Data Communications Company

DCC Final Business Plan

November 2026-March 2028

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CEO Foreword

I am delighted to present the Data Communications Company's (DCC) business plan for the period from November 2026-March 2028. This is our first business plan under Ofgem's ex ante framework, providing clarity to our customers and stakeholders on how we plan to deliver on their priorities and ensure a smart metering network that delivers value for money.

Great Britain is currently undergoing a profound change to the energy system as the Government aims to deliver clean power by 2030. Much of the change we have seen to date has been in generation, shifting to cleaner, homegrown and more secure sources of power. Yet, as the National Energy System Operator (NESO) has highlighted, consumer-led flexibility, enabled by data and digitalisation will need to play a critical role if we are to reach this target cost effectively.

Smart meters will play a vital role in this evolving energy ecosystem, empowering consumers with information to adapt their consumption, taking advantage of differentiated time of use tariffs and domestic low carbon technologies. They will also deliver important data insights to energy suppliers, network operators and other energy system stakeholders, supporting a more flexible and digitised energy system.

As we undergo this transformation, we must also address the challenge faced by far too many in affording the energy that powers and heats their homes. Here too, smart meters play a vital role in ensuring the most vulnerable in our society can understand and access energy. The DCC network is now operating at scale (with over 37 million smart meters already connected to the network) and there is potential to do much more using smart meter data to protect those in fuel poverty and ensure a fair and just transition.

When I joined the DCC in March 2025, I was convinced of the positive role the smart metering network can play as we look to move to cleaner, more secure, and affordable energy provision. As we close 2025, I am more convinced than ever of this and energised by the further possibilities to deliver wider public benefit if we can harness the potential offered by smart meter data.

To do so, we must first collectively address the challenges provided by legacy technology.

- Smart meter penetration has now reached over 70% but the Government has set a clear ambition to complete the domestic roll out by the end of 2030.
- There are still too many smart meters that don't provide the functionality consumers expected when they agreed to have one installed.
- We need to adapt to technological changes such as 2G and 3G sunsetting and changes to the cyber threat environment to future proof the services we deliver.
- We need to drive increasing value for money in the running of the network.

Customer-centric and consumer-conscious

Over the course of 2025, I have sought to listen and learn from customers and stakeholders from across the sector, to understand how DCC can support and enable their products and

services. More broadly, we have engaged with customers on service priorities, plans and associated costs as we prepared this business plan in a way that we have never done before. We plan to sustain that engagement, so we continue to learn from feedback and reflect customer priorities into our business planning.

Although headline performance remains strong, with customer availability over 98.6% this year, some of the key messages I heard from customers include the need for improvements around network coverage and non-communicating devices – ensuring consumers get connected and then stay connected.

This will become particularly important as Guaranteed Standards of Performance (GSOP) take effect, energy suppliers seek to both complete the rollout and begin significant swap out of legacy devices, and ultimately as more consumers depend on reliable, secure, and cost efficient data to power smart enabled products and services. Achieving this will require collaboration across industry, and we are committed to playing our part in delivering on this.

Value for money

At a time when energy affordability is the most pressing challenge facing consumers and the wider sector, we are resolutely focused on delivering value for money.

We have taken action internally to drive down our internal costs wherever possible. We are focused on ensuring we have the right internal structures and capabilities to meet current and future customer needs. As clearly outlined in our planning assumptions, we intend to deliver on these with a leaner, more efficient organisation.

The majority of DCC's costs are delivered through our external service providers, and we are actively working to drive value for money through our procurement and contract extension activity wherever possible. Operationally, we continue to explore opportunities to use the network more efficiently to ensure we only pay for what we need.

Yet, I recognise that we are at a moment of significant investment in the network. As we reach the end of life for legacy technologies, the cost to maintain these increases at the same time as we are investing in the required upgrades to deliver a more flexible, scalable network.

That means that through the course of our first ex ante plan, we will be running four communication technologies, while also preparing to move from one Data Service Provider (DSP) system to another. Early evaluation of 4G communication hubs has demonstrated not only a performance improvement, but significant per meter savings, and the enhanced design of the new DSP is expected to not only bring greater flexibility, stability and security but once fully migrated, will represent a significant cost saving for our customers.

As a central delivery body, we recognise that part of the broader benefits case includes DCC acting as a vehicle through which wider industry costs are discharged, both through direct passthrough costs (e.g. Alternative Home Area Network, Comms Hubs orders) and through decisions taken in the context of wider smart metering cost-benefits. All of us at DCC are committed to delivering value for money where we can and working with our customers to ensure greater understanding on what makes up DCC costs and where there may be opportunities to drive faster cost efficiencies.

Delivering a seamless transition

The move to ex ante is one of several changes Ofgem is introducing as we move to not-for-profit arrangements under new ownership, and this business plan marks a significant milestone. While the final ownership structure is still being determined, we are clear on the need for DCC to maintain its focus on the quality of service it delivers.

The move to an ex ante framework is one DCC wholeheartedly welcomes. While a new process for us, and one that inevitably provides learnings, it presents an opportunity to demonstrate our commitment to engaging with customers to address their priorities, to provide upfront clarity around our plans, and to set out the measures we are taking to ensure our outputs are delivered cost efficiently.

I am grateful to all our customers and stakeholders who have engaged with the DCC team to develop this business plan. In particular, I would like to extend my personal thanks to Mark Bygraves, Chair of the Customer Challenge Group (CCG), and the rest of the CCG members whose constructive challenge and external perspective has been of significant value in a relatively short period of time.

Our aim from the outset was to build a plan that reflects customer needs within the context of an evolving energy system. One where the consumer is empowered to manage their energy based on the smart products and services provided by our customers. I am confident this plan achieves this, and look forward to continued engagement and feedback.

Chris Lovatt

CEO

19 December 2025

1. Executive Summary

Introduction

DCC's first ex ante business plan plays a vital role in connecting DCC's strategic intent with how it intends to deliver for consumers and customers. It provides a clear framework for service delivery as DCC2 takes on the smart metering licence and navigates an important period of transition.

This Executive Summary provides a strategic overview of the overall business plan and outlines how we have structured it to provide clarity to our stakeholders on how we intend to fulfil DCC's licence obligations.

We set out the factors shaping DCC's operating environment, our focus on meeting consumer needs and how we are addressing the requirements of our customers. We describe the new service family structure we have put in place to support strategic planning and outline how we will manage the portfolio of important changes required in this business plan period. We set out how we will organise to deliver effectively and how we are demonstrating value for money. We provide a summary of the allowances required for DCC to operate efficiently and the financial management steps we will take to sustain financial resilience and mitigate bill impacts for consumers. We demonstrate how we will manage risks to the effective operation of the business and how we intend to measure successful delivery of our commitments in the plan.

Finally, we cover the important impact of our engagement with the CCG, and our Recused Board[1] provides an assurance statement that this is a business plan that demonstrates ambition, a focus on customer interest and is both accurate and efficient.

1.1. Strategic overview

Our intent and priorities for the period November 2026 to March 2028 are simple but ambitious: keep the network dependable and secure, reduce avoidable cost for bill payers, and use data and digital capability to unlock consumer and system benefits while preparing for the decisions and transitions that lie ahead for the smart metering system.

An evolving energy system

Clean Power by 2030 remains a national priority. The transition to a cleaner energy system requires continued expansion and investment in domestic renewable energy generation, transmission, and distribution. Once in place, it will mitigate our dependence on foreign fossil fuels which leave the UK exposed to volatility in global gas markets. Nationally, between £37-50bn of investment in the distribution

> *This is our plan: pursuing clean power by 2030 and bringing the benefits to families as quickly as possible to help with the pressures of affordability that so many face.*
>
> **Rt Hon Ed Miliband MP, Secretary of State for Energy Security and Net Zero**
> October 2025

[1] Recused Board: The Board, excluding Capita-related members. In line with DCC's Business Handover Plan (which includes a Conflict-Of-Interest Strategy), discussions on the Ex Ante Business Plan need to take place at the Recused Board (excluding Capita from being part of any discussion on cost and resources beyond the Business Transfer Date).

network could be needed to support additional demand and generation between today and 2050.[2]

Yet the transition to a clean power system cannot come at any cost. Households across the country are struggling to afford sustained high energy bills, with forecasts indicating these will remain significantly above 'pre crisis' levels over the medium term.[3] If we are to transition at pace, cost efficiently, and in a manner that retains public support, we will need to be smarter at both the household and system level.

Smart data-enabled products and services are already empowering households to reduce their energy bills. The original estimates of a 2-3% reduction in energy usage through engagement with smart meter data have been proven correct with the network now operating at scale.[4] Smart meters are enabling households to take advantage of domestic low carbon technologies and access the most innovative and appropriate tariffs. They provide the platform for greater adoption of consumer-led flexibility that reduces consumer bills and avoids unnecessary investment in generation, transmission, and distribution infrastructure.

But more can be achieved and a 2023 report by Cornwall Insight forecast that smart-enabled household flexibility would save the country £4.6bn in 2030, with annual savings for consumers of £115. Without this flexibility, the UK would need to build the equivalent of four new gas-fired power stations in 2030 to meet peak demand, at a cost of more than £2.5bn and with the associated carbon emissions.[5] The National Infrastructure Commission has also estimated that maximising consumer-led flexibility could reduce the amount of investment required in the distribution network by around 15%.[6]

> *The smart metering network already plays an important role in our energy system, and its importance will only grow as the system changes to, and beyond, 2030.*
>
> **National Energy System Operator**
> Sector Digitalisation Plan 2025

A smarter energy system should also enable a fairer one. The cost of energy means 43% of UK households are struggling with energy bills, with almost five million spending more than 20% of income on energy.[7] Energy debt is at record highs, standing at £4.4bn according to Ofgem's June 2025 figures.[8] Cold, damp and under heated homes have a significant impact on consumers' mental and physical health. These challenges create wide-ranging consequences for the broader energy system, placing pressure on energy suppliers as they seek to recover rising levels of bad debt and manage a growing set of policy interventions designed to identify and support fuel poor households. Suppliers and Distribution Network Operators (DNOs) are also managing an expanding Priority Services Register, and the costs of these activities ultimately feed through to consumer bills.

[2] Electricity-distribution-networks-report
[3] Gas and electricity prices during the 'energy crisis' and beyond - House of Commons Library
[4] committees.parliament.uk/oralevidence/16535/pdf/
[5] the-power-of-flex-rewarding-smarter-energy-usage-1-64ee8489.pdf
[6] Government Response to the NIC's Study 'Electricity distribution networks: Creating capacity for the Future'
[7] Fuel poverty statistics show 12m UK households struggling with energy costs
[8] Debt and arrears indicators | Ofgem

Playing our part

Smart metering, and the data generated, has a central role to play in enabling a cleaner, smarter and fairer energy system. DCC, in conjunction with our customers and wider industry has made significant strides in operating a network that can meet this need.

Both the smart metering and switching services are highly performing and are delivering the reliable, secure performance expected. We are making tangible changes for individual customers, helping them to optimise their use of the network with insight and best practice – reducing the rate of failed installs and network retries and saving our customers time and back-office costs.

> *The smart metering network already plays an important role in our energy system, and its importance will only grow as the system changes to, and beyond, 2030.*
>
> **National Energy System Operator**
> Sector Digitalisation Plan 2025

As we look ahead to the late 2020s and 2030s, we are determined to continue to build on this. As a central delivery body, operating not-for-profit in pursuit of our national purpose, we will:

1. Make our service as widely, reliably and consistently available as possible, ensuring consumers across the country can benefit from our customers' smart-enabled products, services and decision making.
2. Take proactive action and facilitate transparent choices to drive down the cost of smart metering, helping to play our part in addressing the energy affordability challenge.
3. Support industry and Government to maximise the benefit of a unique national asset by exploring how the smart metering system and smart meter data can cost-effectively accelerate national imperatives.

Services that deliver for our customers and their consumers

Through the development of this plan, and more broadly as part of our business-as-usual activities, we have listened to the needs of our customers. This is a plan built around the services we offer to our customers, recognising that the success, and challenges, associated with these have real and tangible impacts on consumers.

We recognise the importance our customers place on being able to 'get connected' at the first time of asking. Not only is this critical to helping suppliers to meet their roll out plans for new premises and as they begin mass swap out of legacy devices, but it is also fundamental to driving the best possible consumer experience and operational efficiency. We are acting to ensure our connectivity services can meet this need:

- We are scaling and enhancing our 4G service, which has already demonstrated material improvements in both installer experience and ongoing system performance. This is the future of smart metering connectivity, and we are resolutely focused on doing all we can to ensure early successes are built on and that the pace of progress is maintained.
- We have extended our key SMETS1 contracts to 2033 to provide maximum time for physical swap out, but we have made sure to include break clauses that provide sufficient flexibility for a more coordinated and cost-efficient approach such as cohort-by-cohort activity.

- Similarly, for SMETS2 we are extending our 2G service [redacted] to allow time for migration across the Central and South regions, mirroring the flexibility provided for SMETS1. In the North, ongoing negotiations on Long Range Radio (LRR) aim to maintain the service well beyond 2033, easing pressure on constrained engineering workforces and maximising the life of installed assets.
- Finally, we're a launching Virtual Wide Area Network (VWAN) solution at scale from October 2026, expanding coverage into traditionally hard to reach locations so even some of the most challenging geographies can benefit from smart-enabled services.

> *Using smart meter data, we have implemented critical automations in the network, such as speeding up network maintenance through automatic fault reporting, ensuring successful repairs by using smart meter pings to confirm fixes on the first engineering visit and improving customer service with access to smart meter data in the call centre.*
>
> **UK Power Networks**

For consumers to realise the benefits of smart meters and for all our customers to build new products and services while realising back-office efficiencies, they need to be confident meters will 'stay connected', providing reliable, secure, and accurate energy data when they need it. While network performance remains strong, we will become even more proactive in our monitoring of the network and assurance of performance:

- As GSOP come into effect, we are working to understand the impact this will have on energy suppliers. We are committed to ever closer collaboration. By clarifying accountabilities across all involved, improving our diagnostic capability and enhancing our Wide Area Network (WAN) assurance to more precisely pinpoint issues, we will play our part in reducing the Mean Time to Resolve (MTTR), supporting faster and more effective resolutions.
- A fundamental objective is to protect and preserve the end-to-end security trust model that is unique to the GB Smart Meter system, ensuring robust defence against current and emerging threats. Alongside immediate vigilance, we are advancing quantum readiness and maintaining compliance with evolving regulatory standards to safeguard the integrity and resilience of the smart metering ecosystem.

> *Customers who do have an operating smart meter, we see that they are less likely to be in debt and their bills are more accurate. Most important is the type of propositions that we can offer them. I talked earlier about shifting your energy consumption to lower price points during the day. That relies on you having a smart meter.*
>
> **Chris Norbury, E.ON CEO**
> October 2025

- Maintaining our excellent switching service remains a key priority, underpinning consumer confidence in the retail energy market and enabling easy access to the most appropriate services on offer. As we consider future commercial options, we are committed to maintaining our outstanding performance – a 100% switching success rate - while driving further value for money from the service.
- As we look ahead to future technology choices, we will continue to collaborate with our customers to enable a more cost efficient and consumer-friendly design. For example, we are exploring how we can increase comms hub asset lives beyond 15 years and how we might enable quicker and easier installations.

We know the experience of using the smart metering network has been for too long, too complex and too clunky in an era of modern architecture. We are upgrading the core network and our back-office systems, processes, and culture to drive a step change in customer experience:

- We have already made significant strides to overhaul our onboarding process, making it simpler and swifter to become a DCC customer. We will build on this, delivering incremental enhancements so more organisations can take advantage of the services we offer.
- The new DSP will continue through its Design, Build and Test (DBT) phase. Ultimately, this will reduce downtime ensuring greater reliability in our service, enable self-serve data access helping to transform the ease and speed of interacting with the network, all while reducing the time and cost of change.

> *In the vast majority of cases where consumers have one, those smart meters work very well and provide very accurate billing. It helps us in industry be more efficient.*
>
> **David Buttress, former OVO CEO**
> October 2025

- Finally, we are augmenting our technology upgrades with new processes and policies to deliver a more customer-centric experience, with a renewed focus on customer satisfaction and tangible insight to drive, and be held accountable for, meaningful change.

Access to smart meter data is already critical to the development of consumer-centric products and services. But to help meet Clean Power 2030, we need to go further to make the full spectrum of smart meter data more widely available, supporting current and new customers in support of new use cases:

- In line with direction from Ofgem, DCC expects to adopt Energy Data Best Practice (EDBP) Guidance, helping drive interoperability and consistency across industry data sets and providing the opportunity to open access to a wider array of system data, which has already demonstrated significant potential to contribute to tackling a range of challenges including fuel poverty, energy efficiency retrofit and broader net zero engagement.
- We are proposing a limited amount of ring-fenced funding to support agreed policy priorities and innovation projects which are designed to further explore and accelerate understanding of how smart meter can support vulnerable customers with challenges such as energy efficiency.

> *Smart meter data can also support social energy programs. If we know how vulnerable households use energy, we can help councils, housing groups, and policymakers better design things like social tariffs – ensuring help is directed to where it's most needed.*
>
> **Chameleon Technology**
> May 2025

- Finally, while we do not yet have the mandate to deliver a smart meter energy data repository, we remain of the view it has the potential to both democratise access to smart meter data for hundreds of organisations supporting multiple use cases, while also driving greater efficiency in use of the core network and offering the potential to materially reduce costs for current customers.

Evolving our capabilities to deliver these services

By March 2026, our organisation will have shifted its delivery model significantly compared to only a couple of years prior. Spending on professional services will have reduced from around

£28m to around £6m, with contractor numbers falling by over 75% by March 2026 compared to two years earlier.

Yet we know that we will need to continue reshaping and evolving our operating model if we are to deliver the outcomes our customers need. Around 70% of our Full Time Equivalent (FTE) employees are focused on operational delivery, with the significant level of change activity driving headcount into the business.[9] [redacted] As with other licenced entities, DCC today meets the needs of multiple code governance requirements, licence requirements, and broader sector engagement. We will continue our shift to more proactive, long term strategic planning, ensuring that we align our activities and outcomes with customer needs, and drive better value for money for consumers.

For example, by looking at the products and services we manage holistically in service families, we are better able to manage the relationship between current operational capabilities and the future changes needed. The roadmaps that sit under each of these services provide a coherent framework for engagement, strengthen transparency on future changes, and enable an understanding of the likely cost implications.

Our procurement activities continue to mature, increasingly aligning to best-in-class standards across both the public and private sector, with the adoption of Preferred Supplier Lists [redacted] helping to inject renewed competition into each stage of the process while we leverage further benchmarking to assure the outcomes we deliver are realising value for money for consumers.

Driving value for money for energy billpayers

The Secretary of State has been clear that his number one priority is to tackle the energy 'affordability crisis' facing consumers across the country. While energy prices have fallen since the summer of 2023, they remain above pre-crisis levels, and with limited prospect of reducing significantly over the medium term.[10]

As a unique national asset paid for by energy billpayers and operating not-for-profit from November 2026, we are committed to continuing to deliver value for money.

We have already made important progress, and we expect to reduce internal costs by £10m between RY24/25 and RY25/26. We have closed one of our offices, significantly reduced contractor headcount and external services use, and publicly committed to delivering £30m of enduring efficiencies over the course of the current financial year (RY25/26).[11] This does not include the cost avoidance savings delivered through our procurement and contract management strategies, at a macro level and on a contract-by-contract basis. We will continue to proactively seek opportunities to deliver material savings across our contract landscape.

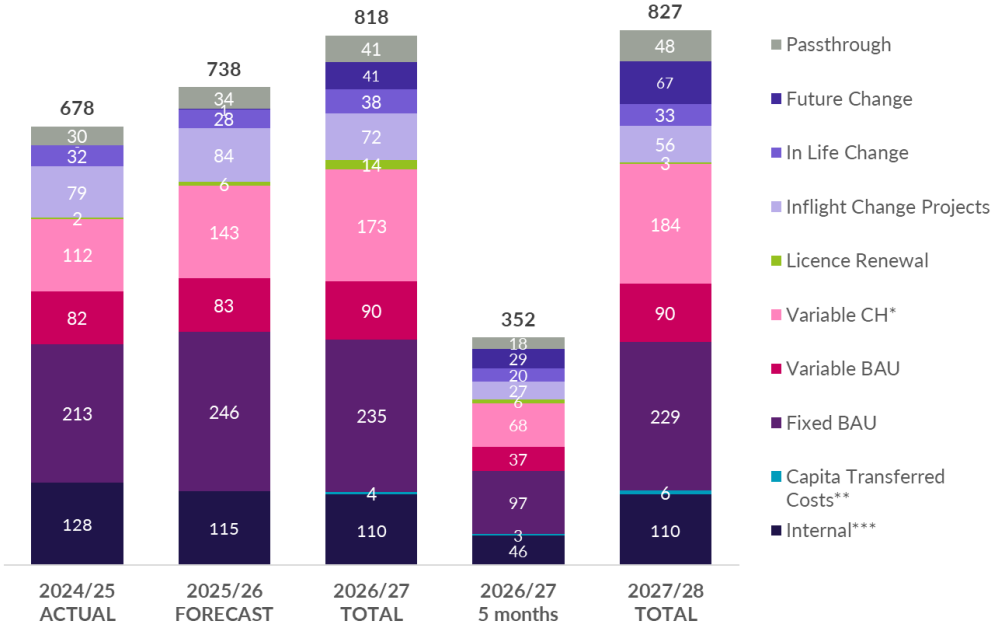
[9] Includes business operations, contract management, technology, lifecycle management, operations, service delivery and security teams
[10] Gas and electricity prices during the 'energy crisis' and beyond - House of Commons Library
[11] DCC cuts 100 roles as part of £30m efficiency drive - Utility Week

In this business plan, we are committing to go further. [redacted]

We will also continue to reduce external consultancy spend, delivering year-on-year savings on internal costs.

Included in FY26/27 and FY27/28 are the enduring costs of running new Finance and HR systems due to the separation of DCC1 (£2.5m and £6m respectively). Therefore, underlying internal costs remain flat across FY26/27 and FY27/28 at £109m with efficiencies offsetting inflationary increases as indicated in figure 1.A below.

Figure 1.A: Cost profile for prior year, current forecast and business plan period (£m)



(*) Comms Hub Charges are the variable costs reflecting orders placed by suppliers for communication hubs and represent 25% of external costs. As a result, DCC has very limited control over the costs incurred, albeit it has established financing arrangements to smooth the profile of charges to customers, and in turn consumers.
(**) Capita Transferred Costs relate to the enduring internal operational run costs required for standalone Finance and HR systems, previously provided by Capita and recharged through Overhead and Margin.
(***) Internal costs as shown in table 1.1 include both Licence Renewal costs and Capita transferred costs

Costs associated with legacy technology, the complexity inherent in running four connectivity networks, and the volume of change required to upgrade and modernise the infrastructure mean higher costs of change in the business plan period.

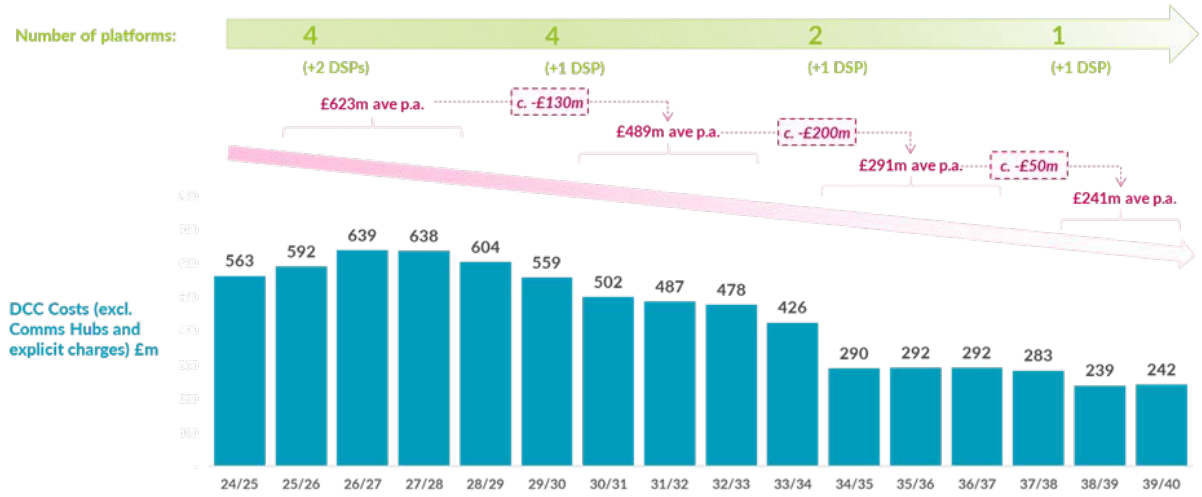
The transition to 4G-based communication services is key to unlocking a more cost-effective approach. Our legacy technologies represent 43% of DCC's total cost base with SMETS1 accounting for £145m (12%) and SMETS2 2G and SMETS2 LRR accounting for a further £369m (31%). It is critical we collaborate with our customers to plan effectively for the end of life of these technologies, working together to deliver the most cost-efficient outcome for consumers.

