement. The first of these was the establishment of a Regulatory Stakeholder Management team in recognition of the fact that DCC needed to improve and professionalise its engagement in the various Industry Governance forums, whether transitional, enduring or working level. It was not unusual to find the same issue being discussed in multiple forums, resulting in mixed messages, a lack of clarity about actions or what had been agreed and where. In some cases, different audiences might receive different messages. The Regulatory Stakeholder Management team is working with SECAS and BEIS to help ensure better coordination between the different forums, to close down long-standing actions and to ensure consistency of DCC messaging. The feedback from industry is that the forums are becoming more

effective as DCC is better prepared and able to make a more constructive contribution. Internally, it is proving to be a more efficient and effective way of managing DCC's involvement.

The second initiative DCC took forward in RY2018/19 was in direct response to industry feedback on our customer engagement on new activities and spend. In the RY2017/18 Price Control Executive Summary, DCC stated a clear intent to create a greater focus on customer engagement and to evolve its approach as the organisation moved beyond the narrow constraints of delivering a programme of work which was specified by Government. We have begun this evolution.

At the beginning of November, DCC published a consultation document to seek customer views on how they would like to be engaged and followed this up with a series of workshops and presentations in a number of customer forums. DCC received many responses to the consultation and customers have engaged proactively in the workshop sessions. DCC has used the many observations and ideas to shape its customer engagement strategy and is now in the process of implementing it. The RY2019/20 submission will report on a detailed implementation plan as well as how this work has progressed and the benefits that it is anticipated to deliver.

2.2.2 DCC – Developing a track record of delivery

The Smart Metering Implementation Programme has proven more challenging and complex than anyone anticipated and consequently, it has taken longer than planned to deliver. The extended timetable for delivery has clearly created challenges for our customers but delivery of the full SMETS2 infrastructure and the subsequent enhancements, mark an important turning point - both for the programme and for DCC. The emphasis now shifts from building the SMETS2 architecture to supporting energy suppliers with the mass roll-out of SMETS2 meters and the enrolment of SMETS1 meters into the DCC architecture. Delivery of faster and more reliable switching is not far behind.

The successful delivery of the SMETS2 infrastructure is a huge achievement for DCC and validates the decision to deliver this complex piece of nationwide infrastructure through contracted service provision with DCC as an intelligent client organisation, working on behalf of customers and stakeholders.

As well as the successful delivery of SMETS2, DCC has also demonstrated its ability to deliver in several other areas – showing that as an organisation it can deliver tangible outcomes on multiple fronts simultaneously. RY2018/19 saw DCC deliver significant outcomes, but some may have been more visible to customers and stakeholders than others. For example, the successful completion of the enactment phase of the Switching programme has been one of DCC's higher profile achievements over the last year. Other, potentially less obvious, deliverables either relate to the enabling capabilities required by our major programmes or were focused on building the internal capability of DCC and its longer-term operational support services.

By way of example, a huge amount of time and effort has gone into the negotiation of the suite of more than 20 contracts required to enable the enrolment and adoption of SMETS1 meters. Through the execution of a carefully considered strategy, and often through an extremely protracted and detailed set of negotiations, DCC has been able to rationalize the many existing contractual arrangements into a series of new contracts. These new contracts will provide higher standards of service whilst delivering a very substantial reduction in the costs to Industry.

To support DCC in maintaining this track record of delivery, the organisation has refined its internal change delivery methodology which underpins the delivery of all projects. It ensures that all projects are well planned, the costs and benefits are understood, and that delivery is appropriately resourced.

2.2.3 DCC – committed to internal development, learning and business improvements

In the RY2017/18 submission, DCC described a portfolio of projects which were named' 'Project to Business'. These projects were focused on enhancing and building the internal capabilities of DCC to support the transition from organization focused purely on programme delivery, to one which is able to successfully maintain a quality service for customers. These projects completed in RY2018/19 and DCC's customers are already experiencing tangible benefits. DCC is conscious of the need to become more efficient as we approach provision of a stable service. This year, DCC has embarked on investing in staff and internal capabilities with an aim to become an organisation that continuously improves.