The transition to a modern DSP2.0 solution accounts for a significant proportion of change costs in the business plan period, with parallel costs to set up DSP2.0 at the same time as running DSP1.0. The build, test and migration of the core smart metering platform to a modernised, more agile model will deliver significant cost savings over time, around [redacted] once migration completes.

Industry demand will determine the scale of cost associated with Communications Hubs. We expect this to continue to grow as industry rolls out 4G Communication Hubs to new premises and begins a significant period of swapping out legacy devices.

It is clear though that the service transition strategies we are implementing now will deliver a step change in the cost profile through the late 2020s and 2030s and ensure sustained value for money (see Figure 1.B below). By the end of 2028 the transition to DSP2.0 will be complete with clear associated cost benefits and we will move from operating four communication platforms to [redacted] one by [redacted]. These service transitions, combined with a continued focus on driving efficiency through our future procurements, provide the opportunity to deliver sustained reductions in the costs of our services between FY26/27 and FY39/40, including a reduction of over £130m from FY26/27 to FY30/31, and a further c.£200m by FY34/35, with additional savings expected beyond this.

Figure 1.B: Indicative cost profile following simplification of connectivity services[12]



We recognise the cost impact of the level of change being delivered now, but this investment is essential to streamlining costs in the future. We will continue to collaborate with customers to optimise the realisation of benefits, including where we can go further and faster. This may include opportunities to retire services earlier than planned, it may mean that we collectively decide not to progress with certain change activities, or it may be that the proposed performance Service Level Agreements (SLA) are not commensurate with the costs, requiring collective agreement on what 'good value' looks like.

For example, an accelerated swap out of SMETS1, undertaken by cohort, offers significant opportunity to reduce the DCC cost base ahead of 2033. However, we recognise that DCC costs form only one part of the consideration for our customers, with other factors such as asset life also important.

DCC is committed to enabling and facilitating early and proactive engagement on options and associated costs ahead of formally committing to significant change programmes. Our forthcoming requirement to produce a Business Strategy and Technology Roadmap (BSTR)

[12] Note: Numbers included in this chart are indicative based on current assumptions and commercial discussions. This does not include the cost of Communications Hubs.

As a central delivery body, we recognise that part of the broader benefits case includes DCC acting as a vehicle through which wider industry costs are discharged, both through direct passthrough costs (e.g. Alt HAN, Comms Hubs orders) and through decisions taken in the context of wider smart metering cost benefit analysis (e.g. contract extensions, architectural design). It is therefore critical that we work closely with industry colleagues to explain options and the associated costs so together we drive best value across the energy system as a whole.

Enabling a cleaner, smarter, fairer energy system

As a central delivery body, operating as a not-for-profit and funded by energy billpayers, we are committed to playing our part in enabling a cleaner, smarter, fairer energy system.

We will play our part by enabling energy suppliers to connect smart meters at the first time of asking and then ensuring they stay connected, and by ensuring all our customers can confidently build compelling, smart-enabled products and services for consumers and small businesses.

We want to help enable the widest access to the broadest range of smart meter data, helping current customers and new organisations from across the public, private and third sectors to leverage a unique and dynamic data set, while also offering opportunities to materially increase efficiency across both the smart metering ecosystem and wider energy system.

We will take proactive action to mitigate the impact of legacy technology choices on consumer bills in the short term, while providing a line of sight, and optionality, to a future in which smart metering costs materially less than it does today.

The end of the 2020's will be critical as we seek to meet our ambitious national mission. As NESO set out in their advice to Government, this will only be possible by working together across industry towards a shared vision[13]. This plan sets out how we intend to contribute over the period November 2026 to March 2028 and we look forward to collaborating with our customers and wider stakeholders in its delivery.

1.2. Strategic context

As already noted, Britain's energy system is undergoing rapid transformation as the Government pursues its Clean Power 2030 ambitions. Chapter 2 aims to put DCC's business in the context of the key external factors which are impacting our priorities and the implications for our plans. These drivers include affordability, the energy transition, digitalisation and data, regulatory reform, and technology and security. We describe why each of these matters and how they influence the decisions we make throughout this business plan period.

Affordability pressures

High energy costs and rising household debt make affordability the most pressing challenge for consumers. This matters to DCC because every pound spent on our services is ultimately funded by bill payers. We are acting to minimise that burden through cost-control measures, including a £30m efficiency target for FY25/26, and by improving how the network operates. Better diagnostics and WAN assurance reduce unnecessary engineer visits, while enhanced

[13] Clean Power 2030 | National Energy System Operator

fault management shortens resolution times, lowering costs for suppliers and networks and ultimately benefiting consumers.

Fuel poverty remains a critical issue, with millions of households struggling to afford adequate heating and electricity. Reflecting our commitment to unlock the benefits of data, we see significant potential for smart meter data to help address this challenge by identifying households most in need, enabling tailored support, and tracking the impact of interventions.

Energy transition

The shift to low carbon generation and the electrification of heat and transport is accelerating demand for flexibility. Government plans target a material increase in consumer-led flexibility to 2030, and NESO has indicated that higher smart meter penetration is needed to unlock domestic demand side response. DCC's role is to keep the network reliable and ready. Therefore, our operational choices focus on preserving reliable connectivity while enabling flexibility at scale. We are scaling 4G communications hubs, extending legacy SMETS1 and SMETS2 arrangements to maintain continuity as 2G services retire, and progressing LRR options in the North. Where cellular coverage remains challenging, we are enabling VWAN solutions to reach hard to connect premises. These actions support suppliers and networks to deliver flexible services that reduce costs and avoid unnecessary reinforcement.

Digitalisation

Rapid advances in data and connectivity are reshaping how the energy system operates. DCC will adopt EDBP Guidance and integrate with the Consumer Consent solution, so data access is consistent, secure and consumer controlled. We are exploring options to improve access to system data, including DCC becoming a network user for diagnostics, to identify root causes of non-communicating devices and support faster resolution. We will continue to work with industry on initiatives that use smart meter data responsibly to support decarbonisation, innovation and targeted consumer benefit.

Regulatory reform

Ofgem's review of DCC's licence introduces a not-for-profit model and ex ante cost controls from 1 November 2026, alongside wider governance and code reforms. We are preparing to operate under this framework while maintaining a clear focus on efficiency and consumer outcomes. In parallel, GSOPs will place stronger requirements on suppliers and tighten expectations on timely fault resolution. DCC is strengthening diagnostics and WAN assurance and will continue to engage through Smart Energy Code (SEC) governance, the CCG and established forums so that changes are implemented in a way that maintains service quality and protects consumers.

Technology and security

The retirement of 2G and 3G networks by 2033, together with evolving cyber threats, requires proactive investment to sustain nationwide connectivity and preserve the end to end trust model. We are planning the orderly transition from legacy services, scaling 4G with roaming and assurance, assessing the case for LRR requirements beyond 2028, and enabling VWAN where appropriate. We are also preparing to meet enhanced cyber threats through for post quantum readiness (PQR) and refreshing core security components so the smart metering ecosystem remains resilient, compliant and secure.

Planning for the future

We are horizon scanning and investing to ensure the network remains resilient, efficient and adaptable. Near term priorities are to lock in design integrity, scale 4G connectivity and deliver DSP2 to strengthen resilience and reduce the cost of change. Over the medium term, we will embed flexible, cost optimised design principles and deliver post quantum readiness. Longer term, we will transition to future proof connectivity models that minimise lifecycle costs and support innovation, including virtualised hub functions and spectrum-agile solutions. This programme of work ensures DCC continues to enable a cleaner, smarter and fairer energy system while keeping consumer needs at the centre of decisions.

1.3. Consumer focused delivery

Consumers are at the heart of our mission. As we set out in Chapter 3, we must ensure that smart metering delivers real benefits to households and communities. While DCC operates behind the scenes, the services we provide shape everyday experiences: accurate bills, reliable prepayment top-ups, faster fault resolution, and fair access to innovative tariffs.

We are deliberately evolving from a technical operator into a consumer-conscious organisation. This means listening to consumer representatives and insights from across the energy ecosystem and acting on what matters most. Engagement with suppliers, networks, charities and local authorities informs practical steps, from improving non-communicating meter performance to supporting outage restoration and enabling equitable participation in flexibility services.

Fuel poverty and affordability remain critical challenges. Working with partners, we are using smart meter data to identify households most in need and to enable targeted support. Using limited innovation funding, we are proposing to take forward a small number of initiatives which aim to ensure that the benefits of smart metering reach vulnerable households and help reduce energy costs where it matters most.

By the end of this business plan period, the consumer experience should feel better and more dependable: smoother connectivity at installation, sustained smart functionality in daily use, and growing access to products that help manage cost and carbon. A stronger consumer duty will be embedded in our licence, and we are aligning governance and decision-making to reflect this commitment.

1.4. Listening to our customers

Our customers shape everything we do, as we set out in Chapter 4. The smart metering network is used by energy suppliers, network operators, and an expanding group of other users such as financial services and local authorities. As this customer base grows and diversifies, listening to their priorities is essential to delivering services that work for them and for the consumers they serve.

We have strengthened engagement through our Customer First initiative, embedding a culture of continuous improvement. This complements formal governance via the SEC and includes bilateral meetings, workshops, and forums that enable open dialogue. These conversations have driven tangible changes. For example, customers highlighted the need for a long-term connectivity strategy and greater transparency on technology transitions. In response, we accelerated the rollout of 4G communication hubs in the North region and launched VWAN solutions to reach hard-to-serve premises. Customers also called for clearer cost visibility and

evidence of value for money. We acted by restructuring our business plan around service families, providing transparency on costs and outcomes, and committing to deliver £30m of enduring efficiencies.

Feedback has shaped our approach to supplier management and change delivery. Customers asked for stronger assurance on major programmes such as DSP2. We responded by introducing rigorous engagement at every stage of the business case process and sharing commercially sensitive information under non-disclosure agreements (NDA) to build confidence in decisions. We also committed to improving onboarding for new users, making it simpler and faster to access the network.

In developing this plan, we have been more engaged and more transparent than ever before. We want to work collaboratively with our customers and we have sought extensive input on priorities, concerns and proposed activities. The engagement process has pointed to where we can do even more in future. Working with customers on the strategic roadmap for change and developing a more meaningful and impactful performance measurement framework are just two of the areas we will be looking to take forward through the SEC channels.

We will maintain structured engagement throughout the price control period, including quarterly reporting to the CCG and collaborative planning on key technology investment choices.

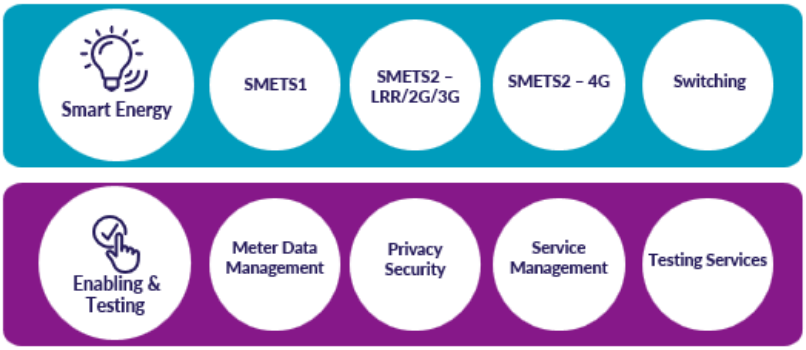
1.5. Service families

For the first time, this business plan presents DCC's services through a clear service family structure. This approach brings transparency and accountability, showing how external contracts and internal capabilities combine to deliver integrated services that matter to customers and consumers.

Our eight service families are organised into two portfolios. The first, Smart Energy Services, covers the core connectivity and switching capabilities that enable accurate billing, prepayment top-ups, faster switching, and reliable smart functionality. It includes SMETS1, which supports legacy smart meters and manages their transition to end of life. SMETS2 provides connectivity for the majority of smart meters and enables the rollout of 4G hubs and VWAN solutions. Switching maintains a 100% success rate and delivers improvements through the Centralised Registration Service (CRS) plan.

The second portfolio, Enabling and Testing Services, provides the essential capabilities that underpin these outcomes. It includes Meter Data Management, which will complete the design and build of DSP2.0. Privacy and Security protects the network from cyber threats, safeguarding the trust model that underpins the smart metering ecosystem, while preparing to meet the future challenge of quantum computing. Service Management focuses on delivering a responsive service to our customers. It will play a key role in delivering and sustaining improvements and will be the focal point for addressing the impact of the new GSOP and for developing our data services to customers. Finally, Testing Services ensure all system changes are implemented reliably and securely.

Figure 1.C – The smart energy and enabling and testing service portfolios



This structure is more than a reporting change. It reflects a customer-centric approach that focuses on measurable outcomes rather than isolated projects. By grouping services into families, we provide customers with a clearer view of costs, dependencies, and priorities. In Chapter 5, we set out our integrated approach which is designed to ensure that every service delivers value for money and supports the wider goal of a smarter, cleaner, and fairer energy system.

1.6. Managing change

The scale of change in this business plan period is unprecedented. We are modernising the core smart metering platform, transitioning to new connectivity technologies, and preparing for the handover to the Successor Licensee. These changes will maintain service continuity, meet regulatory obligations, and deliver long-term value for customers and consumers.

Our approach is structured and transparent. In Chapter 6, we group all change activity into four categories: in-flight programmes already underway, a defined pipeline of initiatives that must progress in this period, in-life changes required to keep services secure and compliant, and the transition programme to a new licence. This clarity ensures customers understand what is changing, why it is needed, and how costs are proposed to be managed.

The largest in-flight programme is DSP2, which will replace the legacy data platform with a modular, cloud-based solution which improves resilience, reduces downtime, and lowers the cost of change. Alongside DSP2, we are progressing Future Connectivity work, scaling 4G services and introducing a VWAN solution to extend coverage into hard-to-reach premises. These steps will safeguard connectivity for millions of devices while reducing complexity and cost over time.

We are preparing for future challenges through a change pipeline that addresses the next wave of strategic priorities. The LRR Committed Term programme aims to secure connectivity in the North region beyond 2028 to provide certainty for industry planning; the 4G and Beyond initiative will aim to ensure assets installed from 2029 achieve a minimum 15-year life and avoid unnecessary early write-downs; and Post-Quantum Readiness will protect the trust model against emerging cyber threats and maintain the integrity of the smart metering ecosystem well into the 2030s.

Other critical initiatives include Consumer Consent integration, which will enable secure and transparent sharing of smart meter data to support innovation and consumer choice, and the DCC Diagnostics role, which will provide enhanced fault identification and reporting to reduce non-communicating meters and improve service reliability.

In-Life Change covers non-discretionary, time-sensitive activity needed to keep the smart metering infrastructure secure, compliant, and performant throughout the business plan period. It involves essential maintenance, capacity improvements, and enhancements across DCC's technology architecture such as ServiceNow releases, DSP scheduling, 4G scaling, and DCO hardware refresh. These changes are vital to maintaining service continuity, regulatory compliance, and resilience as the ecosystem evolves.

Managing change at this scale requires rigorous governance and collaboration. We will engage customers at every stage, from strategic planning to business case review, ensuring transparency and shared decision-making. By taking a disciplined, forward-looking approach, we will deliver the capabilities needed for the future.

1.7. How we organise to deliver

DCC is an organisation that has changed rapidly in recent years but we must continue to evolve. As we look to the future, we must combine strategic planning, customer focus, and the ability to deliver integrated, value for money services that adapt to the changing technological landscape. The work we will undertake on the BSTR as part of DCC2's transitional objectives will play a vital role in shaping our services and how we organise ourselves to deliver.

Our current structure reflects the complexity of our role as a central delivery body managing a CNI-impacting service. Around 80% of our costs relate to external service providers, so strong commercial capability and disciplined contract management are central to how we operate. We have strengthened these capabilities through investment in skills, adoption of best-practice, and a new procurement strategy designed to strengthen competition, improve transparency, and secure better value for money.

Managing contracts effectively is central to our approach. We are embedding a Master Services Agreement (MSA) model to drive consistency and accountability across suppliers, supported by enhanced performance management and third-party risk control. These measures ensure lessons learned translate into stronger supplier performance and better customer outcomes.

Our procurement and contract management must be delivered in the context of customer requirements, service focus and evolving technological capabilities. We must maintain important capabilities that enable DCC to plan effectively over different horizons while ensuring a laser-sharp focus on current operational delivery.

Delivering secure, resilient and cost-efficient services requires an organisation that is structured for clarity, accountability and pace. Over the past two years, we have reshaped our operating model to become leaner and more efficient, removing duplication, reducing contractor reliance, and lowering labour costs by 23%. These changes have created a more streamlined organisation focused on delivering value for customers.

[redacted] Our talent strategy prioritises retention of critical skills, internal mobility, and targeted development to ensure we remain fit for purpose through the licence transition and beyond.

As outlined in Chapter 7, our organisation is evolving deliberately and strategically. We have rebalanced senior leadership structures, including a reduction in the size of the Executive Committee, and taken steps to improve leadership density and accountability. By combining a leaner internal structure with stronger commercial governance, we will deliver the capabilities needed to manage complexity, safeguard resilience, and provide enduring value for money.

1.8. Delivering value for money

As outlined in Chapter 8, delivering value for money is central to this business plan and underpins the choices we make about how the network operates and evolves. Meter volumes will continue to rise across the period, increasing by 38% between FY24/25 and FY27/28. This growth places upward pressure on costs, and our focus is to limit this by acting on both variable and fixed cost drivers while maintaining the quality of service our customers expect.

We have taken targeted action in FY25/26 to limit the impact of rising demand on variable external costs. Through negotiations with our suppliers, we have agreed terms that will deliver tens of millions of pounds of cost avoidance as traffic volumes increase. We are also securing long term efficiencies through our procurement activity. The new SMETS1 FOC ANSO contract is forecast to deliver [redacted] in savings through to 2033, and as 4G communication hubs become the dominant technology, we expect reductions in cost per meter as legacy technologies are replaced. Over the longer term, DSP2 will also deliver operational savings once the new platform is fully embedded in the 2030s.

Internal costs form a smaller proportion of our overall cost base but are more directly within our control. We have already taken steps to reduce our use of consultants, shift the balance of our workforce away from contractors and restructure teams to remove duplication.

As outlined above, further efficiency will be achieved over the next three years by leveraging technology and focusing on the activities that matter most to customers. Following from the closure of our Ruddington office in June 25, and the enduring efficiency of £30m in FY25/26m, we will ensure that new corporate service systems are delivered cost effectively as part of the transition from DCC1.

Chapter 8 also sets out the longer-term cost trajectory, highlighting how the transition from multiple CSPs and DSP services to a single 4G CSP and DSP2 service will contribute to sustained cost reduction and better value for money as the network increases in size and usage. This will deliver a reduction in the cost per meter not just over the business plan period but through the next period and into the 2030s. This demonstrates our commitment to responsible stewardship to ensure better value for consumers and our customers.

1.9. Cost of delivery

Chapter 9 introduces a fundamental shift in how DCC presents its cost structure, marking a clear departure from previous price control submissions. For the first time, Ofgem is asking DCC to present costs on an accruals basis, aligning with standard financial practices. DCC welcomes this change, as it offers a more accurate reflection of how resources are allocated but it does make direct comparisons between ex post price control submissions and this business plan more challenging. To support transparency, DCC's net cash requirements are still set out in the Regulatory Instructions and Guidance (RIG) data template.

In addition, DCC's transition to not-for-profit status removes profit elements from reporting.

As outlined in section 1.5, the most significant change to our cost reporting is the introduction of service family-based cost presentation. This allows DCC to group related external service provider contracts into coherent service programmes, offering a clearer view of the costs associated with delivering integrated services. This new approach is designed to improve transparency and deepen stakeholder understanding of DCC's cost base. To support meaningful analysis, we have retrospectively applied this reporting structure to cost data from FY24/25 onwards, enabling stakeholders to track cost trends over time. All figures are consistent with the RIGS data template submitted alongside this business plan.

DCC is required to submit its plan for the 17 months from November 2026 to March 2028 including part-year data for FY26/27, as costs incurred before 1 November 2026 will be attributed to the current licensee. As detailed in Table 1.1 below, DCC is requesting total allowances of £1.178.5bn for the business plan period. Of this, 80% relates to external costs, 15% to internal costs, and the remainder to passthrough costs (Alt HAN, SECCo).

Table 1.1 - DCC's actual and forecast costs for the period FY24/25 to FY27/28 (£m)

	Annual Trend				Ex-Ante Total		
£m	**24/25**	**25/26**	**26/27**	**27/28**	**26/27**	**27/28**	**Total**
					5 mths	*12 mths*	*17 mths*
External	518.6	584.3	648.9	659.8	279.7	659.8	939.5
Internal	129.7	120.2	127.7	118.9	54.1	118.9	173.0
Passthrough	29.5	33.7	41.4	48.0	18.0	48.0	66.0
Total Required Revenue	**677.7**	**738.1**	**818.0**	**826.7**	**351.7**	**826.7**	**1,178.5**
Risk Provision - DSP							
Total Required Revenue less Risk							

Increases in year-on-year costs are primarily driven by a significant uplift in communication hub costs as the volume of 4G communication hubs scales up quickly, and because of higher levels than seen in recent years of change expenditure on vital projects.

External costs

As outlined in section 1.7, our delivery model is predominantly based around external service provider contracts meaning most of our costs are classed as external costs. Expenditure in the business plan period is driven by the costs of 29 fundamental service capability contracts (FSC) which underpin our services and 11 future projects for which suppliers have not yet been contracted.

Forecast external costs total £940m with £844m expected to be incurred through our FSC contracts and £96m of projects still subject to future business case approvals. £698m (74%) of external costs support BAU activities, of which £318m (34%) is fixed and £380m (40%) is classified as variable; notably, communication hub costs represent a large proportion of the variable costs - £252m (27%). £234m (25%) of external costs is allocated to the delivery of in-flight change projects, the change pipeline of new projects and in-life change provision. A further £8m of costs relate to external service non resource costs which apply to specific service families.[14]

[14] Although these are strictly speaking classed as internal costs, because of Ofgem rules around fungibility they are treated in the same way as external costs so they have been grouped with external costs.

The rise in external costs between FY24/25 and FY27/28 is mainly attributed to two factors. The first is an additional £103m in communication hub charges incurred across FY26/27 and FY27/28 compared to the previous two years. The second is an increase in change-related costs, which grow from £112m in FY24/25 to £156m by FY27/28.

Internal costs

At headline level we are forecasting a reduction in internal costs from £130m in FY24/25 to £119m in FY27/28, but this does not reflect the impact of structural cost changes which are not consistent across the period. If the Licence Renewal programme and new corporate system costs are omitted (because the former is one off cost and the latter is paid for by Capita under the current licence) the actual difference is greater, with a reduction from £128m to £110m over the period despite inflationary pressures. In particular, there is a one-off cost of £14m in FY26/27 relating to the Successor Licensee transition which affects the cost profile, and around £10m of new costs are introduced in FY26/27 and FY27/28 as costs move from Capita to DCC for corporate services.

In total, internal costs over the business plan period amount to £173m. Of this, £122m (71%) is allocated to payroll. [redacted] IT services account for £21m (12%), while external (non-resource) services represent £5m (3%).

Functionally, £97m (56%) of internal costs support service delivery overheads aligned to service family outputs. Corporate overheads total £66m (38%), and the remaining £10m (6%) is assigned to the time-bound licence renewal programme and two other small projects.

Service family costs

In total service family costs account for £1.037bn (88%) of total forecast costs over the business plan period, of which £940m (80%) is external costs and £97m (8%) is service delivery internal overheads.

Passthrough costs

Passthrough costs refer to external expenditures that DCC does not directly control, meaning allowances are automatically adjusted to reflect the actual level of costs incurred. These costs are limited to specific external charges associated with the Alternative Home Are Network (Alt HAN) Company and Smart Energy Code Company (SECCo), and together they represent 5% (£66m) of total forecasted costs.

1.10. Finance

Financial resilience is essential to delivering this business plan. As we approach the transition to the Successor Licensee, our priority is to ensure DCC2 can operate effectively from the outset, with clear arrangements for transferring cash, assets and liabilities. A Business Transfer Agreement will govern this process, supported by external audit, so that income, outgoings and obligations sit with the correct licensee and SEC Parties are not adversely affected. All cash held by DCC1 will transfer to DCC2 at handover, ensuring the incoming organisation has the working capital needed to meet supplier payments and maintain service continuity.

Cash management remains central to our financial strategy. DCC1 operates within a defined healthy cash range and maintains a target cash holding to manage monthly fluctuations. These processes, supported by enhanced forecasting, will transfer directly to DCC2 to help maintain

stable charges and allow timely adjustments where cash levels fall outside the healthy range. Working capital needs are expected to remain consistent, reflecting the stability of DCC's cost base, supplier profile and billing arrangements.

We also manage a portfolio of financing facilities that smooth costs and avoid sharp increases in consumer bills. These facilities support communication hubs and major programmes such as DSP2, spreading charges over time and reducing peak impacts. All existing facilities are expected to transfer to DCC2. Credit cover provided by customers under the SEC, together with existing financial support arrangements, provides further resilience throughout the handover period.

Alongside these preparations, DCC1 continues to maintain its going concern assessment, ensuring disciplined financial management as we move through the licence transition. Together, these arrangements provide a stable financial platform for DCC2 and safeguard the interests of customers and consumers through this period of change.

1.11. Managing risk and uncertainty

Managing risk and uncertainty is integral to delivering this business plan. Chapter 11 sets out where costs may diverge from forecast and how these risks are managed within the ex ante framework. Ofgem has confirmed that an Automatic Adjustment mechanism will apply to inflation, passthrough costs and volume driven variable costs, ensuring allowances reflect actual costs where these factors change. This provides important protection against cost volatility at a time of significant system transition.

In proposing the cost forecast for the business plan period, it is vital that we take full account of the sensitivities that could affect the overall cost envelope. Chapter 11 sets out a high-level assessment of the risks that could lead to underperformance and additional cost, the opportunities that could result in outperformance and lower costs, and how these are expected to be treated within the ex ante framework.

Inflation remains a source of uncertainty because most of DCC's contracts are indexed to CPI, RPI or AWE rather than CPIH. We have therefore set out the applicable inflation terms for each contract so in period adjustments accurately reflect our cost base.

Passthrough costs, forecast at £66m over the business plan period, depend on updated projections from SECCo and the Alt HAN Company and will be captured through the Automatic Adjustment mechanism.

Volume related variable costs represent a significant proportion of DCC's cost base, with £380m forecast for the period. Communication hub costs alone account for £252m and are sensitive to supplier order volumes, the pace of swap outs, and associated operational, logistical and financing charges. Message traffic is rising sharply, creating uncertainty over timing and scale of demand. Detailed volume assumptions, pricing mechanisms and sensitivity analysis have been provided to support Ofgem in aligning allowances to actual volumes.

Beyond these automatically adjusted areas, there is also uncertainty associated with deferred DCC1 expenditure, where programme timing may shift activity into the Successor Licensee period without corresponding allowances. Ofgem has recognised this risk and may adjust allowances through the Final Determination or the Emergency Reopener where appropriate.

The business plan includes £83.5m of in-flight change costs, driven primarily by DSP2 which accounts for £81.1m. Recognising the risk around the delivery of this complex programme we

have included the approved business case contingency for the programme as part of the forecast to ensure it is accessible in the business plan period.

For the 11 change pipeline projects, where cost maturity is low, we have applied mid-range estimates based on established three-point ranges. Forecast costs of £96.3m sit within an overall range of £56m to £143m, reflecting this uncertainty. These forecasts will continue to be refined ahead of Final Determination, and there is potential for both under and overspend depending on scope development.

In-life change introduces further uncertainty due to the reactive nature of this work. For the business plan period, £54m of external costs and £3m of internal costs are forecast, although only £2m is currently committed. The forecast includes £47m of planned activity derived from demand forecasting and £4.5m for unplanned requests. Any underspend will be returned to customers, while additional need may require access to the Emergency Reopener depending on the cause.

Business transfer costs also carry uncertainty with procurement for new corporate services still at an early stage and market pricing yet to be confirmed. Any variance from planning assumptions may require adjustment through the Draft Determination response or the Emergency Reopener.

Finally, there is potential for new scope arising from customers, the Department for Energy Security and Net Zero (DESNZ) or Ofgem after plan submission. Several areas are now explicitly out of scope because requirements, timing and policy direction are not yet sufficiently mature. These include costs relating to a Smart Meter Energy Data Repository (SMEDR), GSOP operating cost uplift and per site visit costs for 2G and 3G swap outs where regulatory decisions are awaited. We have also not included any costs relating to follow on activity arising from the mandated contract review. In addition, DESNZ's Smart Metering Policy Framework Post 2025 and other emerging regulatory standards may introduce further obligations during the period. In these circumstances, DCC would expect to engage with Ofgem on appropriate adjustments, including use of the Emergency Reopener.

Taken together, these risks reflect the scale and complexity of the transition ahead. Our approach provides clarity on where uncertainty sits, how it will be managed, and the areas where further engagement with Ofgem will be required to ensure DCC is appropriately funded to deliver for customers and consumers.

1.12. Measuring success

Chapter 12 explains how DCC's performance will be assessed during the first business plan period and how we are strengthening our measurement framework in partnership with customers and Ofgem. As a monopoly provider, we must demonstrate that the services we deliver are reliable, efficient and aligned with the outcomes the smart metering system needs. Our established code measures set the standards for network availability, response times and data integrity, supported by contractual mechanisms that ensure our service providers meet these expectations. We also operate within the current Operational Performance Regime (OPR), which incentivises system performance, customer engagement and effective contract management.

We are working with customers to modernise the way success is measured. Through the OPR Working Group, we are shifting from narrow technical metrics to a more meaningful view of performance across key business processes such as Install and Commission, Pre-pay activity,

firmware updates, meter reads, tariff changes and Change of Supplier. These process-level insights are already driving improvements across the end-to-end journey, and further development is planned for 2026 as we establish baselines and propose targets for an expanded set of measures. Alongside this, our new Customer Satisfaction Survey is giving a more rounded view of how customers experience our services, informing the Customer First programme and strengthening our ability to act on feedback.

Looking ahead, Ofgem's developing incentive framework for the Successor Licensee will reinforce a disciplined and transparent approach to performance. Four measures covering customer satisfaction, performance and delivery, business planning and cost management will form part of a new remuneration policy overseen by an independent committee of the Board. Ofgem is also considering how best to reflect the delivery of change programmes within this framework. We continue to engage with SEC governance and the CCG to ensure that future measures reflect customer needs and provide visibility across the customer journey, including the transition away from sunsetting technologies and the delivery of critical milestones such as SMETS1 replacements and the retirement of the 2G network.

Service families will define what success looks like and set out the outcomes, indicators and improvements each intends to deliver during the business plan period. This approach ensures that performance expectations are tailored, transparent and aligned with our wider commitments. Underpinning this is a strong focus on organisational readiness. We are embedding the governance, processes and behaviours required for effective ex ante management, including quarterly reporting to the CCG, timebound reopener processes and strengthened internal alignment so that every team understands its contribution to the commitments in this plan.

Taken together, these measures show how we will assess success in a way that is transparent, accountable and aligned with customer and consumer expectations. We are not only meeting today's obligations but building a measurement framework that supports a maturing system, strengthens confidence and helps ensure that smart metering continues to deliver value throughout the business plan period and beyond.

1.13. Working with the Customer Challenge Group

As set out in Chapter 13, the Customer Challenge Group has been instrumental in shaping our final business plan. From the moment the draft plan was submitted in August, we worked intensively with representatives from suppliers, DNOs, wider system users and the consumer advocate to test our ambition, strengthen our narrative and ensure our proposals reflect customer and consumer priorities. Engagement covered strategic context, consumer outcomes, risk, cost, change, organisational capability and long-range forecasting, supported by detailed presentations, clarifications and direct access to experts across DCC.

The feedback we received has driven substantive improvements across the plan. Our strategic narrative is clearer and more ambitious, with a stronger focus on consumer impact. We have enhanced transparency on change, clarified cost structures and improved how we present value for money. We have strengthened our treatment of corporate risks, improved visibility of opportunities and made more explicit which costs sit outside the scope of the plan. Feedback has also shaped improvements across multiple chapters, including consumer-focused delivery, organisational structure and capability, long-range forecasting, DSP2 and Meter Data Management, together with clearer articulation of how we will manage complex contracts and maintain capability while reducing costs. A full record of feedback and responses is provided in Appendix 16.

This engagement has been constructive and valuable. It has helped us refine the plan, sharpen our ambition and reinforce our commitment to transparency and collaboration. It has also highlighted the importance of a more balanced timetable. As we move into the next cycle, we will work with the CCG and Ofgem to improve the phasing of engagement and allow dedicated time for integrating CCG feedback into a settled plan. We intend to review lessons learned with the CCG Chair and put in place the ways of working needed for the Group's ongoing role in assessing performance during the business plan period.

Overall, the CCG process has raised the quality of our plan and deepened our relationships with customers and consumer representatives. It has challenged us to think more clearly, explain more transparently and embed consumer outcomes throughout our proposals. We will build on this foundation as we move from planning into delivery.

1.14. Assurance Statement

The final chapter of this business plan provides an assurance statement from the DCC Recused Board, in line with Ofgem's requirements. The Recused Board confirms that it is satisfied the plan has been rigorously tested for accuracy, ambition, efficiency and alignment with customer interests. Throughout the planning process, Recused Board members maintained clear oversight of the work, receiving regular updates on emerging proposals, key assumptions, risks and costs.

The business planning process is inherently predictive and based on numerous assumptions, and there are significant uncertainties that will need to be managed throughout the business plan period. It is therefore important that the ex ante price control framework provides sufficient flexibility to address these uncertainties. However, the Recused Board has challenged the underlying thinking and logic behind the planning assumptions and forecast costs and considers these to be robust and well considered.

The Recused Board has confirmed that appropriate internal controls, governance and quality checks have been applied, and that the business plan reflects a disciplined approach to prioritisation, value for money and long-term system needs.

By providing this assurance statement, the Recused Board sets out its confidence that the plan is both deliverable and in the best interests of customers and consumers. It demonstrates that the proposals have been subject to credible challenge, that the evidence supporting them is sound and that DCC is ready to deliver the commitments set out in the plan.

2. Strategic Context

Summary

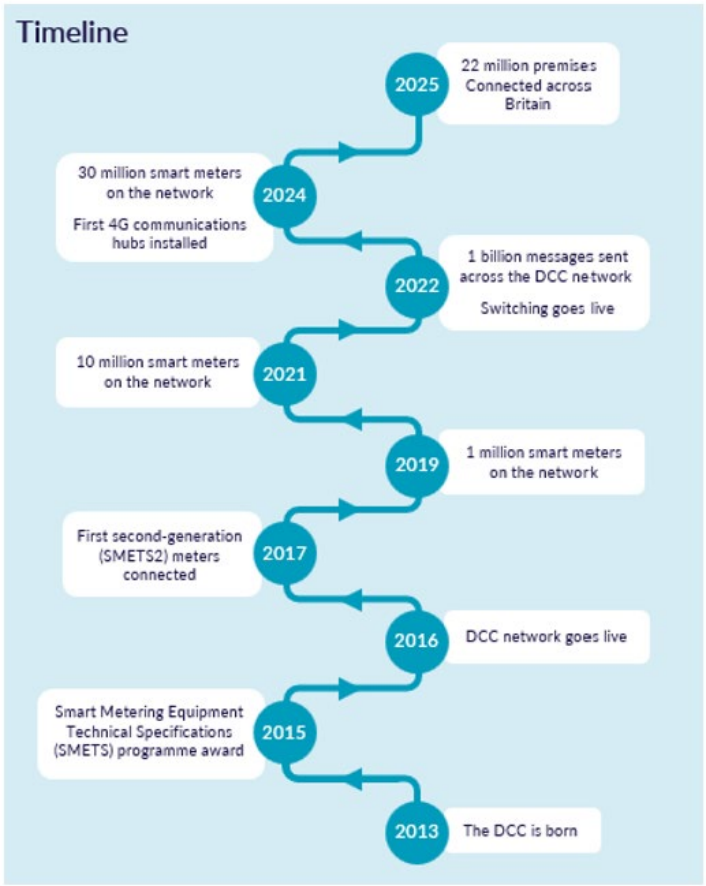
This chapter provides the strategic context for DCC's role in Britain's energy system. It explains how the smart metering network operates today, the benefits it delivers, and the critical part it plays in enabling a smarter, greener energy future. It also explores the external trends shaping our operating environment – including affordability challenges, the energy transition, digitalisation, and regulatory reform – and sets out how DCC is planning for the future through technology horizon planning and targeted investment.

2.1. About the Data Communications Company

Since being awarded the Smart Meter Communication Licence in 2013, the DCC has designed, built, and now manages the telecommunications infrastructure that enables the national smart meter network to operate.

It connects energy suppliers, network operators and authorised third parties to millions of homes and businesses across Great Britain, enabling secure and reliable data exchange. This national infrastructure supports the transition to a smarter, greener energy system by giving consumers more control over their energy use and is helping the energy industry to operate more efficiently. In short, DCC is a critical system enabler.

Figure 2.A – Key milestones in the evolution of DCC



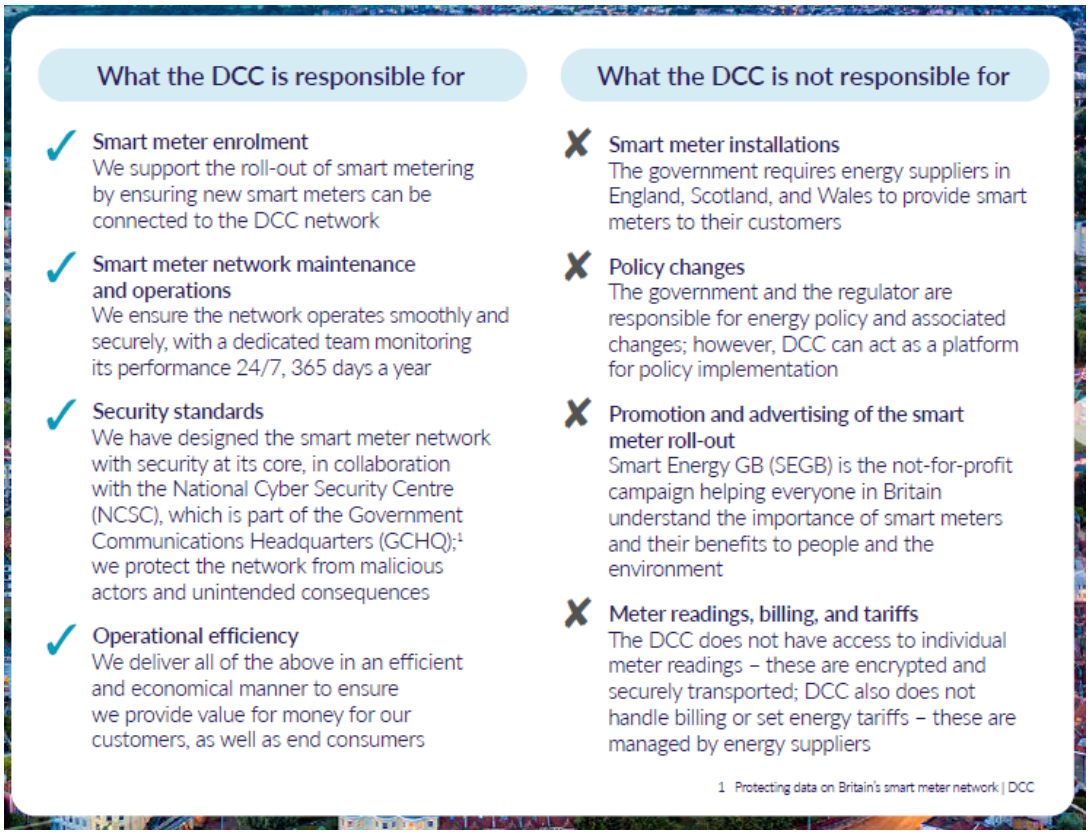
The smart metering network is vital to realising energy system benefits. Investment in the network is critical to realising efficiencies across the sector, including reducing the cost associated with bill reading, enabling greater use of low carbon technologies to support enhanced flexibility, supporting system resilience and providing data to support cost-effective network planning. In the context of the cost-of-living crisis, these efficiencies matter more than ever, easing affordability pressures for consumers while accelerating progress towards net zero.

Since its creation, DCC has delivered key programme milestones, and continually evolved its services to meet the needs of the energy market. Figure 2.A provides a timeline charting DCC's

journey from inception to the present day and highlights the milestones and achievements that have shaped its role at the heart of Britain's energy transformation.

The timeline indicates the speed with which the smart metering network has expanded, but DCC recognises that it performs its role within a broader ecosystem within which each of our key partners play an important role in ensuring the network remains fit for purpose. Figure 2.B below sets out the responsibilities DCC is expected to perform and the important functions that other organisations play to ensure continuing success. Our aim is to deliver excellence in the areas for which DCC is responsible, while working closely with other organisations to support them effectively in the areas for which they lead.

Figure 2.B – Delineation of responsibilities within the smart metering ecosystem



2.2. Smart meter data

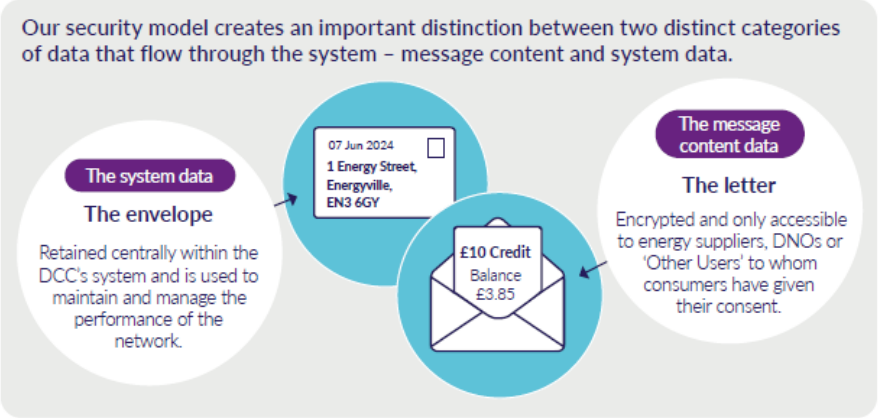
There are now more than 37 million smart meters enrolled on our network across more than 22 million premises – 70% of all installed meters are now smart meters. This digital capability enables over 130 distinct types of messages, known as Service Request Variants (SRVs), to be communicated to meters – with over three billion messages sent across the network each month by December 2025.

At the DCC, our priority is to operate a stable, reliable, and secure smart meter network that provides the coverage our customers need to meet their rollout targets across Great Britain. We also recognise that smart meters, and the network we operate, play a key role in the digitalisation of our energy system, giving consumers and energy suppliers access to their data.

Our security model creates an important distinction between two distinct categories of data that flow through the system - message content and system data. A letter sent by post provides a useful analogy to explain the difference.

- System data ('the envelope'): This is the information about the message, e.g. where it was sent and to which device, at what time and whether it arrived safely. This is retained centrally within DCC's system and is used to maintain and manage the performance of the network
- Message content data ('the letter'): This is the data sent to or from devices connected to the system within premises, e.g. consumption data or amount added to a prepayment meter. This is encrypted and only accessible to energy suppliers, DNOs, or 'Other Users' to whom consumers have given their consent.

Figure 2.C – Explaining system and message content data



The most common messages relate to the following services:

- Install and commission: the install and commission service supports the installation and connection in homes of new smart meters to the DCC network. This provides end consumers with all the benefits of smart functionality.
- Change of supplier: smart meters on the DCC network are fully interoperable between energy suppliers, meaning the meter does not need to be replaced when a consumer switches supplier. The change of supplier service facilitates fast, simple switching between energy suppliers for end consumers.
- Meter reads: meter reads are the most common type of message on the DCC network, allowing energy suppliers to read energy usage remotely and thereby removing the need for regular house visits or manual meter readings by consumers. Meter reads facilitate frequent, accurate billing of energy at the time of use – one of the main benefits of having a smart meter.
- Prepayment: the prepayment service allows end consumers to add credit to their meters via over-the-air top-ups that go through the DCC network, keeping the lights on for millions of people. This is the most critical service that DCC provides, supporting some of the most vulnerable consumers in the country.
- Firmware: the firmware service allows for remote meter upgrades, unlocking new functionality and benefits.

Other uses of smart metering data

The UK government recognises that data and digitalisation will play a critical role in achieving its goals for clean energy and broader economic growth. Through the National Data Strategy (NDS), it aims to establish a world-leading data economy while maintaining public trust in data usage.

Ofgem and DESNZ have several ongoing projects that are designed to make better use of energy system data for users: these include Consumer Consent, the SMEDR, and the Central Asset Register (CAR).

- Consumer Consent: An enduring and system-wide digital solution that will enable consumers to grant and manage consent to share their energy data.
- SMEDR: A centralised and secure platform to unlock the value of energy data collected from smart meters.
- CAR: Dynamic data repository for all relevant data of registered low carbon technologies.

At DCC, we believe that universal data sharing, aligned with NDS principles, can help the industry develop innovative business models and solutions to address current social challenges and drive towards net zero. Our Data for Good initiative[15] outlined our ambition to deliver public benefits by exploring the advantages of enhanced data access and identifying what is needed to realise its full potential.

Smart meter data has a pivotal role to play in supporting the UK's net zero targets, as well as addressing social issues like fuel poverty. The government and regulators are targeting these policy challenges through investment in research, development, and innovation.

While DCC's primary focus remains on facilitating the successful nationwide rollout of smart meters, we are also exploring ways for our customers and other stakeholders to leverage our network for a smarter energy future.

We have worked on several strategic projects aimed at helping Government and customers maximise the potential public value of the smart meter system. These include the VERIFY initiative, the Automatic Asset Registration (AAR) project, the potential development of SMEDR to enhance data accessibility and insights, and the Smart Meter-based Internet of Things (SMIoT) initiative.

- VERIFY Initiative: A government programme using secure digital identity verification to give consumers easier access to services such as energy efficiency grants, the Warm Home Discount, and priority service registers.
- AAR: Enabling automatic capture of new Low Carbon Technologies (LCT), such as Electric Vehicle (EV) chargers and heat pumps, through the smart metering system, giving networks better visibility for planning and flexibility services.
- SMEDR: DESNZ is exploring the case for a SMEDR, and DCC has been supporting its work. Careful control of access to and use of smart metering data has the potential to support Net Zero use cases and enable more efficient operation of the smart metering network. If implemented, it would transform DCC's role from purely transmission of

[15] data-for-good-smart-meter-data-access.pdf

data to enabling data services. At this stage, the work is exploratory and any significant investment would be subject to a formal decision by DESNZ.

- SMIoT: Integrating smart meters into the wider Internet of Things (IoT) ecosystem to enable real-time monitoring, remote management, and connected energy services.

In Appendix 1, we set out additional areas in which DCC is proposing limited investment to support projects which we believe will deliver public good by providing insights to support consumers on important challenges such as fuel poverty and enhancing energy efficiency.

2.3. Benefits of smart meters

Smart meters are a vital upgrade to Britain's energy infrastructure. They enable a cheaper, cleaner, and more efficient energy system – helping us make better use of renewables, cut carbon emissions, and reduce reliance on imported fossil fuels. By providing real-time data, smart meters empower consumers to better understand and manage their energy use, while supporting the transition to a smarter, more flexible grid.

Smart meter benefits for different market segments and participants

Smart meters bring a wide range of benefits to different groups across the energy market and beyond. The table below summarises the key advantages for consumers, energy suppliers, and DNOs. Understanding these benefits helps to demonstrate the broad value of the smart meter rollout, from improving customer experience and operational efficiency, to supporting a cleaner, more sustainable energy system.

Table 2.1 – Key advantages of smart meters for different stakeholder groups

Stakeholder group	Benefits
Consumers	• Time saved through automatically submitted readings. • Remote top-ups for prepayment customers. • Informed decision-making on energy usage thanks to real-time consumption insights. • Incentives to shift electricity demand away from peak times.
Energy Suppliers	• Fewer site visits to conduct reading meters, reducing operational costs. • Faster switching services. • Fewer customer billing enquiries. • Lower cost to serve for prepayment customers. • Reduced debt, theft, and losses across supplier customer portfolios.
DNOs	• Quicker identification of faults in the network. • Ability to restore electricity supply quickly when outages occur. • Better investment decisions based on accurate energy data. • Better outage detection and management.

2.4. Expanding scale of the network

The scale of the network today is significant. By September 2025, there were over 40 million[16] smart and advanced meters in homes and small businesses across Great Britain, representing

[16] Q3 2025 Smart Meters Statistics Report

70% of all meters. Around 37 million of these were operating in smart mode (64%). Below at Figure 2.D we illustrate the scale and reach of the smart metering network across Great Britain, highlighting the growth in meter installations and supporting infrastructure. By December 2025, over 22 million premises were connected to the network.

Despite the rapid increase in the rollout of smart meters and their usage, there remains further work to do to achieve government targets for rollout and to ensure that all devices operate effectively in smart mode.