Part of DCC's obligations to customers is to deliver a service that is always economic and efficient. That includes streamlining and improving internal processes. Whilst there will always be opportunities for improvement that present themselves, it is also important that DCC develops the skills and capabilities which will allow it to surface and address inefficiencies in a more systematic manner. DCC has created a small specialist function to provide Internal Audit and Continuous Improvement services to the rest of organisation. Whilst Internal Audit has a clear role around ensuring the integrity of our processes, it will also provide a ready source of improvement opportunities.

Continuous improvement (CI) is core to many modern businesses and DCC is no different. During RY2018/19 DCC undertook a number of projects aimed at improving the way the business operates both internally and externally. Reflecting on the lessons learned since DCC first came into being has led to the identification of a number of areas where improvements can be made and can have a real and positive impact on the organisation and the experiences of our customers.

The CI team is not designed to 'do improvement to' the business but to facilitate the training of DCC staff in appropriate tools and techniques and to share good practice. The intention is that every function will have a small number of trained people who can provide local expertise in C&I, collaborate on cross-company improvement initiatives, as well as acting as champions for a culture where improvement is encouraged and valued.

DCC has launched an internal Wellness Programme and an Internal Engagement team to both develop and communicate DCC's Employee Value Proposition. Whilst this is best practice, it also is meant to create long term cost savings from the reduction of employee turnover and time spent bringing new staff up to speed with the highly technical and fast paced environment.

Another example of DCC maturing and improving its approach to doing business has come through the increased focus on Supplier Relationship Management with key service providers. Building on the success in this area in RY2017/18, DCC has developed an enhanced process for reviewing and reporting transparently on service provider performance. This new approach was first put in place for the core service providers but is now being extended gradually so that all service providers over a certain size or criticality to DCC will be subject to this new regime.

Whilst this new approach has led to additional cost (albeit funded by increased cost savings) as more people are required to manage our growing base of large service providers, all the evidence, even from service providers, is that they like the new structure and greater clarity around objectives, as well as being held to account in a systematic manner every month. By becoming a better customer DCC has helped them become better suppliers.

DCC has also appointed a cost transformation manager to identify efficiencies across the business which will result in a financial return to our customers. Examples of efficiencies delivering in RY2018/19 include a redesign of our travel and accommodation booking system, the introduction of self-service procurement and purchase order processes for low-value orders and the automation of room booking.

The Commercial team as a whole achieved more than £203m of savings over the lifetime of its supplier contracts.

A final example of DCC's evolution as a business has been the further development of its approach to business planning and tracking of KPIs. Every function led by a member of the Executive Committee is subjected to a detailed and extensive annual planning and budgeting process. This is consolidated at a company level and then progress against both functional and cross-functional objectives, as well as financial performance, is tracked on a monthly basis. Any requirements to spend outside of the agreed business plan (including recruitment of permanent or contract staff) must go through an internal challenge process and any spend over £1m must be approved by the DCC Board. The ExCo and DCC Board track progress against enterprise wide objectives and budget through newly design KPI dashboards, which give management better awareness of how the business is performing. In RY2018/19 the DCC Board scored the organisation as achieving 90% overall against its corporate objectives. The highest performance in recent years.

2.2.4 DCC – operating at scale

As DCC puts in place the infrastructure to support SMETS2 roll out and the adoption of SMETS1 meters, its focus is shifting from being a programme delivery organisation to one whose primary purpose is to operate and deliver these services effectively and cost-efficiently at scale. These projects were focused on enhancing and building the internal capabilities of DCC to support the transition from an organization focused purely on programme delivery, to one which is able to successfully scale up its activities and focus on maintaining a quality service for customers.

One practical example from RY2018/19 is the ongoing amendments and enhancements of the self service interface (SSI). A series of focussed 'sprints' have been undertaken which delivered material improvements in the SSI, enabling customers to resolve more issues themselves so that DCC staff can focus their attention on issues that genuinely need human intervention.