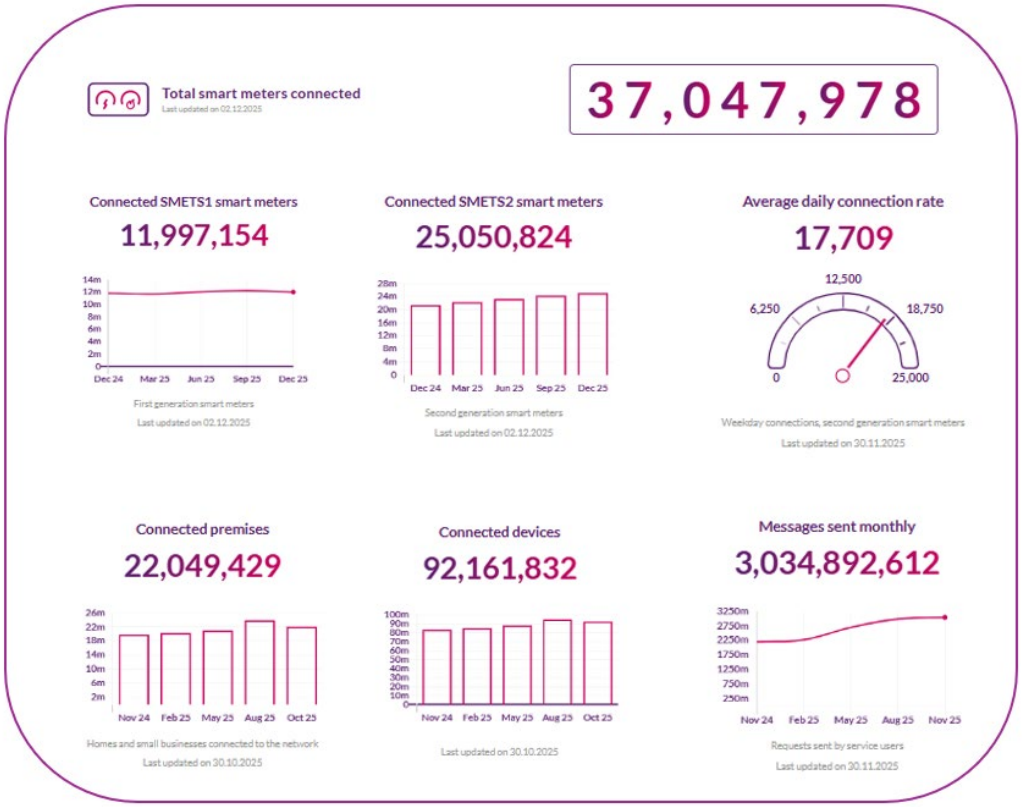
As outlined in DESNZ's ongoing Smart Metering Policy Framework post-2025[17], the government now proposes full domestic smart meter coverage by December 2030, with suppliers submitting annual deployment plans from 2026 and restoring meters operating in traditional mode within 90 days. This is critical to supporting the Clean Power 2030 objective, which requires take-up to reach around 90%. DCC will need to work closely with suppliers to support their deployment plans to this end.

DESNZ highlights the challenge of installed smart meters operating in traditional mode, with around 3.3 million (8.3%) assessed to be in this state as of September 2025. This is an important issue for consumers who use a smart meter but do not receive the functionality they are expecting. The majority of this 3.3 million are not yet enrolled on the DCC network, [redacted] currently on the network. While there are multiple reasons why meters operate in traditional mode, including delays to enrolment, DCC will need to work closely with suppliers to improve performance in this area. Chapter 5 sets out proposed activity on this issue under our SMETS2 service family.

The Government has also launched a separate but related consultation on the non-domestic smart meter rollout[18], published in October 2025 and open until January 2026, and we will remain engaged as this work develops.

[17] Smart metering policy framework post 2025 - GOV.UK
18 Non-domestic smart meter rollout post-2025 - GOV.UK

Figure 2.D - DCC statistics on the smart meter network



2.5. Network demand forecasting

Through our Technical Operations Centre and Service Operations Centre, we monitor and manage the network continuously, 24 hours a day, seven days a week. This round-the-clock monitoring allows us to track the progress of the smart meter rollout, resolve issues in real time, and forecast future growth and demand.

Establishing an accurate forecast of demand on the network is important for ensuring that appropriate levels of capacity are available to sustain a reliable and resilient service. When the smart metering rollout began, DESNZ modelled five demand profiles for expected message volumes out to 2033 based on different assumptions about meter adoption, usage patterns and system demands.

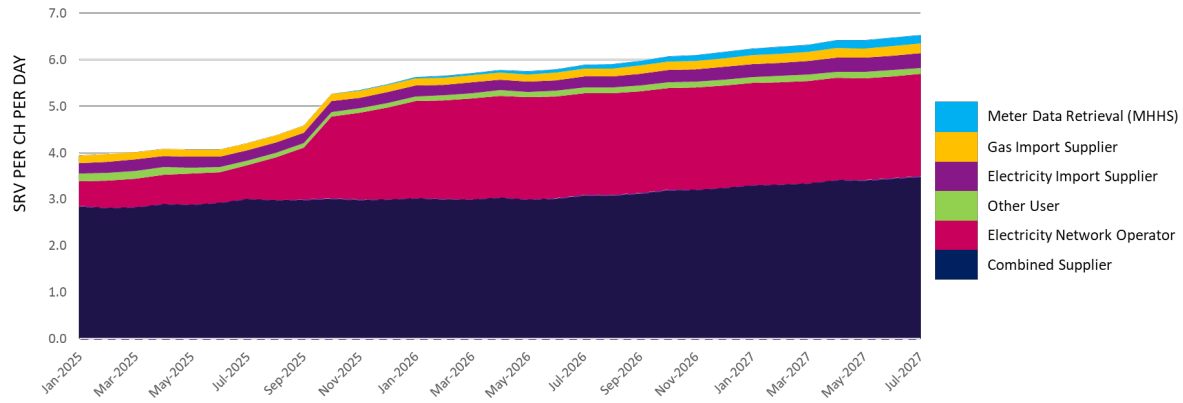
DCC's Industry Scenario and Forecasting Tool (ISFT) projections of SRV build on these scenarios, incorporating the latest data from suppliers and other users to support demand forecasting and plan network capacity, to allow a like-for-like comparison with our Q3 2025 SRV forecast. As figure 2.E indicates, our modelling shows forecast demand is trending towards Profile 4, one of the higher-demand ISFT profiles. The uptick in demand indicated by the Q3 2025 forecast (a visible step increase in Q4 of calendar year 2025) reflects forecast increase in usage. This is primarily due to increased DNO activity, with some increased demand arising from Other Users and Meter Data Retrievers (MDR) as Market-wide Half-Hourly Settlement rolls out.

There remain uncertainties over the precise timing and scale of these increases, particularly as DNOs assess the potential impact of changes to the DCC Charging methodology.

Figure 2.E – DCC's ISFT forecast on monthly SRV volumes

The expected increase in demand can also be seen in the average daily SRVs per communications hub, which shows how intensively each installed device is used. Figure 2.F shows DCC's forecast for daily SRVs per communication hub by category of SEC party through to the end of 2027, which also indicates the impact of projected increases in demand from DNOs and MDRs.

Figure 2.F – Average daily SRVs per communication hub Jan 25 – Jul 27



The growth in the use of the network provides an indication of the value smart meters can bring, but it is important that the network continues to adapt to a rapidly evolving operating environment. Rising affordability challenges, accelerating net zero targets, and advances in digital technology mean DCC must adapt to ensure the smart metering network continues to deliver value.

This requires proactive planning, collaboration with stakeholders, and investment in future capabilities to keep pace with change and maintain consumer trust. In Appendix 13 (Variable Costs) we describe in more detail our approach to management of capacity and how the relevant supporting systems and infrastructure are utilised.

2.6. Responding to change

The DCC operates at the intersection of energy, secure technology, telecoms, and government policy. Rapid change is occurring across all these domains, albeit to varying degrees, which means DCC must hone its ability to identify implications and opportunities, understand the necessary actions, and plan accordingly. This section assesses the key trends shaping our broader operating context and how our network is evolving to meet them.

Since 2013, DCC's network and services have developed significantly to support government energy policy, including delivery of the Centralised Switching Service (CSS) and support for the roll-out of MHHS. Looking ahead, the network is expected to enable further services, underpinned by a regulatory framework that is both flexible and responsive. Unlocking access to network data presents a major opportunity to accelerate net zero progress and improve support for consumers.

These challenges and opportunities are not unique to DCC. As the licensed monopoly at the heart of an evolving energy ecosystem, we continue to seek ways to work collaboratively with all our stakeholders to anticipate and respond to changing requirements and meet the needs of end consumers.

2.6.1. Consumer affordability challenges

Rising energy costs, labour shortages, and economic uncertainty are placing increasing pressure on consumers and businesses. Addressing these challenges is critical to maintaining trust in the energy system and supporting vulnerable households.

The rising cost of living

The UK's ongoing cost-of-living crisis – underpinned by sustained inflation, elevated energy prices, and broader economic pressures – continues to place significant strain on household finances. While government measures such as the Energy Price Guarantee[19] and the Energy Bills Support Scheme[20] provided vital short-term relief on energy prices, these schemes have now ended. In 2024, the average UK household spent around 7.5%[21] of its total expenditure on energy, up from around 4% pre-2021.

For low-income households, spending on energy can exceed 10% of total expenditure,[22] creating acute affordability challenges. Many households, but particularly those on lower incomes, remain in serious financial vulnerability with some consumers forced to make difficult choices between essentials, such as whether to heat their homes or buy food.

[19] What is the Energy Price Guarantee | EON Next
[20] Energy Bills Support Scheme GB: payments made by electricity suppliers to customers | GOV.UK
[21] ONS household expenditure data insights into the effects of costs-of-living pressures | Office for National Statistics
[22] Fuel poverty in the UK | House of Commons Library

Energy debt

Energy debt in the UK has reached record levels, highlighting the increasing financial vulnerability of many households. By Q3 2025, total domestic energy debt remained over £4bn[23], with an average debt of £1,202 per customer.[24] These figures – the highest on record – indicate growing pressure on household budgets. Even more concerningly, around 75% of these debts are not being repaid through agreed repayment plans, pointing to systemic affordability issues.

Simultaneously, energy theft is on the rise, costing the sector an estimated £1.5bn annually[25] – the equivalent of £50 per household per year.

Addressing fuel poverty

Fuel poverty remains a critical issue, with approximately six million UK households struggling to afford adequate heating and electricity.[26] This is especially concerning for vulnerable groups, including older people, low-income households, and those with health conditions. High energy costs continue to place these households under significant financial strain. The wider economic impact is significant, including an estimated £1bn in additional annual costs to the NHS from cold-related illnesses.[27]

This challenge places increased importance on accurate billing and on ensuring those who need to top up their accounts through pre-payment access can do so through smart meters. Reflecting the importance of this issue, Citizens Advice has recently introduced a new supplier performance scorecard metric tracking smart meters not operating in smart mode.[28] This highlights the growing recognition that reliable smart functionality is central to protecting vulnerable consumers and enabling fair outcomes.

Recent policy developments reflect a growing recognition of the need to develop systemic solutions to fuel poverty. DESNZ has consulted on a Review of the Fuel Poverty Strategy[29], aiming to better identify and support consumers in vulnerable circumstances through tailored energy services and protections. In parallel, Ofgem is reviewing suppliers' vulnerability commitments and examining structural options for standing charges, which disproportionately affect lower-usage households.

In addition, the drive to introduce a mandatory social tariff has been gaining political and regulatory momentum: this targeted, discounted energy would ensure those on the lowest incomes could afford to pay for their essential energy needs. Stakeholders are considering how such a tariff could be delivered effectively – potentially through existing infrastructure and data-sharing mechanisms. These efforts reflect a broader shift toward proactive, equitable approaches to tackling energy affordability at a national level.

The government has committed to invest £6.6bn to upgrade five million homes,[30] targeting reductions in energy bills through energy efficiency improvements and the installation of LCT.

[23] Debt and arrears indicators | Ofgem
[24] Energy debt reaches £4.15bn, an increase of £0.84bn in 12 months
[25] More British households struggling with bills will resort to energy theft, campaigners say | Energy bills | The Guardian
[26] Despite energy bills falling, 6 million UK households to remain trapped in fuel poverty come April | NEA
[27] Cold homes cost NHS £1.36 billion | Age UK
[28] Citizens Advice overhauls star rating metrics - Utility Week
[29] Review of the Fuel Poverty Strategy: consultation document (accessible webpage) - GOV.UK
[30] Make Britain a clean energy superpower | The Labour Party

The Warm Homes Plan[31] will offer grants and low-interest loans for insulation, solar panels, batteries, and low-carbon heating, working in partnership with local and devolved governments. This support complements existing schemes such as the Warm Home Discount[32] and Cold Weather Payment.[33]

Implications and opportunities

Consumer affordability pressures, rising energy debt, and fuel poverty present significant challenges for the energy sector. For DCC, these trends carry direct implications for how we operate and opportunities to use our infrastructure to help ease affordability challenges and support vulnerable households as set out in table 2.2.

Table 2.2 – Key implications and opportunities to address consumer challenges

Implications	Opportunities
Persistently high energy costs, rising household energy debt, and ongoing fuel poverty are likely to continue to place pressure on consumers and challenge confidence in the energy system.	DCC's cost control measures, including the £30m efficiency target by 2025, help minimise indirect cost burdens on households. In addition, every avoided site visit, faster fault resolution, and improved network reliability takes cost out of the system. Smart meters and the DCC network enable suppliers to reduce operational costs, DNOs to identify faults faster, and the wider system to operate more efficiently – delivering real savings for consumers and protecting vulnerable households.
Prepayment meter customers and other vulnerable groups are especially dependent on accurate, timely smart meter communications. Any disruption could have immediate and severe impacts.	DCC can contribute to tackling fuel poverty by facilitating the use of smart metering data to identify at-risk households and enable more tailored interventions.
Growing momentum behind measures such as a mandatory social tariff, standing charge reforms, and targeted energy efficiency investment may change the operating environment and create new expectations for industry support.	Proactive engagement with government, Ofgem, and industry can ensure smart meter infrastructure is used effectively to ease affordability challenges, support social tariffs if required, and improve protections for vulnerable consumers.

2.6.2. Energy transition

The UK is rapidly transitioning to a low-carbon economy, driven by ambitious net zero policies, regulatory mandates, and substantial investment in clean energy. As part of this, the government has concluded the Review of Electricity Market Arrangements (REMA)[34], a programme launched in 2022 to determine how best to deliver a fair, affordable, and secure power system amid fundamental changes to the way energy is generated.

[31] Warm Homes: Local Grant | GOV.UK
[32] Warm Home Discount Scheme: Overview | GOV.UK
[33] Cold Weather Payment: Overview | GOV.UK
[34] Review of electricity market arrangements (REMA): Summer update, 2025 (accessible webpage) - GOV.UK

The review confirmed the decision to retain a single national GB-wide market rather than implement zonal pricing and set out an ambitious package of reforms to improve system efficiency and support the transition to net zero. These reforms include the development of a Strategic Spatial Energy Plan and a Centralised Strategic Network Plan to guide infrastructure investment, alongside changes to network charging and operational arrangements.

Ensuring energy security while reducing carbon emissions remains essential for businesses, consumers, and infrastructure providers, and these measures are central to achieving that goal.

The acceleration of the net zero transition

The net zero transition – encompassing low-carbon and resource-efficient industries – is central to the Government's growth agenda. It aims to support environmental sustainability while also driving innovation and long-term economic expansion. The legally binding Sixth Carbon Budget mandates a 78% reduction in emissions by 2035,[35] which will require fundamental changes in energy production, consumption, and management.

Large-scale deployment of renewable energy, low-carbon fuels, and decarbonisation technologies is critical to this transition. These initiatives aim to reduce emissions, create jobs, strengthen supply chains, and enhance UK competitiveness in green sectors such as clean technology and sustainable transport. In 2024, the net zero sector grew by 10%, contributing £83bn[36] to the economy and supporting around 951,000 full-time jobs – demonstrating its significant and ongoing impact.

Substantial investment in renewal energies continues, with offshore wind capacity set to reach 50GW and solar capacity expected to increase to 45-47GW of capacity by 2030. The government is also using measures such as the Boiler Upgrade Scheme – now expanded to cover air-to-air heat pumps and heat batteries –to incentivise the electrification of heating and the reinstated 2030 ban on new petrol and diesel cars is expected to drive EV take-up and infrastructure rollout.

Energy security and the shift towards domestic renewable generation

The UK's current reliance on imported fossil fuels poses a significant energy security risk, especially in a more volatile geopolitical environment. With the UK still importing 40% of its gas supply, the government is prioritising domestic renewable production, energy storage, and grid modernisation.

Expanding domestic low-carbon and renewable energy generation, particularly offshore wind and nuclear, is key to stabilising energy supply and reducing exposure to global price shocks. The UK is investing more than £80bn in new nuclear projects, including Sizewell C and Hinckley Point C[37], to provide reliable base load electricity.

Battery storage and grid flexibility solutions have also become essential for managing intermittent renewable generation. Investment in grid-scale batteries, pumped hydro, and decentralised energy solutions will store excess renewable power, enhancing energy resilience. In addition, community energy projects are gaining traction – these increase regional energy independence and reduce pressure on centralised systems.

[35] UK enshrines new target in law to slash emissions by 78% by 2035 | GOV.UK
[36] UK net zero economy grows 10% in a year | Energy & Climate Intelligence Unit
[37] Sizewell C nuclear power plant costs rise to £38bn - BBC News

Building on this, smart meters enable energy system resilience by supporting demand-side response (DSR), where consumers shift energy use in response to price or carbon signals. This will be critical to expanding flexibility capacity with the Government targeting an ambitious growth to 12GW as part of its Clean Power 2030 plan. As electrification intensifies, more intelligent use of network capacity will be key to delivering a cost-effective net zero transition.

Recent geopolitical developments have highlighted the need to strengthen resilience not only in energy production but across wider infrastructure and technology supply chains. Over-reliance on single-source manufacturing or global suppliers for key components increases vulnerability to disruption, with potential knock-on effects for essential system maintenance and future service continuity.

The government and industry are exploring a secure, centralised register of energy assets to improve visibility of distributed resources and enhance operational efficiency. This national data infrastructure will rely on accurate, real-time information to support integration of asset data and smart services.

The role of the circular economy in infrastructure and energy services

In parallel with decarbonisation efforts, there is a growing drive from the government to integrate circular economy principles into the energy sector. This means designing systems that reduce waste and maximise resource use across the lifecycle of infrastructure and devices; examples include reusing and recycling components from smart meters, batteries, and communications hubs.

Necessary skills for the energy transition

The UK's energy and technology sectors are experiencing acute skills shortages, particularly in areas such as cybersecurity, data science, systems engineering, and energy infrastructure. There is a risk that these will delay development and delivery of the infrastructure and innovation needed for a secure and sustainable future.

Implications and opportunities

The energy transition presents both challenges and opportunities for DCC. Table 2.3 below outlines key implications we must manage, alongside the opportunities these create for innovation, efficiency, and sustainable growth.

Table 2.3 – Implications and opportunities of energy transition trends for DCC

Implications	Opportunities
Changing policies and regulations require ongoing collaboration with government and stakeholders to stay aligned.	Close partnership with policymakers allows DCC to support national initiatives such as flexibility markets, smart energy data infrastructure, and digitalisation plans.
Current limits on access to network data restricts DCC's ability to diagnose issues such as non-communicating meters and to fully support net zero objectives.	Unlocking access to network data could accelerate net zero progress, improve service performance, and enable targeted support for vulnerable consumers.

Skills shortages in cybersecurity, data science, and engineering pose risks to timely delivery and innovation.	Investing in workforce development ensures DCC has the right skills to meet future challenges and deliver services effectively.
Without systematic adoption of circular economy principles, valuable resources and components from smart meter infrastructure risk being lost to waste rather than being reused or recycled.	Embedding circular economy principles promotes sustainability by improving component reuse, recycling, and responsible end of life management.

2.6.3. Data and digitalisation

Harnessing the rapid advancement of digital technologies is critical for achieving decarbonisation and driving economic growth. The UK's energy transition is underpinned by policies such as the Plan for Change: Make Britain a Clean Energy Superpower[38] and the AI Opportunities Action Plan,[39] both of which recognise the role of data and digitalisation in delivering a secure, sustainable, and efficient energy system.

Rapid advances in digital technology are already reshaping how the energy sector operates. Innovations such as real-time data exchange, AI-driven automation, and enhanced connectivity are transforming system performance. By collecting and processing real-time data from smart meters, IoT devices, and grid sensors, these technologies enable smarter energy use, reduce waste, and improve system efficiency. Automated analytics and AI-generated insights support energy optimisation, regulatory compliance, and consumer engagement. Together, they play a vital role in meeting net zero goals and delivering economic benefits, ensuring digitalisation remains central to the UK's energy future.

Connectivity for digitised energy infrastructure

The rapid electrification of heating and transport is driving the need for a smarter, more resilient energy system that depends on secure, high-quality connectivity. Millions of new assets, including EV charging points, low-carbon heating solutions (e.g. heat pumps), and energy storage systems, must be seamlessly integrated into the grid. This requires robust, real-time data exchange and advanced communication networks to manage and optimise energy use.

Without high-quality connectivity and data management solutions, the risk of congestion and reliability challenges will increase, putting additional strain on the UK's energy infrastructure. Modernising the digital grid, supported by secure and scalable communication networks, will enable smart grids to respond dynamically to fluctuations in energy supply and demand. Enhanced connectivity will also enable AI-powered predictive analytics for proactive decision-making while safeguarding consumer privacy. In addition, advanced communication systems are essential for the efficient operation of battery and energy storage solutions, allowing surplus renewable energy to be stored and deployed when needed, thereby increasing system flexibility and resilience.

These advancements rely on the availability of secure, nationwide connectivity. The government is prioritising the roll-out of gigabit broadband[40] and the expansion of 5G

[38] Make Britain a Clean Energy Superpower | GOV.UK
[39] AI Opportunities Action Plan | GOV.UK
[40] Gigabit broadband in the UK: Government targets, policy, and funding | House of Commons Library

coverage,[41] while continuing to make progress with 4G deployment – a key enabler for the next generation of smart meter communications. The use of household Wi-Fi through a Virtual Wide Area Network (VWAN) is expected to play a growing role in smart meter connectivity, which means reliable in-home connectivity will become increasingly important as the system develops. The integration of fixed broadband and mobile connectivity will also enhance data transfer reliability, making digital energy networks more resilient. Moving forward, hybrid communication models that incorporate fibre broadband, 4G, and 5G will play an important role in enabling seamless energy data management and supporting future grid stability.

This direction is reinforced by the NESO Energy Sector Digitalisation Plan[42], which highlights the importance of ensuring smart meter communications remain resilient as legacy 2G and 3G networks are phased out. While suppliers are responsible for meeting rollout and installation targets, DCC has a critical role in ensuring that smart meter communications infrastructure remains reliable, secure, and future proof. The rollout of 4G communications hubs, combined with preparations for 5G integration, directly supports NESO's vision for resilient digital infrastructure, which is a key foundation for a future clean energy system. We cover our approach to these issues in Chapter 5.

At the household level, the way consumers engage with energy is also evolving, as consumers are being empowered with smarter, more responsive solutions. Increased connectivity will support the growing demand for real-time data, enabling households to better manage energy consumption and take advantage of emerging technologies like smart meters, EV chargers, and home energy storage systems.

Increasing adoption of smart technologies and data-driven energy management

The adoption of smart technologies in energy management is accelerating, driven by advancements in IoT, AI, and automation. Over 37 million[43] smart meters have been installed across Great Britain, offering real-time insights into energy consumption patterns.

At the household level, smart home ecosystems, including AI-powered thermostats, connected appliances, and automated energy management systems, are transforming energy usage by optimising consumption, reducing waste, and lowering costs. In the UK, the smart thermostat market is growing rapidly, with a projected market value of £500m by the end of 2025[44], with strong growth expected through 2030.

Meanwhile, the adoption of connected appliances is on the rise, with 39% of UK households using smart appliances in 2024.[45] This figure is projected to grow significantly, reaching over 50% by 2027, as demand for energy-efficient, connected solutions continues to increase. AI-driven DSR solutions are also expanding, enabling businesses and households to shift energy usage to off-peak times, maintaining warmth and comfort while reducing grid congestion and unlocking significant cost savings.

[41] 5G in the UK | House of Commons Library
[42] Energy Sector Digitalisation Plan - The digitalisation actions needed for Clean Power 2030
[43] Smart meter statistics and network coverage | DCC (as of 30 Nov 2025)
[44] Smart Thermostats – United Kingdom | Statista
[45] Smart Home Statistics | GreenMatch

The role of data

Unlocking the value of smart meter data

Smart metering is at the heart of the energy system's digital transformation, with smart meters alone generating billions of data transactions each month. This granular, near real-time consumption data provides transformative insights into household energy use, which in turn helps drive operational efficiency, support load forecasting, and improve billing accuracy.

As such, smart meter data enables more responsive and flexible energy usage by providing consumers and industry stakeholders with greater visibility and control. The NESO Energy Sector Digitalisation Plan[46] highlights smart meter data as essential for enabling consumer-driven flexibility and effective system planning. Supplier targets of reaching 86-90% smart meter penetration by 2030, or full domestic rollout subject to the outcome of the ongoing DESNZ consultation, are crucial to unlocking these benefits. In parallel, DCC ensures that once meters are installed, their communications remain secure and operable so that high-quality data can be captured and utilised across the energy system.

New data types and technologies

As connectivity improves and more IoT devices and smart appliances are adopted, the energy system is seeing a rapid expansion in new data types. These include data from EV chargers, heat pumps, battery storage systems, and other distributed energy resources. When harnessed effectively, this expanding digital ecosystem can significantly improve system optimisation and flexibility. Advanced techniques driven by AI and machine learning can enhance data processing and analysis, helping to identify patterns and improve energy management.

Improving data access and sharing

Access to and secure exchange of energy data is now a national priority. The Data (Use and Access) Act[47] provides the legal basis for Smart Data schemes, enabling consumers to share energy data with authorised third parties for tailored services. Ofgem has appointed RECCo to deliver the Consumer Consent Service, giving consumers control over data sharing, but DCC expects to play a supporting role as the service is rolled out, which is covered in more detail in Chapter 5 and Appendix 9.

More widely, Ofgem has published Energy Data Best Practice designed to enable greater transparency and access to information and is currently consulting on requirements for regulated bodies such as DCC to be required to adhere to it. We cover our planned response to this in more detail in Chapter 5 and Appendix 9. NESO is also coordinating the rollout of a sector-wide Data Sharing Infrastructure to ensure interoperability and security. These frameworks aim to improve transparency, empower consumers, and unlock innovation.

Protecting privacy and security in a data-driven system

As data-sharing frameworks evolve, maintaining robust standards for consumer consent, privacy, and cybersecurity will be essential. The increasing digitalisation of energy must be matched with effective safeguards to ensure fairness, protect consumer rights, and build trust. We cover our approach to cybersecurity in chapter 5.

[46] Energy Sector Digitalisation Plan - The digitalisation actions needed for Clean Power 2030
[47] Data (Use and Access) Act 2025: data protection and privacy changes - GOV.UK

Implications and opportunities

The increasing digitalisation of the energy system presents both challenges and opportunities for DCC. Table 2.4 below outlines key implications we must manage, alongside the opportunities these create to enhance connectivity, unlock data value, and enable smarter energy use.

Table 2.4 – Key implications and opportunities for DCC of digitalisation

Implications	Opportunities
Reliable, high-quality smart meter data is essential for flexibility markets, protecting vulnerable consumers, and supporting the wider energy transition. DCC must ensure messages and commands, including those critical to prepayment services, are delivered accurately and on time.	Ensuring consistent, high-quality data transmission enables greater consumer participation in flexibility markets, improves operational efficiency, and supports innovation across the energy sector – reducing costs and improving resilience.
Data quality issues across the smart metering ecosystem can undermine system efficiency and innovation, requiring proactive monitoring and resolution in collaboration with industry partners.	Developing connectivity solutions, including 4G and hybrid communication models such as WAN and upgraded communications hubs, will improve scalability and resilience for future energy services. We must also prepare for next-generation solutions such as 5G.
As energy services become more data-intensive, connectivity solutions must be continually upgraded to manage growing transaction volumes and new digital requirements.	Increasing smart meter data accessibility can unlock innovation, support demand-side response, enable new business models, and deliver public-good benefits.
Limited access to certain smart meter data constrains the potential for innovation, advanced energy services, and targeted consumer support.	Close collaboration with government, regulators, and industry allows DCC to help shape data access, interoperability, and governance frameworks, ensuring they align with the needs of a digitised energy system.
Evolving data-sharing frameworks must balance interoperability and accessibility with robust standards for privacy, security, and consumer consent.	Supporting key digitalisation initiatives including Consumer Consent, Data Sharing Infrastructure, SMEDR, and Smart Data, positions DCC as a central enabler of the system transition.
Rapid technological change in AI, IoT, and automation requires DCC to adapt quickly while ensuring system resilience and consumer trust.	Harnessing emerging technologies such as AI-driven analytics and IoT integration enhances real-time decision-making, optimises energy use, and strengthens system flexibility and resilience.

2.6.4. Regulation, governance, and reform

The UK energy sector is undergoing wide-ranging reforms to support a more digital, decentralised, and decarbonised system. These reforms carry significant potential implications for governance, market design, and infrastructure planning.

Reform of energy governance

The UK government has initiated a review of Ofgem, which aims to clarify its role and strengthen its effectiveness as the independent energy sector regulator. This review forms part of a much wider drive to streamline public bodies and reduce the number of quasi-autonomous non-governmental organisations (quangos), ensuring that regulatory functions are delivered efficiently and aligned with the needs of a modern, digital energy system. The review remains active, with government expected to publish next steps in early 2026 following the call for evidence.

Energy code reform

Reforms to energy codes are already underway – most of them are designed to simplify, digitise, and modernise the code system. The aim is to make the codes more responsive to innovation and more accessible for new entrants, enabling quicker implementation of market changes and facilitating new services such as demand-side flexibility and peer-to-peer trading.

Reforms are advancing, with Ofgem consulting on a harmonised prioritisation process for all energy codes to improve governance and accelerate strategic changes. This marks a key milestone in implementing the Energy Act 2023 provisions, with responses due by January 2026. A new strategic governance model is being developed to provide clearer oversight and accelerate change underpinned by evolving regulatory frameworks that aim to empower rather than constrain innovation and competition.

Guaranteed Standards of Performance

Ofgem is currently consulting on amendments to regulations that would put in place new GSOP across the smart metering ecosystem. These standards aim to improve consumer experience and supplier accountability, including requirements for suppliers to resolve smart meter issues within 90 days and for DCC to resolve specific identified faults within 30 days. While DCC is not directly responsible for compensation, these standards will shape how we operate, requiring enhanced diagnostic capability and closer collaboration with suppliers. Ofgem has set out its intention to progress to a decision by the end of 2025 with a view to implementation from January 2026.

Reform of national pricing

In July 2025, the government concluded on the REMA programme which sought to redesign the electricity market to better support decarbonisation, system flexibility, and security of supply. One of the main challenges REMA has tried to address is the misalignment between where our energy is generated and the availability of transmission networks to get the power to consumers which has so far resulted in significant inefficiencies in the form of rising network constraints and balancing costs, and sub-optimal operation of two-way flexible assets.

After careful consideration, the government has decided not to implement zonal pricing, which was one of the key options under consideration and instead retain a single national, GB-wide, wholesale electricity market. Alongside this, the government has also announced a package of reforms to deliver a more strategic and co-ordinated approach to the energy system. The reforms focus on:

- Efficient siting of new assets through a combination of the Strategic Spatial Energy Plan and its associated levers (including network build through the Centralised Strategic Network Plan);

- Reforms to Transmission Network Use of System (TNUoS) charges;
- Improving overall operational efficiency through improvements to constraint management; and
- Balancing and settlement arrangements.

Planning reform for energy infrastructure

Recognising the urgent need to accelerate deployment of low-carbon generation and grid capacity, the UK government has prioritised planning reform for energy infrastructure. Updated National Policy Statements for energy infrastructure have been laid before Parliament, introducing clearer guidance for Nationally Significant Infrastructure Projects (NSIPs) and streamlined consenting processes. Alongside this, the Planning and Infrastructure Bill is in its final stages of parliamentary approval, aiming to accelerate delivery of critical infrastructure. These measures are designed to reduce delays and unlock investment, particularly in areas such as offshore wind, grid reinforcements, and energy storage.

Future of DCC

The future of DCC is being actively shaped through Ofgem's ongoing review of its regulatory framework. Notably, the licence will transfer from the current licensee to the Successor Licensee (DCC2) on 1 November 2026 with the organisation required to operate as a not-for-profit entity from that date. Ofgem closed its consultation on the draft Smart Meter Communication Licence for DCC2 in November 2025, and the final licence text is expected by March 2026. The new licence will embed a not-for-profit model, introduce an ex ante cost control regime, and strengthen governance arrangements. These changes aim to deliver greater transparency, accountability, and long-term value for consumers, while ensuring the smart metering infrastructure continues to support innovation and efficiency in a digital energy system.

Implications and opportunities

Changes in governance, market design, and planning processes will bring structural and operational implications for DCC. We will need to adapt to new regulatory expectations, but there will also be opportunities for DCC to expand our role in enabling innovation, efficiency, and consumer benefit. Table 2.5 below sets out the key implications and opportunities.

Table 2.5 - Key implications and opportunities for DCC of regulation, governance and reform

Implications	Opportunities
The ongoing review of DCC's regulatory framework by Ofgem will directly shape our governance, operational model, and responsibilities beyond the current licence with confirmed changes including a not-for-profit model, ex ante cost control, and strengthened governance arrangements.	Collaborate with Ofgem on finalising the new licence framework and prepare for implementation of ex ante cost controls and enhanced governance, ensuring DCC remains agile and delivers long-term consumer value in a rapidly evolving energy landscape.
Wider governance reforms, including the review of Ofgem, energy code reform, and the reform of national pricing will impact how DCC operates within a more streamlined, digital, and decentralised system.	Engage proactively in implementation planning for code governance changes and other reforms to position the smart metering network as a flexible platform for policy delivery, innovation, and efficient energy use.

New Guaranteed Standards of Performance from January 2026 require DCC to resolve specific identified faults within 30 days, increasing operational accountability and performance expectations.	Investing in enhanced diagnostic capability, WAN assurance, and fault resolution processes to position DCC to meet GSOP requirements and deliver faster, more effective outcomes for consumers.

2.6.5. Technology and security

Technology and connectivity remain critical components of developing a smarter energy system. With the growing number of connected devices and the significance of the data they transmit, cybersecurity will also be vital amid rapidly evolving threats.

Mobile network evolution

The UK's mobile network operators have confirmed to the government that they do not intend to offer 2G and 3G mobile networks past 2033 at the latest. Operators are making individual decisions on the timing and process surrounding switch-offs.

The Shared Rural Network (SRN) programme, jointly funded by the government and the UK's four biggest mobile network operators (EE, Three, VMO2, and Vodafone[48]), has achieved its target a year ahead of schedule (December 2025), delivering 95% 4G geographic coverage from at least one operator. The programme is now focusing on addressing connectivity challenges in "Total Not-Spots" – areas with no mobile signal from any operator. [49] Standalone 5G coverage now reaches over 94% of UK landmass from at least one operator, with individual networks reporting between 47% and 65% coverage.

The UK Wireless Infrastructure Strategy[50] sets out an ambition to bring nationwide coverage of standalone 5G to all populated areas by 2030, enabling everyone to take advantage of new technology.

Technology evolution

The retirement of 2G and 3G networks by 2033 and the rollout of 4G, 5G, and eventually 6G will reshape connectivity across the UK. This transition will require energy systems and connected devices to adapt to maintain nationwide coverage.

Swapping out legacy hardware for newer technologies represents a significant cost and operational challenge, which is why future technology strategies increasingly focus on solutions that minimise physical replacements. Looking ahead, hybrid connectivity models combining fibre broadband, 4G, and 5G will play an important role in enabling seamless energy data management and supporting future grid stability.

Broadband infrastructure

Openreach has now passed over 20 million premises with full fibre as of November 2025, and is on track to meet its target of 25 million by late 2026. Full fibre coverage stands at around 78% of UK premises, and gigabit-capable networks reach approximately 87%. Project Gigabit[51]

[48] Since the start of the programme, Vodafone and Three have merged
[49] Update on Shared Rural Network total not-spots project - GOV.UK
[50] UK Wireless Infrastructure Strategy | GOV.UK
[51] About us – Building Digital UK | GOV.UK

has connected over 167,000 contracted premises out of a planned one million, with rural coverage accelerating under new contracts.

IoT

IoT is revolutionising the energy sector by connecting a vast array of devices, from smart meters and home energy systems to EV chargers and decentralised energy resources. This growing network of interconnected devices offers tremendous opportunities for efficiency, automation, and data-driven decision-making. However, it also presents new challenges, particularly when it comes to ensuring the security of these devices and the data they transmit. The rapid growth of IoT-enabled energy devices is widening the attack surface, making cybersecurity governance and device level protection essential priorities.

AI in the energy sector

In December 2024, Ofgem launched a consultation on the use of Artificial Intelligence (AI) within the energy sector, seeking feedback on draft guidance aimed at ensuring AI is used safely, securely, fairly, and sustainably in Great Britain's energy system. The final guidance and summary of consultation responses were published in May 2025, providing stakeholders with a clear framework for the responsible deployment of AI technologies.

Cybersecurity threat landscape

As energy systems become more interconnected, they also become more vulnerable to cyber threats. The National Cyber Security Centre (NCSC) has warned of a growing field of risks, including ransomware attacks, AI-driven cyber threats, and state-sponsored hacking, which could disrupt power systems, compromise consumer data, and threaten national energy security.

Recent cyberattacks on energy infrastructure worldwide have demonstrated the very real potential of widespread disruption and underscored the need for robust cyber resilience measures. In November 2025, the UK government introduced the Cyber Security and Resilience Bill[52], which will significantly strengthen requirements for operators of essential services, including energy networks. It mandates 24-hour incident reporting, robust recovery plans, and turnover-linked penalties for non-compliance.

Data centres and managed service providers are now in scope. Cyberattacks on critical infrastructure have surged, with ransomware and state-sponsored campaigns increasingly targeting energy systems. The NCSC warns of growing risks from AI-driven attacks and supply chain vulnerabilities.

However, cybersecurity risks are not limited to external attacks. The rise of IoT-enabled energy devices – including smart meters, home energy systems, EV chargers, and decentralised energy generation assets – is introducing new vulnerabilities. Unsecured devices could become entry points for cyber attackers, necessitating robust encryption, real-time monitoring, and proactive cybersecurity governance.

[52] Cyber Security and Resilience Bill - GOV.UK

Cybersecurity innovations

To counter growing cyber threats, the energy sector is adopting advanced security measures, including:

- AI threat detection: AI-powered analytics enable real-time detection of cyber threats and automated responses, reducing the risk of attacks on smart energy networks.
- Blockchain security: blockchain technology enhances energy transaction security by creating tamper-proof records, ensuring transparency, and preventing unauthorised data alterations.
- Zero trust architecture: this security model continuously verifies all users and devices, significantly reducing the risk of unauthorised access.
- Quantum-resistant encryption: with the arrival of quantum computing, the sector is developing quantum-resistant cybersecurity frameworks to future-proof critical energy data protection.

Implications and opportunities

Technology and connectivity are fundamental to building a smarter energy system. As the number of connected devices grows and the data they transmit becomes increasingly valuable, maintaining strong cybersecurity is essential. The rapid pace of technological change – from the retirement of 2G and 3G networks to the rollout of 4G, 5G, full fibre, and hybrid connectivity models – brings both challenges and opportunities for DCC.

These trends, combined with the rise of IoT, AI, and advanced security tools, require us to adapt our infrastructure and strengthen resilience. Table 2.6 summarises the key implications and opportunities for DCC.

Table 2.6 – Key implications and opportunities for DCC of technology and security

Implications	Opportunities
The evolving cyber threat landscape, including AI-driven attacks, ransomware, and risks from unsecured IoT devices, demands continuous investment in proactive security measures.	Build on our Communications Hubs and Networks (CH&N) programme to future-proof smart meter communications hubs and ensure long-term connectivity well into the 2030s.
The planned retirement of 2G and 3G networks and the roll-out of 4G, 5G, and full-fibre broadband will require DCC to adapt its communications infrastructure to maintain nationwide coverage. Hybrid connectivity models combining fibre, 4G, and 5G will be critical to supporting seamless energy data management and future grid stability.	Test and integrate emerging connectivity technologies, such as 5G and beyond, to enhance network resilience, efficiency, and capability for supporting digital innovation in the energy sector. Critically, future strategies will prioritise solutions that minimise physical swap-outs of communications hubs, as replacing legacy 2G hubs with 4G hardware represents a major cost and operational challenge. Avoiding these swap-outs delivers significant system-wide savings and reduces consumer disruption.
Increasing interconnection in the energy sector heightens the need for secure data exchange and	Strengthen engagement with government, Ofgem, customers, and suppliers to align smart metering connectivity with national digital

resilience across the supply chain, reinforcing DCC's role as CNI-impacting infrastructure.	ambitions and accelerate the sector's secure digitalisation.

2.7. Technology horizon planning

In our response to Ofgem's recent consultation on the future role of DCC[53], we confirmed our support for the development of a long-term Business Strategy and Technology Roadmap to set out the strategic direction for the future of DCC's network and systems over a 25-year horizon. This Roadmap will be updated in line with the ex ante price control cycle, or sooner if critical policy decisions materially affect DCC's operations. As part of this approach, there will be a need for DCC to anticipate and respond to customers' evolving needs, with pragmatic and collaborative engagement with industry to balance demand and cost.

DCC considers that the Roadmap should focus on principles rather than prescribing specific technologies. This principles-led approach would ensure DCC can adapt to changes in technology, market conditions, and policy priorities, while supporting the objective of facilitating competition.

DCC is already working in this way, leveraging commodity technologies for cost-effectiveness, and following a 'Cloud First' approach that prioritises cloud components over traditional on-premise infrastructure. All technology design will start with customer and consumer needs, with co-creation alongside customers and stakeholders to ensure services are designed, delivered, and managed collaboratively.

Horizon scanning is a core part of DCC's technology planning. Over recent months, DCC has engaged widely on our emerging Technology Roadmap, which is structured into three distinct horizons to align current priorities with long-term opportunities. This approach enables systematic review of emerging technologies, identification of opportunities to strengthen infrastructure and operations, and continual improvement of resilience and maturity.

In this way, DCC will work with our customers and the regulator to deliver and operate a secure, efficient, and customer-centric network that provides enduring consumer value by design. We set out below our emerging view of the technology focal points across the three horizons.

Horizon 1: Lock in design integrity while extending current capabilities (2025 – 2028)

DCC's focus in this first horizon is on maintaining design integrity while enhancing existing capabilities. This aligns with the latest technology, government, and industry standards to ensure assurance is built into every stage of the lifecycle. Design integrity means technical and architectural decisions, as well as user-facing services, must reflect DCC's public service mission to deliver trusted, secure, digital infrastructure.

The key objective for Horizon 1 is to lock in this design integrity while extending network capability, delivering the activities set out in our business plan. Much of this work will be familiar to customers who regularly engage with DCC and Smart Energy Code Administrator Services (SECAS) forums, but it will now be brought together in a clear, coordinated programme.

[53] DCC Review Phase 2: Objectives, operational model and future role of DCC | Ofgem

Over this period, we will refresh our Design Integrity guidance, ensuring that all changes to our systems are backed by robust threat-modelling and formal architecture sign-off. We will progress the enablement of next-generation communications hubs, preparing specifications for 4G capability and beginning a phased rollout in the North region, coordinated with planned meter replacements. Security will be further strengthened through trials of quantum-safe encryption approaches, enhanced firmware management for all connected devices, and streamlined, automated delivery of software updates. We will also integrate AI-driven anomaly detection into security monitoring to improve real-time threat response.

We will also prepare for the retirement of legacy 2G services by working with suppliers on their migration plans and ensuring that all new installations are built with future-ready technology. At the same time, we will improve the operation and resilience of our systems through automated testing, assured code deployment, and the gradual transition of our core network to a more flexible, cloud-based model.

By the end of this horizon, DCC will have reinforced the foundations of its current network and systems, ensuring they are secure, reliable, and ready to evolve, and will have created a stable platform for the next phase of innovation and flexibility.

The proposed deliverables for the period are covered in more detail in Chapter 5.

Horizon 2: Embed cost-optimised, flexible design principles (2028 - 2032)

Building on the strong design foundations of Horizon 1, this period will focus on embedding cost-optimised and flexible design principles to adapt to evolving market, technology, and consumer needs.

During this time, we expect the replacement of legacy SMETS1 and SMETS2 devices, alongside completion of the migration to the disaggregated DSP service. Deliverables, to be confirmed in the second ex ante business plan cycle may include:

- Adoption of NIST[54]-selected Post-Quantum Cryptography (PQC) standards (2030).
- The transition to always-on core network and service platforms.
- Development to support the economic operation of CSP North LRR through to 2040.
- Common radio module specification.
- Launch of a DCC Data Catalogue with Application Programming Interfaces (API).

This horizon will position DCC to respond more rapidly to emerging needs, while reducing long-term operational costs and preparing the way for the most transformative connectivity solutions in Horizon 3.

Horizon 3: Deliver a future-proof connectivity and comms hub roadmap (2032 - 2045)

With flexibility embedded and costs optimised in Horizon 2, the focus shifts to realising the full potential of future-proofed connectivity and Communications Hub solutions. This includes:

- Optimised mobile strategy for lower cost cellular services.

[54] National Institute of Standards and Technology

- Engagement with UK 6G strategy pilots and preparations for spectrum-agile solutions and hardware.
- Quantum-safe and AI-augmented security with AI-driven anomaly detection.
- Net Zero operation target, with 90% of the network powered by renewables by 2035.

By the conclusion of Horizon 3, DCC's infrastructure will be highly adaptive, resilient and sustainable, designed not just to meet the needs of today's energy system but to enable the innovation and policy ambitions of the decades ahead.

Strategic investments in this business plan

While much of the costs associated with the business plan is focussed on meeting near term operational needs, there are key areas in which we are proposing to invest to address the issues identified in section 2.4 and to prepare for Horizons 2 and 3 which sit beyond the business plan period. In particular, we set out our intention to invest for the future through:

- New capabilities to ensure DCC is ready to address cyber threats in a post quantum environment.
- Investment in the long range radio network to ensure it is able to operate effectively from 2028 onwards if the current contract is extended.
- Preparation for the close out of 2G WAN services.
- Investment in reviewing options for future communication hub capabilities.

Further detail on these investment decisions is set out in Chapter 6 and Appendices 4-10.

3. Consumer-Focused Delivery

Summary

This chapter sets out DCC's focus on placing consumers at the centre of its strategy. It explains how DCC is responding to the increasing focus Government and Ofgem place on consumer outcomes. It explains how our structured engagement across the energy ecosystem informs decisions and translates into tangible outcomes for households, including accurate billing, faster fault resolution and stronger protections for vulnerable consumers. It highlights how these actions build trust through transparency and align with new licence obligations to have regard to consumer interests.

3.1. Consumers at the heart of our mission

DCC began its existence with a technical mandate to operate the infrastructure behind smart metering. We were not designed to be a consumer-facing organisation. Yet, as the energy system has evolved, so too has our understanding of the positive impact we can deliver for consumers. Today we are in the process of a transition towards measuring our impact not by the complexity of our systems, but by the efficiency, simplicity and fairness they deliver for households across Great Britain.

This is a deliberate cultural transformation. We recognise we have an opportunity to become an enabler of consumer value, providing a bridge between complex energy networks and the everyday needs of people. To reinforce this commitment, we welcomed Dame Gillian Guy to our Board as Independent Non-Executive Director. Her decades of experience in public service, including leadership at Citizens Advice, brings a vital consumer perspective to our decisions.

3.2. Delivering on the consumer duty in our licence

Both Government and Ofgem are rightly focused on ensuring energy companies deliver the right outcomes for consumers. DESNZ's recent consultation on the smart metering policy framework post 2025 signals Government's intent to ensure that the advantages of smart meters are rolled out to all consumers, and that greater focus is applied in ensuring that consumers receive the benefits that they would expect when a smart meter is installed.[55] This was backed by a parallel consultation from Ofgem on its intended approach to establishing Guaranteed Standards of Performance for consumers around smart meters, which will set clear standards and incentivise the sector to improve its performance in delivering installations and reliable connectivity. [56]

Ofgem has also recently issued a call for input to the industry on Consumer Outcomes[57], which is designed to deliver alignment around the experience that collectively we should be looking to deliver. DCC welcomes this focus and will continue to work with the wider industry to determine where we can directly support improvements and where we enable others to deliver consumer outcomes.

[55] Smart Metering Policy Framework – Post 2025: consultation
[56] Supplier Guaranteed Standards of Performance: Statutory Consultation
[57] Consumer Outcomes

Our commitment will be underpinned by the proposed Smart Meter Communications Licence for DCC2, which will place an explicit obligation on DCC to "have regard to the impact on energy consumers". [58]

This is a requirement we take very seriously. Our governance model embeds consumer outcomes in our decision-making, and is supported by our move to a "Customer First" culture which is designed to ensure we always think about the impact of our decisions on our users.

We have taken steps to ensure that our key decision-making bodies put consumers at the heart of decisions. At Board level, the recent appointment of a consumer-focused Non-Executive Director is driven by the need to have a suitably qualified consumer representative who can articulate consumer concerns during decision-making. For both Board and Investment Committee decisions (see chapter 8 for more detail on the Investment Committee), we now explicitly require consumer impacts to have been assessed in the preparation of advice and in decision-making, whether that be as part of Green Book business cases relating to major investments and capability choices or smaller service changes through contract modifications.