In addition, and as a by-product of this project, DCC Operations staff have built stronger relationships with, and a better understanding of, our customers. This joint working has been fundamental to developing processes that work efficiently in the real world, rather than the idealised solutions that paper based statements of requirements often lead to.

Whilst the foundations for many of these operational services have been laid in previous years, the rollout has given us the first real opportunity to both prove and 'stress-test' them. The focus in RY2018/19 has been to work with customers to ensure these services are stable and that all parties can have confidence in them. DCC has also worked with customers to identify which elements of the enduring service need further investment and which elements need to be optimised now, for example through Customer Journey Mapping.

To support the complexity, pace and scale of operational service delivery, DCC has brought specialist operations expertise into the organisation. These capabilities were not considered when DCC's original business model was defined in the SEC but are fundamental if the organisation is going to support its customers to deliver on their smart metering obligations.

One such example is the Technical Operations Centre (TOC) which provides the capability to visualise and understand the performance of the end-to-end service in a way which was not previously possible. This is proving to be an important tool for anticipating issues before they manifest themselves in a degradation of service.

Whilst there was initially some scepticism amongst customers as to the value of the TOC, the benefits it delivers are now universally recognised and many customers are now looking at how the information generated via the TOC can be integrated into their own systems and processes to better understand their own performance.

It is not only our customer operation functions where DCC is having to consider whether the original vision for the organisation is truly sustainable and fit for purpose for delivering and maintaining a highly secure national infrastructure. Two other projects that were initiated during RY2018/19 are the redevelopment of the Order Management System and the implementation of a new Charging and Reconciliation System.

In both cases, these new systems will replace interim solutions which were developed early in DCC's existence. These were built to meet the requirements as laid out in the SEC. However, it is now evident that they do not provide a sustainable long-term solution, either due to their scalability or the fact that everyone's understanding of what is really required has evolved but the interim solutions cannot be adapted.

The Operations cost centre has, as a result, increased in cost sizeably from the original LABP. The increase has been in recognition of the changing and maturing needs of customers. However, it is important to recognise that the increase in cost within operations has the benefit of reducing operational costs for our customers. Whilst all SEC parties would need to increase their spend to install at scale, DCC's investment in staff and processes to make installation easier has the benefit of creating economies of scale for cost avoidance across industry. The improvements in DCC's operational service and the good relationships it has with its FSPs have led to positive achievements against the Operational Performance Regime.

2.2.5 DCC – charting a bright future

A feature of past Price Control submissions has been a document describing "New Services". This was primarily fed from the Licence required Development Plan. In many ways, this has chronicled the evolution of the Smart Metering Programme as those new services have subsequently become enhancements to the DCC infrastructure, such as the work to enrol SMETS1 meters, the development of the dual-band communications hub and the development of a solution to achieve faster and more reliable switching.

There was a decisive shift in RY2017/18 with the introduction of the Switching Programme which brought a different client to DCC, Ofgem, and a new set of rules in the form of the Retail Energy Code and a custom framework of economic regulation. This marked the expansion of DCC's role – as well as delivering the Smart Metering Implementation Programme, DCC is now also supporting the wider transformation of the retail energy market.

DCC's role in this space is expected to grow with a programme of work to support delivery of domestic half-hourly settlement and potentially a further programme on electric vehicle charging in the longer term.

In RY20018/19, DCC also initiated new projects to deliver a range of system enhancements required by the DNOs and an enduring change of supply (ECOS) functionality.

DCC hopes that its track record of delivery and its commitment to continuous improvement mean that both Government and Ofgem will continue to choose DCC as their preferred partner in taking forward important initiatives such as these.

However, it is not only the prospect of further mandated programmes of work which will dictate the future of DCC. With the delivery of an operational smart metering infrastructure and the maturing of the organisation, the opportunity has arisen to start to consider some of the additional obligations in the DCC Licence, in relation to facilitating competition in the energy market, identifying opportunities for reuse of the DCC platform and generating new revenue streams for our customers.

Some of this has been driven by necessity, as the requirement under the SEC to support Elective Services was activated. However, we know from discussions with customers and prospective innovation partners that there is considerable interest in how the DCC infrastructure might play a role in delivering new services into the energy sector, but also in other markets.

DCC has already received a significant number of direct enquiries from a range of external parties eager to understand more about the capabilities of the DCC system and how they might be able to take advantage of it. These parties range from academia to innovation focussed entities, such as catapults, as well as large service companies who think the DCC system could deliver a specific capability within a proposition they wish to make to their customers.
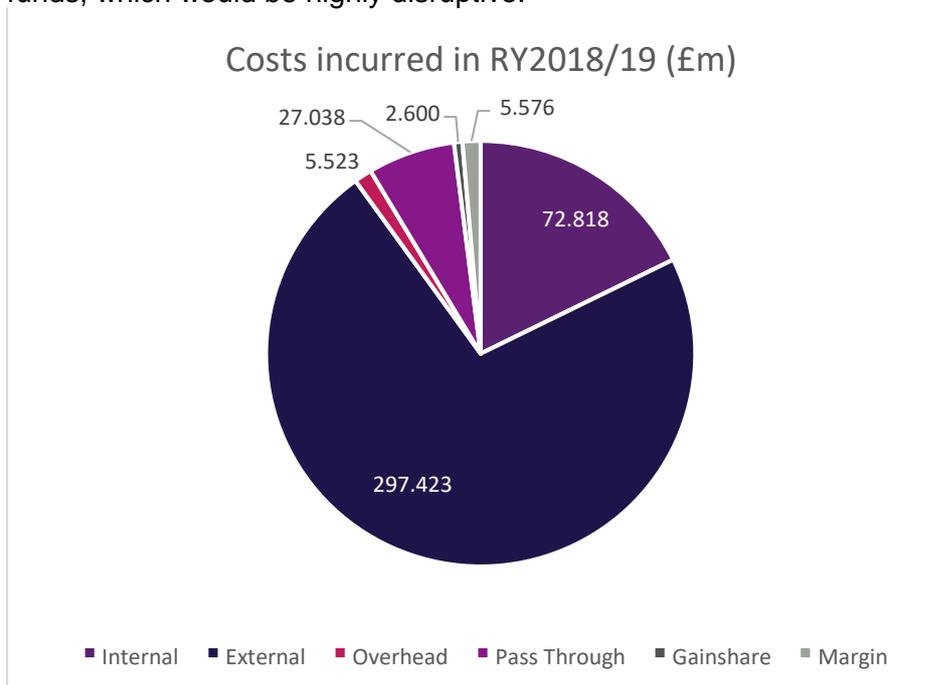
However, delivering on the potential for innovation and new services is not just about blue-sky thinking. Working with and servicing third parties in a professional manner so as to deliver extra revenue and a return to our core customers, will require DCC to develop new process and systems, and adopt some different ways of working. DCC will need to consider its future charging strategy and what is the interaction between DCC's regulated/mandated activity and its commercial business.

DCC is taking a prudent and considered approach to innovation and new services, always mindful of the need to concentrate on delivering our core obligations in respect of smart metering. A small team has been assembled with expertise in product development and management to engage with the market and develop a proposal for DCC's approach to delivering innovation and value-added services in the medium to long term.