In many instances, our decisions are also subject to engagement with the SEC Panel, or one of its sub-committees, where consumer representatives also have the opportunity to ensure that the options and choices DCC is proposing take due account of consumer impact.

3.3. Recognising consumer diversity

We recognise that consumers are not a single, uniform group. They differ by energy usage, service preferences, vulnerability status, and payment method. This diversity means our engagement and service design must be tailored to reflect these differences. For example, not all prepayment customers are vulnerable. Some actively choose prepay to give them control when on a tight budget, flexibility when income may be irregular or to avoid debt where customers may have had difficulty paying bills in the past. Understanding these nuances ensures fairness and relevance in our approach.

To ensure our decisions reflect this diversity, we are strengthening the way we use these consumer profiles to inform service design, engagement, and prioritisation. Our services have differentiated impacts across consumer groups. Improvements in outage restoration benefit all households but are particularly critical for those with medical dependencies. Similarly, tariff reforms and flexibility services can disproportionately advantage tech-savvy or high-consumption households unless equity is built into design. Recognising these dynamics is central to our consumer strategy.

Energy suppliers typically segment consumers by payment method, usage patterns, and sustainability priorities. By articulating these consumer profiles, we can better appreciate what matters most to them and how the network can support their needs. Key consumer types include:

- Prepayment consumers: these consumers value accessible top-ups, transparent balances, protection against self-disconnection, and price-sensitive tariffs.
- Credit consumers (pay monthly): Prioritising predictable bills, smooth payments, clear communication, and digital account management.

[58] 2025.09_Annex_2_Draft_new_Smart_Meter_Communication_Licence.pdf, page 23

- Standard credit consumers: Typically older demographics requiring clear bills, multiple payment channels, and strong customer service.
- Green/ethical consumers: Motivated by sustainability, valuing renewable tariffs and ethical practices.
- High-consumption households: Larger households or those with EVs or electric heating, prioritising competitive rates and smart home integration.
- Smart/tech-savvy consumers: Early adopters seeking real-time usage data and responsive tariffs.
- Financially vulnerable consumers: Those struggling to pay bills, requiring clear support pathways and affordable tariffs.

By considering these profiles, DCC can anticipate the services and outcomes that matter most to consumers. This insight informs how we design and operate the network to maximise public value, ensure fairness, and support diverse needs.

We recognise there is more work to do in this space as the energy transition accelerates. This means aligning closely with energy suppliers and policy makers to keep consumer needs central, while responding to emerging priorities such as affordability, digital inclusion, and equitable access to low-carbon technologies. Our approach will evolve continuously to reflect these changing needs and ensure that every household benefits from innovation and system improvements.

3.4. Listening across the energy ecosystem

Consumers are at the centre of our strategy, and we place significant value on the insights gathered from partners across the energy system. We achieve this by listening to consumer-related concerns across the energy ecosystem and converting insights into outcomes.

- Suppliers show us where billing errors, switching delays, and tariff complexity frustrate consumers. Their feedback drives improvements in smart meter reliability and supports market-wide reforms such as MHHS, enabling fairer tariffs.
- DNOs highlight how smart data reduces outage times and costs. Through our network, we provide high-resolution voltage and outage data, enabling faster fault identification and restoration.
- System planners and NESO ensure our network evolution supports future flexibility and tariff structures that lower bills.
- Innovators and device manufacturers push us toward home energy management, green finance, and real-time optimisation, unlocking new consumer propositions.
- Consumer groups and charities such as Citizens Advice, National Energy Action, and Age UK ensure we understand the challenges around vulnerability, affordability, and digital inclusion.
- Research and academia help us understand how consumer needs evolve.

This structured engagement model leverages collaboration with consumer groups and advocates as well as industry, ensuring that insight is representative and that whether we are in technical forums with DNOs or policy discussions with government, the consumer perspective is driving our considerations.

3.4.1. Turning insight into impact

Listening is only the first step. What matters is how we act. Every engagement informs decisions that deliver measurable benefits for households:

- Accurate bills and simpler costs: By strengthening smart meter communications and supporting MHHS, we help suppliers reduce billing errors and call-centre friction. This lowers cost to serve and ultimately benefits consumers through clear, more predictable bills. We are working collaboratively with industry to maximise the success of these changes and aligning with GSOP requirements to ensure consumers experience consistently high levels of service.
- Faster fault resolution: Our collaboration with DNOs enables precise fault identification and targeted restoration. For households, this means shorter outages, safer homes, and more resilient local networks. We also play an active role in the VERIFY[59] programme led by Scottish and Southern Electricity Networks (SSEN) which demonstrates how innovation can accelerate restoration and reduce costs, which ultimately supports more affordable bills for consumers.
- Protection for vulnerable consumers: Insights from charities and local authorities inform initiatives such as enabling smart data access for fuel poverty support, exploring direct-to-meter credit for rapid intervention, and improving prepayment reliability. These actions reduce self-disconnection and uphold dignity in energy use. With Ofgem approval, more than 20 organisations now access smart meter data through our fuel poverty initiative[60], helping to target support where it is needed most.
- Better retrofit and warmer homes: Smart data supports precise targeting for retrofit funding and Energy Performance Certificate (EPC) reform, ensuring public money is spent effectively and homes are warmer and cheaper to run. We are partnering with the National Retrofit Hub to improve every stage of the retrofit cycle, from planning to monitoring, using smart meter insights.
- Fair access to flexibility: We are exploring load control options for social housing and low-income groups, ensuring flexibility services are not reserved for those with EVs or heat pumps. This unlocks savings and delivers a fairer energy transition so that the benefits of flexibility, including lower bills and participation in the energy system, are open to every household. Our proposals[61] include better targeted programmes for deploying LCTs alongside smart meter installations.
- Greater innovation and choice: By enabling integration with home energy management systems and supporting green finance products, we help innovators deliver smarter, consumer-friendly solutions. Through initiatives such as Consumer Consent and exploratory work on the SMEDR, DCC is supporting the development of new products and potential savings that could expand choice for consumers.

While DCC exists to deliver consumer benefits, we recognise that limitations in our services can also create challenges. Service interruptions or delays in smart meter communications can

[59] VERIFY | SSEN Innovation

[60] dcc-fuel-poverty-paper-2025-final.pdf

[61] DCC Response to DESNZ Call for Evidence - Enhancing the smart meter installation journey towards Clean Power 2030

lead to inaccurate bills, frustration, and loss of confidence in the system. Complexity can slow the rollout of new technologies, affecting the quality of service and delaying savings. Where costs of network evolution are not clearly explained, consumers may question the value they see in their energy bills. These risks underline why transparency, reliability, and proactive engagement are essential to our approach.

3.5. Future opportunities

Smart meters are an enabler for both individual consumers but also for the broader energy system, and there are increasing opportunities in both areas.

At the consumer level, there is the opportunity to both empower consumers and to provide better support to those who need it. Smart meters are a vital enabler which can open up opportunities such as adapting usage to price signals (e.g. EV charging overnight) or exporting electricity to the market for the growing number of consumers with solar panels and batteries. They also provide greater control over energy use where budgets are tight, enable access to support on energy costs, and allow suppliers and other users to offer insights and advice on cost-reduction opportunities, such as improving energy efficiency.

Smart meters are also a strategic enabler. There is real opportunity for DCC to support the delivery of a more affordable, cost-effective energy system for consumers. The data we make available to our users provides insights that deliver savings elsewhere in the energy system – whether that be reductions in supplier operating costs through digital meter readings, more cost-effective fault findings and network planning for DNOs, flexibility management by Distribution System Operators or potentially better targeted investments in infrastructure to drive improved energy efficiency. If the data insights from smart meters are effectively exploited, it will mean reduced costs for consumers.

We will continue to work with customers and consumer representatives on strategic themes and options to ensure that as an industry we maximise the public value from smart metering.

3.6. Delivering a difference in the business plan period

Through this business plan, our aim is to deliver tangible improvements in the consumer experience during the plan period, ensuring that the average consumer has a more positive experience of being a smart meter consumer.

At its core, this comes down to delivering more accessible and reliable connectivity to the network. That means working with suppliers to ensure the consumer experience of getting connected is smoother than before, and working hard to ensure that once connected, consumers stay connected.

The extent to which individual consumers will experience a change in the benefit delivered by smart meters over the business plan period will depend on the needs of the individual, and consumers may not realise that some of the benefits they are experiencing are only possible because they have a smart meter.

More consumers will undoubtedly use a smart meter by March 2028. We also expect more consumers to adopt time of use tariffs to reduce their bills, to export energy as part of a growing demand-side response on flexibility, and we expect consumers to connect a growing number of smart devices in their homes. We also see huge potential to use smart metering data to help individuals in fuel poverty or to identify energy inefficient homes that drain family

budgets. In Appendix 1, we set out innovation projects which we believe have the potential to address these issues and deliver significant public good at limited cost.

The value of the smart metering network is not just avoiding on-site meter readings. It is in the better choices that can be derived from the data it offers. We believe there is an opportunity in the business plan period to accelerate benefits for consumers at both an individual level and at a system level. To support this, we want to work with customers to embed consumer outcome measures into performance reporting, ensuring that we are measuring what matters most to households.

Within this plan we describe activities which will deliver a more resilient and better value for money service for consumers including:

- Our proposal to work closely with industry to optimise SMETS1 and SMETS2-2G swap outs is designed to ensure service quality is maintained while ensuring a cost-effective approach to transition through to 2033.
- The continuing rollout of our 4G service will ensure that over 20 million SMETS2 meters will continue to have full functionality through to the 2040s, long after 2G services have closed down.
- We will extend 4G coverage through focused work with suppliers and the introduction of 4G roaming.
- Our rollout of VWAN connectivity through broadband will enable hundreds of thousands of consumers in difficult to reach places who have never been able to use a smart meter to get connected.
- Our renewed focus on consumer connectivity through our 'Get Connected, Stay Connected' initiative will support suppliers in meeting Guaranteed Standards of Performance for consumers and help reduce the number of non-communicating devices.
- We will build on our already high standards of service on switching by making improvements to the service through our Improvement Plan.
- We will invest in fit-for-purpose cyber capabilities to protect the smart metering network so consumers are able to use smart capabilities in their homes with confidence.
- Our innovative work with a wide range of consumer groups and other bodies continues to exploit the potential of smart metering data to demonstrate how smart meters can support consumers on important issues like fuel poverty and energy efficiency.
- Our commercial negotiations will avoid over £180m of costs being put on consumers bills in the business plan period.
- Our continuing focus on cost efficiency and commercial value will ensure that as the smart meter estate grows, the cost per meter continues to reduce.
- Our financing arrangements for 4G communication hubs will reduce bill impacts for consumers.

3.7. Building trust through transparency

Trust is the cornerstone for the value that consumers place on smart metering. We must strengthen it through greater cost transparency, clear performance reporting against commitments, and robust quality assurance. Consistency of engagement with consumer groups is central to this approach, ensuring that insights shape decisions at every level.

We are transitioning from transactional performance indicators to consumer outcome measures, which reflect real-world impact. This means reporting not just on technical metrics, but on what matters most to households – such as reduced outages, improved affordability, and fair access to innovation. We provide more detail on this in Chapter 12: Measuring Success.

3.8. Shaping a smarter, cleaner, fairer future

Every dataset, every engagement, every improvement in our network has a consumer at the end of it. For households, this means lower bills, fewer outages, fairer tariffs, stronger protections, and a smoother path to low-carbon living. By listening to those who offer consumer insights, collaborating widely, and acting in line with our licence obligations, DCC aims to ensure the smart metering network becomes one of Britain's most important tools for delivering public value and for supporting a fair and inclusive energy transition.

4. Listening to our Customers

Summary

This chapter explains who DCC's customers are, how they use the smart metering network, and the value this creates for the energy system. It highlights the growing diversity of our customer base and the opportunities this brings for innovation. The chapter also sets out how DCC engages extensively with customers, and how feedback has shaped our business plan and major programmes. Finally, it sets out our commitment to embed customer focus in everything we do, ensuring services remain reliable, inclusive, and ready to support a smarter, cleaner energy future.

4.1. DCC customers

The smart metering network is used by two broad groups of customers: those required by regulation to manage the GB energy infrastructure (such as energy suppliers and DNOs), and discretionary users, known as Other Users.

As the energy transition accelerates, the way different user groups interact with the network continues to evolve. Of the approximately three billion messages sent each month across 37 million connected smart meters, around 70% are currently generated by energy suppliers, 20% by network operators, and 10% by other users. This marks a significant shift from just two years ago, when demand was almost entirely driven by energy suppliers. The segmentation and evolution of the customer base, and the factors behind this change, are explained in more detail below.

4.1.1. DCC customers and how our customer base has changed

Any organisation wishing to use DCC's services must first become a SEC Party. A SEC Party can then onboard as a DCC User by completing the entry process.

- A SEC Party is an organisation that has signed the SEC, giving it rights to participate in the smart metering system.
- A DCC User is a SEC Party that has completed the entry process and been approved to use DCC services. Different user roles exist depending on the services required.
- Registered Supplier Agents include electricity Meter Operators and gas Meter Asset Managers, who install and maintain meters.
- Meter Data Retrievers are responsible for collecting half-hourly consumption data to support settlement processes.

All licensed energy suppliers must become SEC Parties, and any supplier providing energy must also become a DCC User. Table 4.1 below shows the current distribution of users by SEC category.

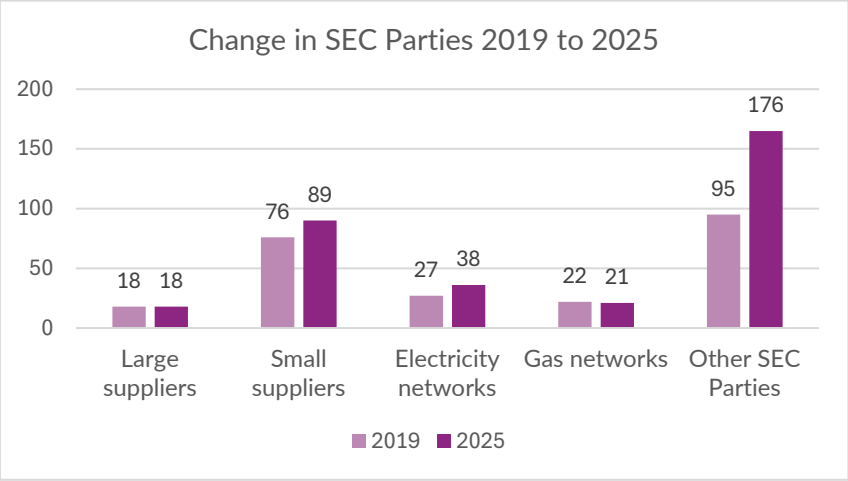
Table 4.1 – Current SEC parties and DCC users by customer category[62]

Customer category	SEC Parties	Of which completed DCC user entry process
Large Suppliers	18	17
Small Suppliers	89	52
Electricity Networks	38	14
Gas Networks	21	0
Other Users	176	21
Total	**342**	**104**

It highlights that while around 30% of SEC Parties overall have onboarded as DCC Users, the rate varies widely from over 90% of large suppliers to just 12% for Other Users and 0% for gas network operators. These differences in onboarding rates highlight the varied needs and engagement levels across the customer base.

It is important to recognise that the make-up of DCC's customer base has both grown and diversified in recent years. Large suppliers, small suppliers, and network operators were part of the system from the outset, but the most dynamic growth in SEC Parties has come from small suppliers and Other Users. This broadening of participation, as shown in Figure 4.A below, reflects regulatory changes as well as the increasing value placed on secure, reliable smart metering data by a wider range of market participants. In response, DCC must be prepared to meet the needs of an increasingly diverse customer base.

Figure 4.A - Change in SEC parties



[62] SEC Parties List 28.07.2025

4.1.2. Smart Metering and the energy value chain

For DCC, it is important to engage with SEC Parties and DCC Users, but we also work to identify other stakeholders across the energy value chain who may also see value in the data produced by the smart metering network.

Energy supply

There are 18 large suppliers (those with more than 250,000 customers) who collectively account for 98% of the domestic electricity and gas supply market. There are 52 small suppliers who use the smart metering network, and a further 37 which are SEC Parties but not yet DCC Users.

Energy suppliers provide gas and electricity to homes and businesses nationally. To supply energy cost-effectively, they need to accurately forecast demand and purchase energy ahead of time to meet that demand. Smart metering enables suppliers to better understand consumption patterns across consumer profiles, improving demand forecasting, supply matching, and billing accuracy.

The move to universal half-hourly settlement, which began in October 2025, is now unlocking further benefits as the programme rolls out across Great Britain. By facilitating more accurate matching of demand to supply, it enables suppliers to offer real-time tariffs, helping consumers access greater savings and encouraging tariff innovation. It also supports dynamic time-of-use tariffs tailored to low-carbon technologies with higher electrical loads, such as heat pumps and EV chargers, unlocking even more value. With greater tariff competition expected as half-hourly settlement becomes the norm, consumers and businesses will have increasing opportunities to switch suppliers and secure the best deals.

DCC's smart metering platform underpins this competitive market by providing the infrastructure for reliable 24-hour switching, making the process simple and accessible. To date, DCC has facilitated around 45 million switching requests, achieving a consistent 100% success rate.

These benefits come alongside wider cost-to-serve savings that smart metering delivers for energy suppliers, such as lower call centre demand from reduced billing queries, and reduced costs for managing smart prepayment customers.

In addition to the 70 large and small suppliers currently using the smart metering network, accounting for about 70% of total network demand, there are a further nine retailers currently onboarding.

Energy distribution

The six main electricity Distribution Network Operators (DNOs), covering all 14 licensed regions, are both SEC Parties and DCC Users. In addition, 24 Independent Distribution Network Operators (IDNOs) are SEC Parties. All four Gas Distribution Network (GDN) companies, together with 17 independent GDNs, are SEC Parties, although none have yet elected to become DCC Users. This position may evolve as the energy transition creates new value opportunities, such as enhanced network planning, green gas blending, and hydrogen integration.

The DNOs and IDNOs provide the cabling and associated infrastructure, such as substations, that distribute electricity to homes and businesses. Great Britain's decarbonisation strategy

relies heavily on electrifying the economy, and the decarbonisation of heat and transport is placing greater loads on the low voltage distribution network. As users of the smart metering network, DNOs and IDNOs can now monitor how voltage levels change over time at each supply point and receive real-time alerts in the event of power failures. This delivers multiple benefits, ultimately supporting the resilience of distribution networks while keeping costs lower for consumers.

The combination of half-hourly consumption data and voltage data from smart meters provides network operators with a highly detailed view of their networks. For example, voltage drops combined with rising electricity demand at specific network nodes can help operators decide where to reinforce cabling to increase capacity or where the introduction of new flexibility services would be most cost effective. Ofgem requires network operators to proactively identify opportunities for introducing flexibility services to better manage demand peaks. The smart metering network not only supplies the data to do this but also enables monitoring of flexibility service delivery, supporting reporting and payments.

Network operators also benefit from accurate power outage alerts, which allow them to pinpoint the exact locations affected and carry out faster, more targeted repairs, reducing downtime for consumers.

These benefits are now being delivered at scale, and DNO use of the network has increased significantly in recent times. Network operators now account for around 20% of total demand on the smart metering network, up from just 4% in early 2024.[63]

Energy transmission

The high voltage transmission network moves large amounts of electricity supply from the major sources of generation across the country to be distributed through the lower level distribution networks. The transmission networks themselves are run by the electricity transmission operators, but the newly created National Energy System Operator (NESO) is responsible for strategic planning of network capacity.

NESO is not currently a user of the DCC's smart metering network, but the growing complexity of the electricity system means that smart metering data is very likely to become increasingly useful for it to meet its objectives. NESO supports transmission level flexibility services that enable the central management and dispatch of generation assets such as gas, wind, nuclear and aggregated loads. With responsibility for maintaining a strategic view of the entire energy value chain, NESO needs to understand how time of use tariffs, DNO led flexibility services, and its own services interact.

A key policy objective for NESO is to enable the stacking of value for consumers and businesses, for example by combining local and national value opportunities. Achieving this increasingly requires NESO to understand how household and business demand changes in response to services, as well as how the low voltage network is evolving.

The smart metering network centrally manages the underpinning data, including demand, tariff, export and voltage data. This creates a potential value opportunity for NESO, and DCC and NESO are working closely together to explore how this can be realised.

[63] Many network operator benefits cases were unlocked at the point national smart metering penetration in mainland GB surpassed 65%, which was achieved earlier in 2025.

Smart metering and other sectors of the economy

The growing interest in the network's capabilities extends to many other sectors of the economy. The drive to decarbonise affects all sectors where energy is either an input to processes and operations, or the basis of a service. As a result, the smart metering network is increasingly being used by a wider range of market participants.

The examples below relate mainly to organisations that are neither energy suppliers nor network operators but are seeking to become DCC customers through the Other User role. Some organisations are also combining user roles, for example energy suppliers becoming Other Users, to reach new customer groups. Examples of Other Users include:

- Financial services: Banks and mortgage lenders could use real-time energy and tariff data to price loans for green investments such as heat pumps and building-fabric upgrades. Green mortgage products are one example. This data could also support regulatory requirements such as the Task Force for Climate-Related Financial Disclosures, which uses smart-metering data to assess the annual emissions of mortgaged homes. A major high-street bank recently became a SEC Party and is exploring use of the Other User role to support its emerging customer propositions.
- Device manufacturers: Heat pump, battery and EV charge point manufacturers are increasingly integrating their devices with the smart metering Home Area Network to enable optimisation, such as responding to tariff price signals, and to understand wider consumption patterns, including energy export. This is helping to develop the Home Energy Management Services (HEMS) sector, which is expected to grow significantly over this decade. One example of a user in this space is Wondrwall.
- Local authorities and housing developers: These organisations use smart meter data to assess building performance, support residents in optimising energy use, prioritise retrofit programmes and track progress against climate goals. Data on consumption, tariffs and exports also supports developers in meeting the Government's Future Home Standard for new builds. DCC is supporting the Greater London Authority (GLA), now a SEC Party, through use of its test and learn product (DCC Boxed) to explore how the network can support its retrofit programmes. DCC is also working with other regional authorities, including the West Midlands Combined Authority and the Greater Manchester Combined Authority (as part of its Retrofit Taskforce), to explore how smart meter data can support retrofit activity. DCC is a partner of the National Retrofit Hub, collaborating with its network to engage industry on this agenda.

The smart metering network therefore continues to serve as a critical enabler of innovation and value creation across multiple sectors, with the potential for even greater reach as more organisations recognise the opportunities it offers.

4.1.3. Adapting charges to reflect network use

As the use of the DCC network evolves, so too must our approach to charging. Changes in service request volumes across customer groups show a shift in how the network is used. While demand from energy suppliers has remained relatively stable, there has been significant growth in usage from electricity network operators and Other Users, a trend we expect to continue. These changes highlight the need to ensure that our charging structure remains cost-reflective, fair, and able to incentivise efficient network behaviours.

In 2024–25, we carried out a review of the SEC Charging Methodology to reflect these shifts in network use. This included extensive customer engagement and consultation. As part of this,

we worked closely with DESNZ, Ofgem, DNOs and wider industry stakeholders. Building on stakeholder feedback, we concluded that:

- Fixed charge weighting factors for core users (energy suppliers and electricity network operators) will be updated to better reflect actual usage patterns, supporting the principle of cost reflectivity.
- Variable charging for Other Users will not be introduced at this stage, allowing for potential policy decisions on Smart Meter Energy Data Repository (SMEDR) to be considered, as this could materially change network usage and costs.

The charging review is an important step in ensuring that charges are fair across different user roles and that they send the right cost signals to encourage efficient use of the network. Our aim is to avoid market distortions, maintain fair treatment between customer groups, and ensure that the costs of operating the network are recovered in proportion to how it is used.

We will continue to engage with customers as we implement the updated charging approach, including developing the data needed to support revised weightings and ensuring alignment with existing charging statement timelines. Implementation of the new fixed cost recovery approach will take effect from April 2027, alongside guidance to DNOs on best use of the DCC network. This approach will help ensure that our charging framework adapts in step with market and policy developments, while continuing to provide value.

4.2. Commitment to customer engagement

Customer First

At DCC, we are committed to listening to our customers and acting on feedback to ensure that consumers across Great Britain can benefit from a service that works for them. This includes improving network access, for example by introducing cloud connectivity and a streamlined digital onboarding process, and developing services that ensure the network supports new value opportunities over the long term, such as network diagnostic services, centralised consent and data caching.

DCC's Customer First initiative, introduced in 2025, is central to our commitment. It brings together targeted workstreams that address the issues that matter most to customers, such as network coverage and service centre interactions. We will use these customer insights to drive continuous improvement and shape our strategic priorities. Through Customer First, we aim to embed a culture of listening and acting to make meaningful changes. This approach complements existing regulatory forums, such as SEC governance, while driving enhancements in how DCC connects with its customers and uses the insight to drive improvement.