DCC will work through these questions with customers during RY2019/20 to articulate the target operating model that will be required and then in developing the more detailed policies, processes and systems that will need to be adopted to facilitate innovation at scale. It is anticipated that this topic will take up a considerably larger share of future Price Control submissions.
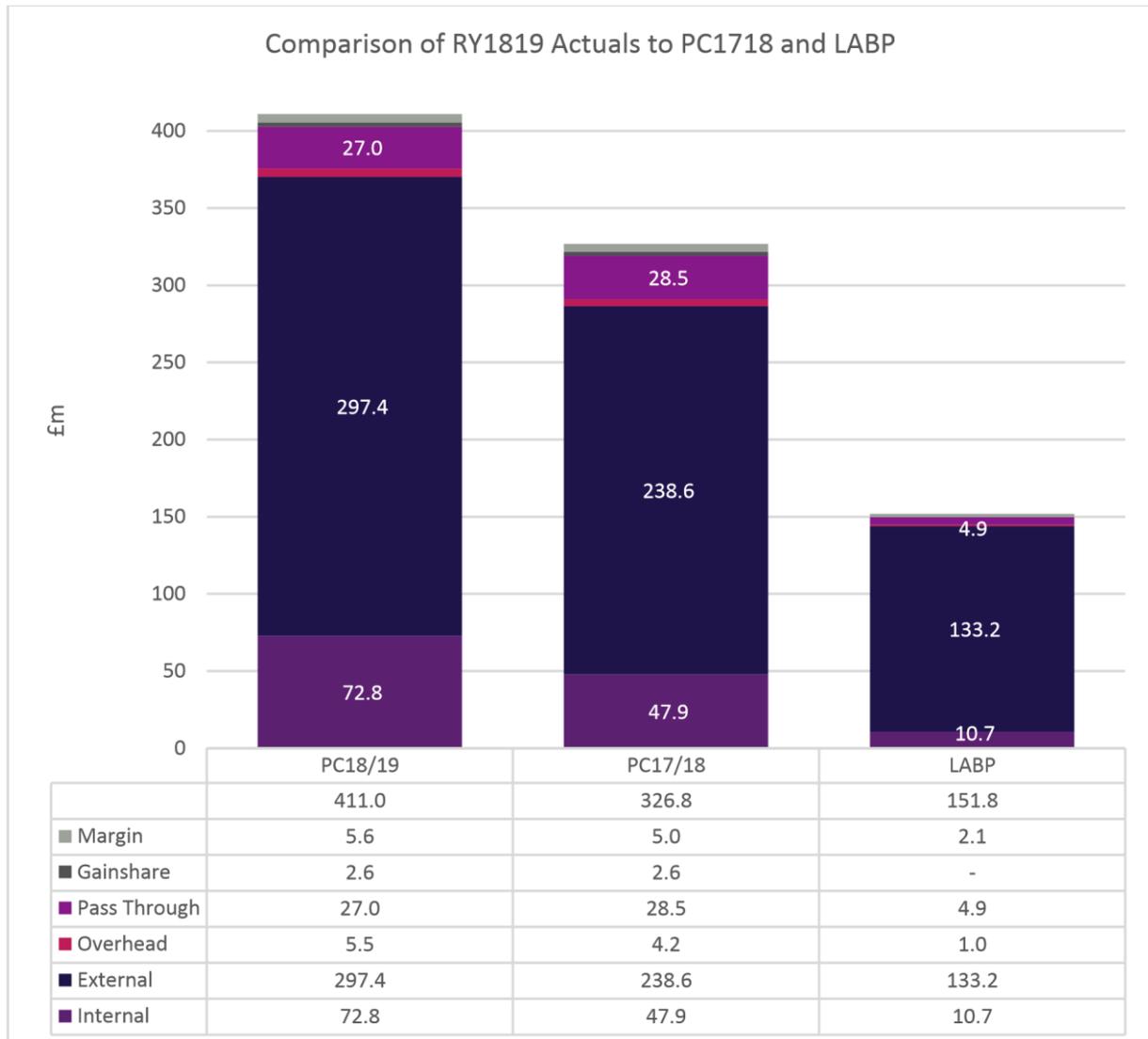
3   Financial summary

Revenue is lower than costs incurred due to the accelerated return of cost savings of £14m to customers. This is the second year DCC has returned savings (nearly £23m in the prior year) and it has been extremely well received by customers. DCC has spent £6.0m less than the charging statement costs forecast. DCC ensures that it always works within this envelope so as to avoid the need to go out to customers mid-way through the regulatory year for additional funds, which would be highly disruptive.