We are committed to ensuring that the smart metering network works for everyone and delivers lasting value. By listening to our customers, acting on feedback, and making targeted improvements, we will help consumers take full advantage of the benefits smart metering brings. This means a service that is reliable, inclusive, and ready to support the transition to a cleaner, more flexible energy system for all.

An extensive range of customer engagement forums

Our aim is to ensure that we engage effectively with customers and stakeholders on their priorities and concerns for the smart metering network on an enduring basis. DCC undertakes extensive engagement to ensure customer input is central to our planning and decision-making,

which has been augmented by a programme of engagement to support preparation of this business plan (see section 4.3 and Appendices 2 and 3).

Our enduring engagement framework includes:

- SEC panel and sub-committees: DCC engages monthly with the SEC Panel and its sub-committees. In FY24/25, we provided updates on programmes and presentations covering over 80 operational topics. A collaborative approach with SECAS and committee chairs ensures we agree on the information presented ahead of each meeting, supporting clarity and effective engagement.
- DESNZ Smart Metering Implementation Programme (SMIP) forums: Throughout RY24/25, DCC provided monthly updates to customers through DESNZ-led forums, including the Smart Meter Delivery Group and the Implementation Managers' Forum, highlighting progress against Joint Industry Plan (JIP) milestones. We also engaged with the Technical and Business Design Group on cross-cutting design questions or issues, ensuring transparency and alignment across programmes.
- DCC-led webinars and workshops: DCC has shared insight with customers through topic-specific webinars and workshops designed to gather input and feedback, while providing context to support informed engagement and decision-making. Such sessions can be used to complement engagement with SEC forums, for example by providing in depth engagement on commercial terms in business cases to support the process of review in SEC sub-committees.
- Other customer forums: Beyond formal industry governance groups, DCC hosts a range of forums to enhance customer engagement. In FY24/25, we held over 50 regular forums including the Common Issues Forum, Customer Operations Forum, Cross-Functional Design Authority, Distribution Network Operators Improvement Group, Supplier Working Group, and Quarterly Finance Forum. We also conducted 65 bilateral meetings with individual customers, covering a wide range of topics, and engaged smaller market participants through the SECAS-led Small Suppliers' Forum, ensuring these organisations remain connected to industry developments.
- Consultations: In line with its licence obligations, DCC regularly consults on policy issues affecting the future of the smart metering network. For instance, in FY24/25 DCC published 25 consultations. Following each consultation period, we issue a conclusion document outlining the feedback received and how it has been incorporated. This approach ensures transparency and reinforces our commitment to acting on customer input.

Engagement takes place at scale and across a diverse set of forums and feedback from these engagements is shared by the Customer Engagement team with all relevant internal stakeholders, ensuring customers' views are embedded in both strategic programmes and operational decision-making.

Figure 4.B – Number of engagements by SEC committees in FY24/25

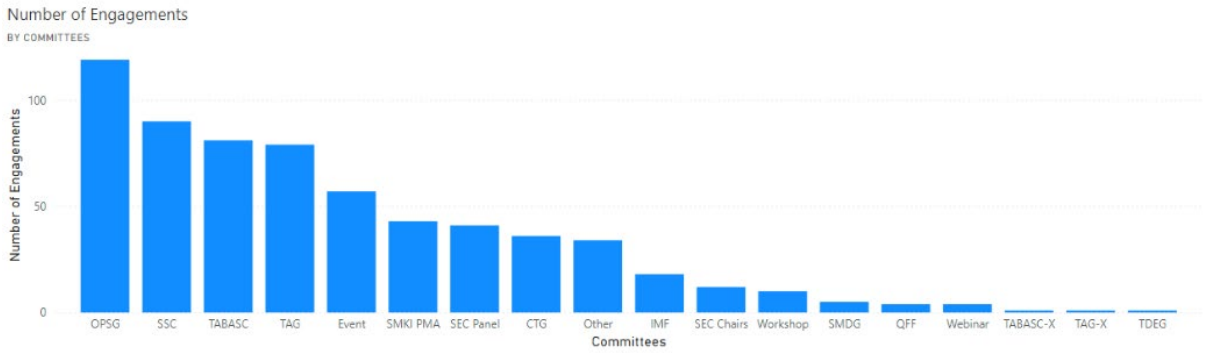


Figure 4.B shows the number of engagements across SEC committees in FY24/25. The highest level of engagement was with the Operations Group (OPSG), with around 120 interactions during the year, followed by the Security Sub-Committee (SSC) with approximately 90 and the Technical Architecture and Business Architecture Sub-Committee (TABASC) with around 80. The Testing Advisory Group (TAG) and the Enduring Testing Advisory Group (ETAG) also saw significant activity, each in the range of 60–70 engagements. Other groups such as the Smart Metering Key Infrastructure (SMKI), Policy Management Authority (PMA), SEC Panel, and Communications Transition Group (CTG) recorded between 30–50 interactions. Smaller committees and working groups had lower but still regular engagement, ensuring all areas of governance benefited from customer and stakeholder input.

Across these areas, DCC is committed to active listening and engagement, aligning performance measures to customer priorities, and linking actions directly to consumer outcomes. By embedding engagement practices, DCC aims to strengthen trust, improve customer experience, and support the continued development of a smart, flexible energy system.

Our strategic commitment is long-term: to respond to current customer priorities and anticipate future needs in a changing market. By doing so, we aim to deliver:

- Sustained enhancement of customer trust and legitimacy in all DCC decision-making processes.
- Continuous improvement in service design and delivery, ensuring offerings are increasingly tailored, inclusive, and aligned with real user experiences.
- Ongoing transparency and accountability, strengthening our relationship with regulators, stakeholders, and the wider public.

4.3. Change programme engagement

Under the Programme Assurance Policy agreed between DCC and the SEC Panel, DCC follows a well-defined process within its Programme Delivery framework to engage customers through the SEC committee structure before seeking DESNZ's non-objection for business cases to progress. Green Book business cases are shared with customers via the SEC Panel at three stages: Strategic Outline Case (SOC), Outline Business Case (OBC), and Full Business Case (FBC) following DESNZ non-objection.

When a programme is identified as customer impacting, such as requiring users to change systems or processes, creating a risk of service disruption, or involving investment of more than £1m, we ensure proportionate engagement with industry. The scale of engagement reflects

the level of investment, user impact and industry interest. Large initiatives such as DSP involve more engagement than smaller programmes like the Service Centre reprocurement.

At the SOC stage, we work with customers to define the problem statement and identify Mandatory Business Needs, which must be delivered for an acceptable solution, and Desirable Business Needs, which may be delivered subject to cost-benefit analysis. We share the SOC with the Panel for review, asking it to confirm support for the User Business Needs and the adequacy of customer engagement before submitting it to DESNZ for non-objection. If our position differs from the Panel's and we proceed without its support, we explain our rationale clearly.

In developing the OBC, we will engage on requirements, options analysis, and estimated costs. At this stage we seek Panel endorsement that engagement has been sufficient, that requirements match user needs, and that the preferred option is right for the programme. While Panel support is not mandatory, any decision to proceed without it would need to be clearly justified and documented.

Prior to the FBC, we share progress updates and any implications for cost. Following non-objection and contract signature, we provide SEC Panel members with final costs and the completed FBC, together with the non-objection letter. This is completed offline, but an update is presented at the next applicable Panel meeting if costs differ materially from those previously shared.

Throughout project delivery, engagement continues in line with the Programme Assurance Policy. This level of engagement delivers significant benefits for all stakeholders. DCC is committed to maintaining consistency in how we engage so that customers can have confidence in our approach and in the outcomes we deliver. By embedding customer insight into programme decisions, we help create solutions that deliver better value for consumers and support a smarter, more resilient energy system. SECCo and industry monitor compliance with this policy and may escalate concerns to Ofgem if necessary.

In the section below we provide examples of programmes where customer engagement has been key to shaping the approach.

Customer-led shift in the Future Connectivity Strategy

Through operational engagement with industry and programme-level discussions around Communications Hubs and Networks and CSP North Scaling and Optimisation, customers told DCC they needed an overarching connectivity strategy for all regions to enable long-term planning. In Q1 2024, DCC ran a series of Future Connectivity Strategy workshops focused on gathering requirements and understanding industry views on the business needs for a future strategy.

The output from these workshops confirmed that customers wanted a holistic connectivity strategy, but they also highlighted an immediate need for an alternative technology in the North. As a result, DCC shifted its focus from the holistic strategy to the higher priority delivery of 4G WAN coverage in the North. Working collaboratively with customers, we were able to deliver this 4G solution within 18 months. This solution met urgent customer needs and allowed both DCC and customers to renew focus on the broader Future Connectivity Strategy through two bespoke programmes of work reflected in the business plan change pipeline: Long Range Radio Committed Term and 4G and Beyond. More detail on these can be found in Chapter 5 and 6.

Customer influence on SMETS1 commercial approach

SMETS1 meters represent approximately one third of the 37 million smart meters currently installed across the UK, but all 2G services on which the SMETS1 meters run will be discontinued by the end of 2033.

The existing SMETS1 contract with Vodafone for 2G services was due to expire in March 2029, with no provision for renewal. Without an alternative solution, the expiry of the 2G contract could have resulted in up to eight million energy consumers losing smart meter functionality by the end of 2029. DCC and customers recognised these risks and worked together to identify a viable approach.

To support informed decision-making, DCC initially presented a preferred option to extend the IOC/FOC service through direct negotiation with Vodafone. Customers raised important considerations around cost, flexibility for a declining SMETS1 estate, and the need for assurance that contractual terms would reflect these priorities. In response, DCC brought together a subgroup of SEC Panel and CTG representatives under NDA on 24 March 2025, creating a secure forum for open discussion. This approach allowed commercially sensitive details to be shared transparently and enabled customers to shape the proposal.

As a result, the final contract agreed with Vodafone to extend the service beyond 2029 included [redacted] commitments to work through SEC governance on estate management and wider meter swap-out activity. This collaborative process, using structured working groups and confidentiality agreements where necessary, ensured customer requirements were embedded in the contract while maintaining the integrity of negotiations.

The subgroup recommended SEC Panel support for the preferred option, which was formally endorsed on 26 March 2025. By balancing transparency with commercial sensitivity, DCC gave customers confidence in the decision and delivered a solution that safeguarded continuity of service for millions of consumers through to 2033 while ensuring value for money and flexibility for the future.

DSP2 programme

Customer engagement is vital to the successful delivery of the DSP programme. DCC is committed to delivering a solution that meets customer needs, providing functional equivalence at greater value for money.

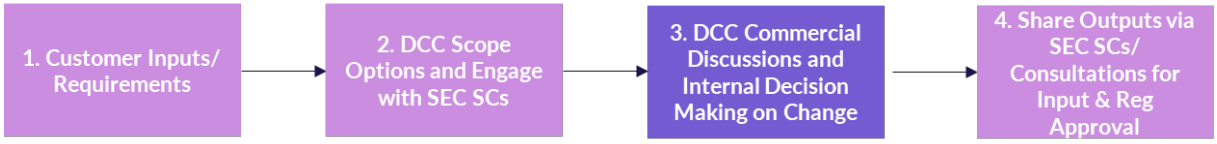
The DSP programme team attends SEC forums such as TABASC, OPSG, SSC and the TAG on a monthly basis, with periodic attendance at other forums such as the Implementation Managers Forum, Technical and Business Design Group and the Smart Metering Delivery Group as well as DNO and Small Supplier forums.

The team also engages customers directly, for example through sessions in December 2025 on the technical aspects of DCC Connect to support customer understanding in advance of their response to the DCC Connect consultation.

Any proposed technical changes undergo rigorous technical and business value assessment, including whether the change is necessary at that point in time. Internal forums such as the DCC Design Integrity Forum and Change Review Forum review every request to ensure alignment with architectural standards and delivery of tangible benefits to customers and consumers. External stakeholders input into this process is delivered via Preliminary and Final Impact Assessments to ensure the review process is robust.

The steps below demonstrate how this works in practice:

1. Each Change Request (CR) includes a section on customer impact, focusing on requirements gathered during programme baselining and the latest feedback from engagement through TABASC, consultations and bilateral meetings.
2. High-priority CRs with cost or plan impacts are brought to TABASC for technical discussions and optioneering. Technical experts from the sector assess and assure DCC's designs and approach. Impacts from SEC Mods and other dependencies are discussed and embedded.
3. DCC then undertakes internal commercial discussions with partners, interrogating costs and ratifying conclusions through internal governance processes including the Board.
4. Completed CRs return to industry via consultations, workshops and other engagement channels.



An example of this process in 2025 is the Smart Routing Gateway (SRG) DSP Release 1. In response to concerns raised by customers with regards to their ability to fully migrate in the proposed nine month window, and recognising that extending this could result in a longer dual-running period, DCC assessed the technical options available. The implementation of an SRG would enable more efficient and therefore faster migration, and the forecast c.£7m investment in the change was evaluated by TABASC in the context of each additional month of DSP dual-running amounting to £10m. The decision was therefore taken to proceed with the Change Request.

4.4. Performance commitments

DCC expects the quality of its customer and stakeholder engagement to be monitored through established channels and new mechanisms. We are already monitored by SECAS on behalf of SECCo for paper timeliness, paper quality and relevance of information to support industry decision-making. We commit to maintaining timeliness and quality above 90%, as high-quality papers are essential for informed dialogue.

We also commit to continuing our approach of seeking Panel approval of SOCs, OBCs and FBCs for our largest programmes before submission to DESNZ. These business cases will include accurate and balanced summaries of engagement, noting where customers disagree a nd explaining our rationale.

Alongside this, we are working with SECCo to refine reporting against the Programme Assurance Policy and will provide information in line with industry expectations, aiming for a Green rating in compliance assessments.

DCC is also focused on strengthening direct customer feedback on its performance. We recently piloted a customer satisfaction survey with two groups of volunteer customers, covering topics such as network coverage, value for money, service and support, and confidence in future capabilities. During the pilot, we adapted the survey design in response to customer feedback to ensure it captured the most relevant insights.

The pilot concluded in August 2025, and we successfully launched the enduring survey in October 2025, achieving an initial satisfaction score of 64.7%. The survey will now run every six months, with a baseline to be established following the March 2026 results, once two reliable data points are available. Insights from the pilot are already informing Customer First initiative workstreams, and we will continue to keep customers updated on progress and on how their feedback is shaping our activities. Further detail on the survey is provided in Appendix 15.

Finally, DCC will report quarterly to the CCG on its performance in delivering the commitments set out in this business plan. We are working with Ofgem and the CCG to define the reporting framework, and we are committed to making this process effective as we learn lessons from the first ex ante planning cycle. These updates will cover delivery of the business plan, including programme progress, actual spend against forecast, savings achieved, emerging cost pressures, and key decisions and trade-offs.

We also recognise that customers expect services to be delivered to agreed performance standards. Chapter 12, supported by Appendix 15, sets out our approach to measuring success during the period, aligned to customer needs, evolution of incentives, and the actions required to ensure success.

Complaints procedure

DCC has well-established procedures for handling complaints from consumers, Members of Parliament (MPs) acting on behalf of constituents, customers, the SEC Panel and its sub-committees. All complaints are managed by the DCC High Level Escalations team, and we are committed to understanding and addressing all feedback.

- For consumer contact, DCC works with customers to resolve the individual's concern, maintaining regular communication until the issue is addressed.
- The High Level Escalations team works closely with the External Communications team to resolve queries or complaints from MPs and, where helpful, provide further insight into DCC's operations, including site visits or in-person meetings.
- When receiving formal written complaints from a customer, the High Level Escalations team collaborates with the business to implement the required actions, providing regular updates and a timely overall response.
- If the SEC Panel assesses that DCC has not responded promptly or sufficiently to customer concerns, it may escalate the matter directly to DCC's Chief Executive, who will review the proposed action and respond to the Panel.

There are also established channels for responding to concerns from DESNZ or Ofgem, with clear escalation processes and forums in place to address urgent issues.

4.5. Business plan engagement

4.5.1. Overview

Our engagement on the ex ante business plan reflects DCC's continued shift towards a customer-centric approach. This is not just consultation; it is about ensuring the plan is shaped by those who rely on our services. By embedding customer feedback, we strengthen trust, improve transparency, and deliver a plan that meets stakeholder priorities while maintaining value for money for consumers.

The wider engagement strategy on the business plan is set out in Appendix 2, which explains how the approach was developed, how stakeholders were identified, the sessions held, and the insights gained. It also details our engagement with the CCG between the draft and final submission, ensuring independent scrutiny and challenge.

Comprehensive records of customer engagement events and feedback are captured in the Customer Engagement Log in Appendix 3. This log, along with our initial response, was shared with customers to demonstrate how their input shaped the development of the plan. We have kept the feedback under review and Appendix 3 provides our final response on the issues raised.

Feedback from the CCG is documented in Appendix 16, and Chapter 13 provides a summary of how the CCG's input has been used in developing the plan.

4.5.2. Approach

Engagement on the ex ante business plan was broadly undertaken in two phases.

Prior to the submission of the draft business plan on 29 August 2025, this involved focused workshops with a wide customer group covering all areas of DCC's planned activities and costs. These sessions provided greater transparency and enabled customers to share feedback on their priorities and concerns. In response to that feedback, we held two additional sessions after the draft plan was submitted on our proposed change pipeline projects and on the approach to measuring performance.

From September to December 2025, DCC engaged with the newly formed CCG. The CCG was established to empower stakeholders to input into, scrutinise and comment on DCC's business plan, and to provide DCC and the Authority with a view on whether it meets the needs of customers and consumers.

DCC welcomed this strengthening of the customer voice in the business planning process. Ahead of submission of the final business plan, we attended seven CCG meetings, held regular debrief and forward planning sessions with the CCG Chair, Mark Bygraves, and ran a dedicated session with the consumer representative on the CCG, [redacted]

DCC recognises the opportunity to learn from the shared experience of this first business plan cycle and will adjust the approach in future cycles. During the first half of 2026, we will work collaboratively with the CCG and other SEC stakeholders to reflect on lessons from the first cycle and develop this improved approach.

It is also important to note that there will be extensive opportunities for customers to continue to help shape DCC's delivery, particularly around the change programmes which will need to go through the standard business case processes to agree the way ahead on these projects.

4.5.3. How customer feedback has influenced DCC's approach

As highlighted in section 4.5.1, Appendices 3 and 16 provide detailed summaries of all the areas in which customer feedback has influenced DCC's approach and we highlight where each issue raised by customers is covered in the business plan.

During our customer engagement, there have been a number of issues raised which DCC assesses offer the opportunity for more strategic engagement with customers, which are covered in the section below. DCC plans to take forward each of these strategic planning issues

through SEC Governance, and we welcome the engagement we have had with customers to date on these concerns – each has a potential significant impact on future ways of working.

Emerging change pipeline and Business Strategy and Technology Roadmap

Under the ex ante framework, there is no annual reopener mechanism in the first business plan period. As a result, DCC must include cost forecasts in the business plan for any change initiatives which it assesses there is certainty of need for expenditure during the period, even where cost estimates are relatively immature. Ahead of their inclusion in the plan, DCC has engaged with customers to set out the scope and timing of work we believe to be required and the indicative level of cost.

While the process has presented challenges in providing sufficiently robust data for external review, the broader engagement DCC has carried out around change initiatives in both technical and non-technical forums has been extremely valuable. However, it is also clear that there is currently no single forum where development of the pipeline of change is shared and further developed.

In parallel, Ofgem has set out a requirement for DCC to develop a Business Strategy and Technology Roadmap (BSTR) with input for DESNZ, Ofgem and industry.[64][65] DCC needs to consider how it will take forward this engagement in a co-ordinated way.

Through our engagement with both the CCG and the wider customer base in autumn 2025 it has become clear that a clearer, better co-ordinated process is needed to deliver engagement around initiatives that might be brought into DCC's strategic roadmap of change. With the requirement to deliver the BSTR there is an opportunity to set out improved ways of working to ensure the future change pipeline is developed in a collaborative way.

We are keen to strengthen the processes around strategic roadmap development to avoid confusion and ensure that all relevant parties are properly consulted and their priorities understood. DCC intends to address this by agreeing with the SEC Panel how these conversations should be coordinated and by tightening engagement reporting and improving transparency across all strategic planning activities.

Planning for the transition from legacy technologies

The closure of 2G services by the end of 2033 requires the replacement of all SMETS1 meters and all 2G communication hubs for SMETS2 meters. This is a significant programme of work which needs to be undertaken in parallel with the continued roll out of smart meters and work to deliver reliable connectivity for consumers.

Through our engagement with customers on the business plan, it is clear there is an appetite from customers for DCC to engage on the strategic options suppliers have around the sequencing of transitional activity. DCC proposes to establish a project to enable it to support this work in 2026 with the aim of agreeing industry-level assumptions around swap outs and 2G end of life planning. DCC's role is to highlight operational, capacity, and quality factors that inform supplier plans. Further detail is provided in Chapter 6.

[64] DCC Review Phase 2: Objectives, operational model and future role of DCC – conclusions, para 2.65
[65] Consultation on the new Smart Meter Communication Licence, para 3.24

Of note, the work we carry out with industry will be important for the development of the second business plan during 2026.

Measuring success

We have received extensive feedback that current measures of success in the Operational Performance Regime (OPR) do not fully reflect the consumer experience. New metrics that capture the end-to-end process are essential to deliver better outcomes for consumers. Introducing these measures, however, requires shared responsibility across multiple parties, and navigating this transition is a key challenge: maintaining accountability while moving toward metrics that truly represent consumer experience.

DCC is committed to working collaboratively through SEC governance to define how success should be measured, ensuring that future metrics drive improvements for consumers. We have begun engagement with the SEC Committee Chairs in autumn 2025 to agree how best we engage with industry to take this work forward. This is explored in more detail in Chapter 12.

Optionality

Engagement with both the wider customer group and the CCG highlighted the need to continue the focus on value for money, transparency and a balance between cost and performance.

Customers define value for money as the crossover between price and the quality of service received. There is a specific request for 'quality statements' to better understand the value being delivered. Customers could be open to paying higher premiums for improved service, provided the trade-off is clear, and high success rates should be evaluated if they come at a disproportionate cost to the industry.

Customers indicated that to date DCC has not sufficiently sought industry assistance to identify and reduce costs within specific contract areas. There is a request for more scenario planning in the future and a more transparent environment where they can influence the right level of performance for the price they are willing to pay, backed by a clear roadmap and consistent approach to optionality.

In 2026, as part of its strategic planning, DCC will engage with SEC governance about the most appropriate way to provide customers greater optionality as we shift towards proactive, long-term strategic planning. This collaboration is intended to ensure that any future roadmap for service levels, such as increased SLAs or contract optimisation, is developed with a shared understanding of the price industry is willing to pay for specific performance tiers, giving customer a more direct input into decisions.

5. DCC Service Families

Summary

This chapter introduces DCC's service family model, which relates to the provision of DCC's Mandatory Business and Centralised Registration Services. It groups related services to provide a clearer view of how smart energy and enabling capabilities are delivered. It outlines the rationale behind this structure, explains how services are organised into portfolios, and describes how this approach enhances transparency and customer engagement.

Each service family overview sets out the service's purpose, delivery arrangements, and planned activity during the business plan period. We highlight the practical benefits delivered to customers and consumers, such as secure smart meter connectivity, accurate billing, faster switching, and improved system resilience. The long-term view of how these service families are expected to develop beyond this business plan period, and how this supports value for money, is set out in Chapter 8.

5.1. Overview

In this business plan, DCC is for the first time presenting a detailed view of its services through the service family structure. Previously, price control reporting was organised by individual Fundamental Service Contracts (FSC) which made it difficult to understand how groups of contracts worked together to deliver coherent service capabilities. Ofgem's agreement to adopt the service family model enables DCC to provide greater transparency around how external service provider contracts and internal capabilities combine to deliver integrated services and associated costs.

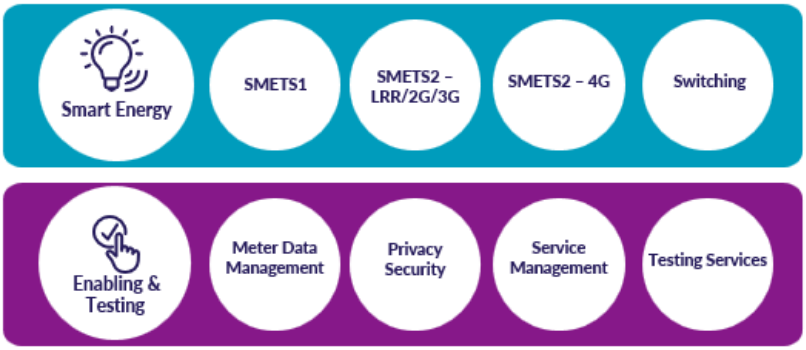
This approach allows for clearer articulation of planning assumptions, dependencies, risks and issues across related service components. By focusing on services rather than projects, DCC is adopting a more customer-focused approach that prioritises measurable outcomes and long-term integrated service planning.