Costs incurred in RY2018/19 (£m)

27.038   2.600   5.576
5.523
72.818
297.423

■ Internal   ■ External   ■ Overhead   ■ Pass Through   ■ Gainshare   ■ Margin

Costs incurred in RY201819

The chart below compares the costs incurred in RY2018/19 to the costs incurred in RY2017/18 and the original cost forecasts in the Licence Application Business Plan.

Comparison of RY1819 Actuals to PC1718 and LABP

	PC18/19	PC17/18	LABP
	411.0	326.8	151.8
■ Margin	5.6	5.0	2.1
■ Gainshare	2.6	2.6	-
■ Pass Through	27.0	28.5	4.9
■ Overhead	5.5	4.2	1.0
■ External	297.4	238.6	133.2
■ Internal	72.8	47.9	10.7

Comparison of RY201819 actuals to prior year forecast and LABP

DCC's internal costs in RY2018/19 were £24.9m higher than forecast last year. This increase in costs was predominantly driven by the following activities where forecasts were not included last year either due to uncertainty of values or uncertainty around the detail of the activity:

- Centralised registration service costs of £5.2m
- Accommodation and IT costs relating to the new office and development of an industry wide test lab facility (Brabazon House) of £5.6m
- Change requests for BIMI to ensure that DCC remains compliant with its regulatory reporting requirements of £2.0m
- Additional costs of consultancies and external partners of £6.8m to support projects such as SMETS1 delivery, Device Integration Testing and Business Support Systems.
- Change requests to develop the capability of the Service Desk in response to demand from customers of £0.9m

External costs in RY2018/19 were £24.9m higher than forecast last year. This increase was driven by the inclusion of costs for SMETS1 External providers. Five SMETS1 Service providers were contracted

in the year and had costs in RY2018/19 of . These were not forecast last year due to uncertainty of contract values at the time.

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

£m	19/20	20/21	21/22	22/23	23/24	24/25	25/26	Total
PC18/19	441.1	538.0	516.4	478.9	475.4	472.8	205.5	3,128.1
PC17/18	372.7	399.4	355.2	327.7	327.2	318.8	119.4	2,220.4

**Total cost forecast for remainder of the Licence**

These forecast costs have increased since last year's price control submission and the original Licence Application Business Plan due to inclusion of forecasts for the Centralised Registration Service needed to deliver the Switching programme and SMET1.

The chart below shows how the cost forecasts have changed over time. To be included, costs need to meet 'certainty criteria' so this should not be considered a definitive view on the expected overall expenditure.
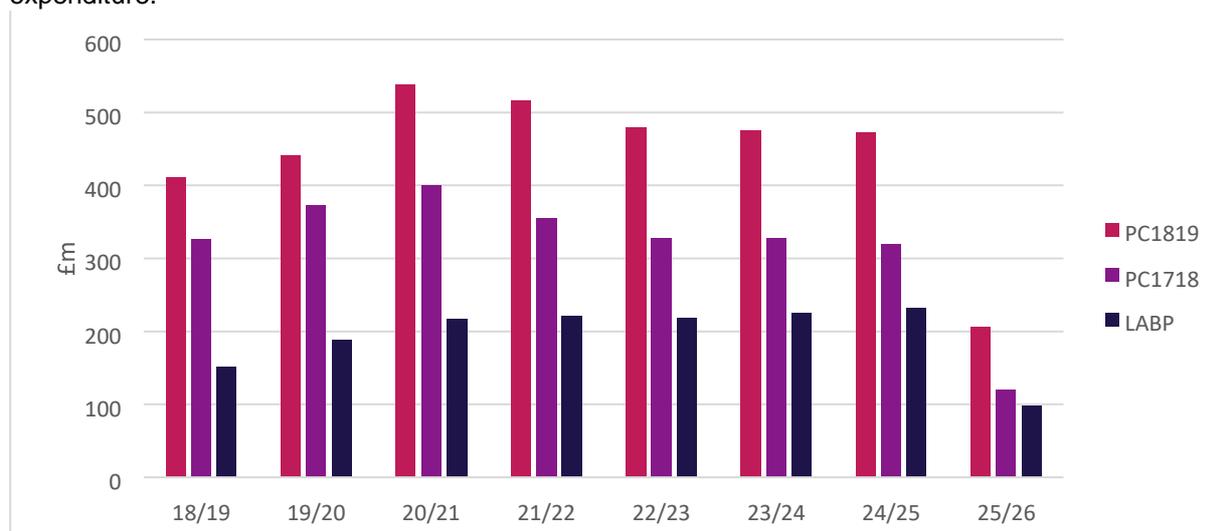
Comparison of forecast costs to prior year and LABP

Due to the certainty criteria that needs to be met for forecasts to be included in Price Control there is always a variance between the forecasts presented in Price Control and the forecasts included in the Charging Statement and Indicative Budgets. The chart below shows the comparison of the Price Control forecasts to the latest published Charging Statement and Indicative Budgets, highlighting the variance due to cost uncertainty. Please note External costs and Pass-through presented in the graph below exclude explicit costs and only represent comparative values to fixed charges in the charging statement. The Charging statement and Indicative Budget values exclude correction factor.
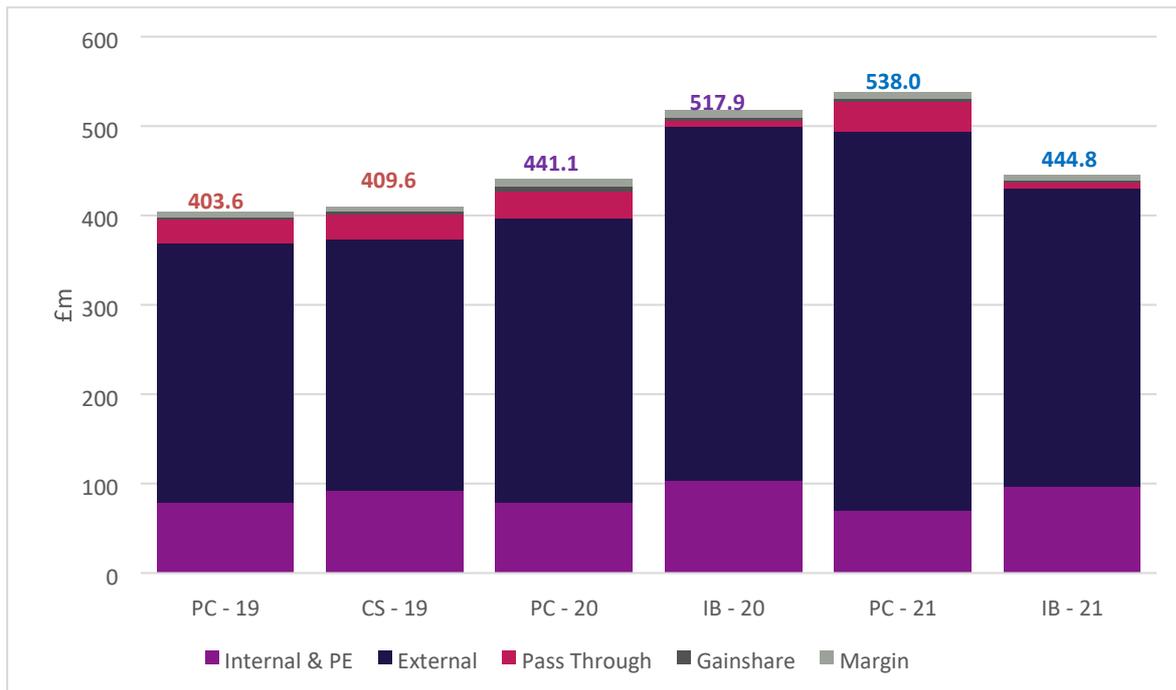
Comparison of Price Control to Charging Statement and Indicative Budgets