5.1.1. How services are organised and delivered

DCC's eight service families are structured into two portfolios:

- Smart Energy Services: Four customer-facing service families that enable secure, reliable connectivity for smart meters and switching across Great Britain (GB). These include communication services for SMETS1 and SMETS2 (both legacy and 4G) devices, as well as the switching service. Together, they support accurate billing, prepayment top-ups, faster switching, and an improved consumer experience.
- Enabling and Testing Services: Four service families that underpin the performance, resilience and security of the network. These include meter data management, privacy and security management, service management, and testing capability. They support message delivery, threat detection, issue resolution and system testing across the smart metering ecosystem.

Figure 5.A – The Smart Energy and Enabling and Testing Service Portfolios



This model brings clear benefits to both DCC and its customers. It establishes a single point of accountability for service performance, enabling better integration of service design and delivery. It provides a foundation for continuous improvement and allows DCC to prioritise more effectively, optimise resource use, and align more closely with business outcomes. Customers benefit from a more consistent service experience, improved transparency over delivery and cost, and more structured engagement around integrated capabilities.

5.1.2. Structure of service family descriptions

The following sections provide high-level summaries of each service family, structured to support a high-level understanding of DCC's service organisation and planned activity over the business plan period. These are not intended to be exhaustive; further detail is provided in Appendices 4 to 10.

Each service family overview sets out the scope and purpose of the service, describing its role in supporting customers and the wider smart metering ecosystem. It identifies the delivery arrangements, including the key service providers and contracts responsible for operational delivery. The overview also provides relevant contextual background, explaining the history or drivers that shape planned activity.

We then summarise planned activity over the business plan period, focusing on material changes. We explain the strategic importance of these changes, their expected impact on customers, and the outcomes they aim to deliver.

5.2. SMETS1

5.2.1. Overview

The SMETS1 service family supports the continued operation of legacy smart meters installed before the DCC network was established. These meters, over 13 million in total, were deployed using varied technologies and service providers, leading to interoperability issues when consumers switched energy suppliers. DCC was mandated to enrol these devices onto its network, restoring smart functionality and enabling secure, consistent service across suppliers.

DCC has successfully completed all SMETS1 meter migrations, with the final transfer in the Middle Operating Capacity (MOC) cohort occurring in September 2025. The service will now focus on maintaining performance and preparing for end of life in 2033, when the UK 2G network on which the meters rely is retired.

The service is delivered through three distinct cohorts, each supported by tailored combinations of service providers as set out in table 5.1 below.

Table 5.1 – SMETS1 main service contracts by cohort

Cohort	Service Provider	Role
Initial Operating Capacity (IOC)	Vodafone	UK 2G network communication provider for smart meter data traffic.
	CGI (SIE)	IT application and hosting provider.
Middle Operating Capacity (MOC)	VMO2	UK 2G network communication provider for smart meter data traffic.
	Secure	IT application provider + roaming access to UK 2G mobile networks for smart meter data traffic.
Final Operating Capacity (FOC)	Vodafone	UK 2G network communication provider for smart meter data traffic.
	Trilliant & DXC/CGI	IT application support and hosting providers. CGI will replace the capability currently delivered by DXC.

The planned termination of 2G capability means the service operates in a constrained environment with limited market support and declining 2G coverage. DCC has structured its contracts across the cohorts to ensure service continuity through to 2033, while retaining flexibility to exit earlier if supplier-led meter replacements accelerate.

It has also undertaken extensive commercial negotiations to mitigate the potential cost implications of increased network activity, which will deliver significant cost avoidance for DCC's customers. This is covered in more detail in chapter 8.

DCC has engaged with its customers to shape the activities of this service family, including a dedicated workshop in June 2025. More information on this service family is provided within Appendix 4.

5.2.2. SMETS1 activities during the business plan period

During the business plan period, DCC will deliver a focused set of activities to maintain service continuity, reduce costs, and prepare for SMETS1 end of life. These activities include one change programme which is already underway and a further two which we propose to carry out during the period as set out in table 5.2.

Table 5.2 – SMETS1 key change activities

Activity	Description	Outcome
FOC Application Network and Security Operations (ANSO) Transition	A key change programme to deliver a new cloud-based service platform by CGI,	Maintains connectivity and delivers significant cost savings.

	replacing DXC. Full service expected from Q4 2026.	
SMS Overage[66] Mitigation	A technical initiative aimed at reducing SMS volumes and associated costs. Delivery expected Q1 2027.	Avoids overage charges and reduces variable costs.
SMETS1/2 Swap Out and Decommissioning Strategy	DCC will work with DESNZ and industry to agree the approach to SMETS1 and SMETS2 2G swap out and a SMETS1 decommissioning strategy.	Enables future planning and cost-effective transition.

5.2.3. Service benefits

With over 12 million SMETS1 meters in operation, maintaining service continuity while preparing for transition is essential to protect consumer benefits and avoid disruption. New contracts agreed in 2025 to extend the Vodafone contract up to 2033 and deliver the new ANSO capability will safeguard connectivity for millions of devices, ensuring consumers continue to benefit from accurate billing, remote functionality, and secure data communications. Extensive work on SMS overage mitigation and commercial negotiations on overage terms will address rising operational costs, helping protect customers from avoidable charges and support value for money. A coordinated decommissioning strategy will provide clarity for future meter replacement activity and potentially deliver a more cost-effective transition which minimises disruption. Together, these actions ensure DCC continues to uphold service standards, manage costs, and support industry readiness for the next phase of smart metering.

5.3. SMETS2

5.3.1. Overview

The SMETS2 service provides a reliable and secure connection to allow premises in GB to benefit from smart metering. This enables DCC customers to remotely access over 24 million SMETS2 meters, supporting critical functions such as accurate billing and real-time energy monitoring. The service maintains a 99.9% availability rate, based on planned uptime and excluding unplanned outages.

Services are provided through well-established legacy arrangement that include 2G cellular and Long Range Radio (LRR) connectivity and newer technologies such as 4G cellular. The key customer requirement is that the SMETS2 service is provided with high levels of coverage and service reliability across GB on a value for money basis.

During the business plan period, demand for smart metering will increase as use cases evolve and SMETS1 devices are replaced. The SMETS2 service family will need to enable a cost-effective and well managed transition from its legacy solutions, enhance the existing 4G service and consider adoption of new technologies such as the Virtual Wider Area Network (VWAN)[67].

[66] Contractual charges associated with higher use of the network than originally envisaged.
[67] This enables smart meter connectivity via broadband where cellular/radio coverage is poor.

The service is delivered through a combination of legacy and 4G service providers as set out in table 5.3 below.

Table 5.3 – SMETS2 Main Service Contracts

Service Family	Service Provider	Role
SMETS2 Legacy	VMO2	2G Communication Hub and Communications Service Provider for Central & South Region
SMETS2 Legacy	Arqiva	LRR Communication Hub and Communications Service Provider in the North Region
SMETS2 4G	Vodafone	4G Communications Service Provider in all Regions
SMETS2 4G	Toshiba	4G Communication Hubs Supplier in all Regions
SMETS2 4G	Accenture & Nord Cloud	4G Comms Hub software suppliers for Device Manager, which monitors devices and supports diagnostic capability in all Regions

DCC has engaged with its customers to shape the activities of this service family, including a dedicated workshop in June 2025. More information on this service family is provided within Appendix 5.

5.3.2. SMETS2 activities during the business plan period

During the business plan period, DCC will deliver a focused set of activities as set out in table 5.4 to maintain legacy service continuity, plan and engage for the transition away from these legacy services, and develop our replacement services to enhance network coverage and performance.

To maximise the value of legacy assets and provide sufficient time for these assets to be swapped out, it will be vital to extend the contractual coverage for 2G and LRR communication hubs. As take up of 4G communication hubs increases, it will also be important to ensure appropriate scaling and maintain contractual coverage of current 4G capabilities. Where we continue to struggle to deliver reliable connectivity through cellular/radio capabilities, we must also continue to explore the options delivered by broadband. With the planned closure of the 2G service, it will be important as well to engage collaboratively with industry to prepare for the removal of 2G devices and decommission the service in a cost-effective, environmentally friendly way.

Table 5.4 – SMETS2 key activities

Activity	Description	Outcome
Service Continuity	Long Range Radio Committed Term Programme (LRRCT) to recommend extending the LRR network beyond 2028 and complete the extension to VM02 to 2033	Maintain existing service capabilities.
4G Scaling	Increase capacity, coverage and assurance of 4G services, including the introduction of a roaming solution.	Increased network availability, reduced volume of non-communicating meters and improvements in successful customer requests.
Develop the internet-based VWAN Services	Provide a smart metering service to properties that fall outside the coverage area of the current Smart Metering Wide Area Network (SMWAN).	Increased number of premises to have access to a smart meter and reduced volume of non-communicating meters.
Platform Performance	Reprocure the 4G Device Manager [redacted] launch 'Get Connected, Stay Connected' to address non-communicating devices; and implement required maintenance and capability upgrades.	Maintain existing service measures whilst reducing volumes of non-communicating meters.
2G and LRR Swap Out Strategy & Plan	Agree an informed and unified plan with industry that helps to inform suppliers' and DCC's approach to the transition period.	Ensure a controlled migration away from legacy WAN technologies onto 4G so devices can continue to operate.

5.3.3. Service benefits

Like the SMETS1 service, it is important for DCC to sustain connectivity for millions of devices, ensuring consumers continue to benefit from accurate billing, remote functionality, and secure data communications. With the closure of 2G capability, 4G communications hubs will become the core communication capability, [redacted] DCC is focused on ensuring those capabilities can deliver the right level of connectivity and performance to meet consumer needs and in the limited instances where they will not, we are developing alternative VWAN capability for the harder to reach areas.

Longer term, we must address the risk around 4G technology sunsetting, [redacted] which if not managed could shorten current 4G communications hub asset lives and increase early write down costs for the industry. To mitigate this, potential solutions include [redacted] developing a next-generation communications hub that supports cellular technologies beyond 4G plus secondary technologies such as WiFi. DCC has already begun engagement with customers and DESNZ and will further engage with customers during the business plan period to develop a solution that meets customer needs over the short, medium and long term that safeguard service continuity.

5.4. Switching

5.4.1. Overview

The Switching service family enables fast, secure, and reliable switching between energy suppliers, supporting consumer choice and market competition. Since go-live in July 2022, the Central Switching Service (CSS) has facilitated over 45 million switches, with average switch lead times now around four days. As the Switching Operator, DCC is responsible for managing the CSS and ensuring its performance, resilience, and compliance with regulatory obligations.

DCC has delivered a highly available service, with 100% availability in FY24/25 and no major incidents. The service includes the Switching Operator function and the CSS, which consists of three core services: Registration Service, Address Management Service, and Reporting Service. These services are governed under the Centralised Registration Service (CRS) framework and regulated through the Retail Energy Code (REC).

The Switching service is delivered in partnership with four key external service providers as set out in table 5.5.

Table 5.5 – Switching Main Service Contracts

Service Provider	Contract	Role
Landmark Information Group	Runs to Jul 27. Can be extended to Jul 29.	Designs and operates the Central Address Service (CAS), ensuring accurate address matching using Ordnance Survey's Address Base Premium (OS ABP) and Aligned Assets. Maintains the address database with updates from industry systems.
Capgemini	Runs to Jul 27. Can be extended to Jul 29.	Supplies the Service Management Tools (SMT) for the SMS, which manages the Switching process through the Service Management System and Self-Service Portal. These tools support incident logging, query resolution, and collaboration for market participants.
Netcompany	Runs to Feb 27. Can be extended to Feb 30.	Systems Integration partner, ensuring compliant switch flows with REC systems.
Entrust	Runs to Feb 26. Can be extended to Feb 27.	Manages Public Key Infrastructure (PKI) services and digital security certificate authentication for Switching.

DCC has actively engaged with its customers to shape the activities of this service family, including a dedicated workshop in July 2025. More information on this service family is provided within Appendix 6.

5.4.2. Switching activities during the business plan period

During the business plan period, DCC will focus on sustaining and improving the Switching service through targeted improvement activity, a focus on reducing unmatched addresses and the reprocurement of all four of the service contracts as set out in table 5.6.

Table 5.6 – Switching key activities

Activity	Description	Outcome
CRS Improvement Plan	Jointly developed by DCC and RECCo, the CRS Improvement Plan was approved by Ofgem before the business plan period. Delivery began in early 2025 and will continue through and beyond the business plan period, embedding long-term benefits.	Tangible service improvements and enhanced customer experience.
Address Management	DCC will publish an updated Annual Address Quality Plan each year, targeting a reduction in unmatched addresses, currently around 2.8 million.	Improved switch accuracy and consumer experience.
Switching Service Procurement Activity	DCC is reprocuring all Switching service contracts during the business plan period, [redacted]	Continuity of service and improved contractual arrangements.

5.4.3. Service benefits

Switching is a critical enabler of consumer choice and competition in the energy market. Maintaining high service availability and data accuracy ensures consumers can switch suppliers on their chosen date without delay. The CRS Improvement Plan will enhance service responsiveness, reduce incident resolution times, and improve stakeholder engagement. Address management improvements will reduce erroneous switches and improve consumer trust. Reprocurement activities will secure long-term service continuity and value for money.

5.5. Meter Data Management

5.5.1. Overview

The Meter Data Management (MDM) service family plays a vital role in DCC's smart energy infrastructure, enabling secure and reliable data communications between smart meters and DCC customers. It supports both SMETS1 and SMETS2 devices and is essential to maintaining a stable, transparent, and efficient energy system.

The Data Service Provider (DSP) capability is the bedrock of reliable data communication. To meet growing demand [redacted], DCC is delivering a new modular and disaggregated DSP 2.0 solution. This transformation will significantly improve performance, resilience, and scalability, while introducing cost transparency, flexibility, and enhanced service assurance. The smart metering system, with DSP at its core, is anticipated to support secure data communications across more than 100 million devices in 33 million premises by the 2030s. It will be responsive to evolving customer needs and future innovation, with DSP 2.0 providing the resilience and flexibility required to support this scale.

The DSP 2.0 design, build and test phase is expected to complete in 2028. Until then, and through to an appropriate point of cutover, DCC will continue to operate and maintain the current DSP 1.0 capability, including third-party components nearing end of life, in a cost-efficient manner.

The current and future service involves several components, with the service provider mix evolving between now and the end of 2028. As highlighted in table 5.7, CGI currently provides all four of the components of the DSP capability (core platform, DCC User Interface

provision will migrate to a disaggregated model based on four different providers. The small but critical Parse and Correlate service, which allows users to communication with the network will continue to run with the same provider. DCC also expects to procure a new provider for broader system integration services [redacted]

Table 5.7 – MDM Main Service Contracts

Service Component	Service Provider	
	Current	Future
DSP Core Platform	CGI	IBM
DUIS	CGI	Netcompany
DCC Connect	CGI	Vodafone
DSP System Integration	CGI	CGI
Parse & Correlate	Critical Software	Critical Software
System Integration Services	CGI	TBC [redacted]

DCC has engaged with its customers to shape the activities of this service family, including a dedicated workshop in June 2025. More information on this service family is provided within Appendix 7.

5.5.2. MDM activities during the business plan period

During the business plan period, DCC will deliver two key change programmes to maintain service continuity, reduce costs, and evolve the MDM service as set out in table 5.8. The Future DSP Data System is the largest single change project that will be delivered in the business plan period by value [redacted]

Table 5.8 – MDM key Activities

Activity	Description	Outcome
Future DSP Data System	A major transformation programme to deliver a modular, scalable DSP 2.0 solution. Blueprint design completes in 2025, followed by a staged build and test process. Full go-live is planned for February 2028, with device migration completed by year-end.	Enables near-zero downtime, improved diagnostics, and lower cost of change. Introduces self-serve capabilities, supports service innovation, and ensures continuity through a future-proofed platform.
Enterprise System and Service Integrator (ESSI)	A procurement programme to consolidate integration services across DCC. Strategic Outline Case (SOC) will be submitted in December 2025, with Full Business Case (FBC) planned for September 2027. [redacted]	Improves speed and quality of change delivery, reduces technical assurance overhead, and strengthens accountability across the integration landscape. Supports future DSP evolution and efficient service delivery.

5.5.3. Service benefits

With over 100 million devices expected to be supported across 33 million premises, the MDM service must be resilient, scalable, and future-proof. The confirmed DSP 2.0 transition safeguards service continuity and introduces modular capabilities that better meet customer needs. It replaces legacy infrastructure with a flexible, cloud-based solution that enables faster change delivery, improved diagnostics, and reduced operational costs, while also enhancing service resilience and availability. Although the cost benefits will not be realised in this business plan period, it is expected to deliver estimated annual run cost savings [redacted] post migration. The ESSI programme will further strengthen DCC's ability to deliver change efficiently by consolidating integration services and improving accountability. It lays the foundation for a more agile and responsive service model, ensuring that future enhancements to the DSP ecosystem can be delivered quickly and with greater assurance.

5.6. Privacy and Security

5.6.1. Overview

The Privacy and Security service family plays a critical role in safeguarding the national smart metering network. It protects consumer privacy, defends against cyber threats, and ensures continuity of service and rapid recovery from crisis events. These capabilities underpin trust in the smart energy ecosystem and support the secure delivery of energy data for millions of consumers and market participants.

The service family is built on a comprehensive end-to-end trust model and includes DCC's Cyber Security function and three discrete services:

- Change of Supplier (CoS) – ensures secure access and privacy controls during supplier switches.
- Dual Control Organisation (DCO) – mitigates risks of mass meter attacks on SMETS1 devices through anomaly detection and cryptographic safeguards.
- Trusted Service Provider (TSP) – manages cryptographic services and digital certificates, supporting secure communications across the network.

Ahead of the business plan period, DCC completed the reprocurement of the DCO service, with the new solution successfully going live in October 2025. This milestone aligns with the 2G sunset timelines and ensures long-term support for SMETS1. Delivery of the TSP platform refresh is also underway, [redacted]

The service is delivered through a combination of internal DCC teams and external service providers, structured across four key components as set out in table 5.9.

Table 5.9 – Privacy and Security Contracts

Component	Service Provider	Role
Cyber Security Function	N/A - DCC Internal	Core security capability led by the Chief Information Security Officer, covering governance, monitoring, and incident response.

DCO	Capgemini & Critical Software	Protects SMETS1 platform via mirrored security model; hosting, management, and application maintenance.
TSP	BT	Manages PKI services and digital certificates; platform refresh due [redacted]
CoS	Critical Software & Accenture	Supports secure supplier switching; reprocurement planned by [redacted]

DCC has engaged with its customers to shape the activities of this service family, including a dedicated workshop in July 2025. More information on this service family is provided within Appendix 8.

5.6.2. Privacy and Security activities during the business plan period

During the business plan period, DCC will deliver a focused set of activities to maintain security resilience, prepare for future threats, and ensure continuity of service as set out in table 5.10. This includes reprocurement of the CoS capability and a major technological refresh of the DCO capability. With the emerging risk associated with quantum computing capability, DCC will also begin work to make sure our network is ready to withstand the threat.

Table 5.10 – Privacy and Security key activities

Activity	Description	Outcome
CoS Reprocurement	DCC will reprocure the Change of Supplier (CoS) service to ensure continuity beyond June 2028 [redacted]	Contractual continuity beyond 2028 and secure, future-ready supplier switching.
Post Quantum Readiness	Strategic programme to address quantum threats and update encryption standards, with delivery across FY26/27 and FY27/28 to ensure readiness for next-generation cryptographic requirements.	Preserves the trust model and future-proofs smart metering security.
DCO Technology Refresh	To support long-term stability, DCC will deliver a technology refresh of the DCO capability during the business plan period. This ensures alignment with SMETS1 service needs and 2G sunset timelines.	Supports long-term service continuity and cost-efficiency.
PKI Refresh Planning	Preparatory work for the future PKI platform refresh will begin during the business plan period. While the refresh itself will occur in the following business plan period, early planning will ensure smooth and efficient delivery of this critical update.	Ensures readiness for next-generation cryptographic requirements.

5.6.3. Service benefits

The Privacy and Security service family underpins the resilience of the smart metering ecosystem. Activities during the business plan period are strategic enablers of secure, future-ready infrastructure. CoS reprocurement ensures consumers can switch suppliers securely and seamlessly, while enabling DCC to respond to evolving needs and market changes. The PQR programme protects encryption standards against emerging threats. The DCO technology refresh strengthens the security of the SMETS1 platform and supports long-term continuity.

PKI refresh planning enables future reuse across certification authorities and keeps cryptographic services secure and cost-effective. Together, these initiatives protect consumer data, enable secure market operations, and prepare the network for future challenges.

5.7. Service Management

5.7.1. Overview

Service Management consists of two parts. The 'core' activities provide essential data reporting, logistics and system monitoring. In addition, DCC is progressing work to support future regulatory changes focused on 'Enabling Better Data' across the industry.

'Core' Service Management monitors the entire end-to-end operation of the smart metering network-enabling IT function, provides communication hubs to energy suppliers and delivers vital information to our customers. In advance of the business plan period our Future Service Management (FSM) programme will replace our legacy Service Management system with a new Service Now platform. The 'Core' Service Management capabilities are:

- Provisioning and logistics, providing customers with a full communication hub supply chain service.
- Network monitoring, working with customers to support a stable smart network.
- Information Technology Infrastructure Library (ITIL) functions, providing customers with information and working with customers to resolve any operational issues, including supporting new GSOP requirements.
- Data and reporting, providing customers with analytics on which to base decisions.

There are two service providers that support this service family as set out in table 5.11.

Table 5.11 – Service Management Main Contracts

Service Provider	Role
Capgemini	Provision of the Service Now capability.
EXL	Provision of Service Desk capability.

DCC has engaged with its customers to shape the activities of this service family, including a dedicated workshop in July 2025. More information on this service family is provided within Appendix 9.

5.7.2. Management activities during the business plan period

Our core focus remains on delivering BAU regulatory requirements, as shaped by relevant SEC committees, and ensuring DCC can adapt its service in response to new demands associated with GSOP requirements. There are two change projects associated with GSOP to address system implications and to enable DCC to access system information that will better enable it to identify issues contributing to non-communicating devices. Wider impacts of GSOPs on operational costs are not yet known pending further Ofgem consultation decisions.

In addition, several continuous improvement activities are underway to enhance our services by developing existing processes, [redacted] These include:

- Develop a comms hub returns capability that is economic, sustainable and minimises environmental impact at scale.
- Develop existing processes to further utilise automation, machine learning and artificial intelligence.
- Detailed operational focus on non-communicating device activity including amendments to incident processing and data to support GSOP.
- Improve incident responses focus on 'No Wan' incidents.

DCC is also preparing change projects to deliver requirements related to 'Enabling Better Data' in response to requirements around Consumer Consent and Energy Data Best Practice (EDBP). Table 5.12 below summarises key change activities in the business plan period.

Table 5.12 – Service Management key activities

Activity	Description	Outcome
GSOP Enhancements	Project to refine our service management and triage capabilities, potentially involving the use of automation, to enable improved response to industry.	Enhanced responsiveness and ability of systems to process and triage large scale incident reporting.
DCC Diagnostics Role	DCC is seeking to become a user of the smart meter network to improve fault diagnostics and reporting.	By accessing network data directly, DCC can offer better insights and reduce compliance costs for DCC customers.
Energy Data Best Practice[68]	Aligning DCC's data governance with Ofgem's EDBP guidance.	Regulatory alignment and provision of simple access to interoperable data sets.
Consumer Consent Solution[69]	Current proposals envisage that DCC will be a CCS Data Provider, subject to the industry modification processes and the CCS programme.	Improved consumer control, enhanced data access for innovation, and streamlined onboarding.

No change programme costs are currently allocated for a SMEDR as DESNZ is reviewing the case for a SMEDR to be established by DCC. These considerations are addressed separately in Chapter 11 and Appendix 9.

5.7.3. Service benefits

The Service Management activities deliver significant benefits to customers and the wider smart metering ecosystem. By maintaining a stable and resilient network through enhanced monitoring and ITIL processes, DCC ensures reliable service performance and compliance with regulatory obligations. The changes proposed as part of GSOP enhancements and the DCC diagnostic role on the network are designed to help suppliers address challenges around devices with poor or no connectivity.

[68] https://www.ofgem.gov.uk/consultation/data-best-practice-code-obligation
[69] https://www.ofgem.gov.uk/decision/consumer-consent-decision

Continuous improvement initiatives such as automation and AI-driven processes reduce operational costs and improve incident resolution times, particularly for complex issues like 'No WAN' scenarios. Data-focused projects including alignment with EDBP and the Consumer Consent Solution will enable better data interoperability, strengthen consumer trust, and unlock opportunities for innovation across the energy market. Collectively, these benefits support efficient operations, improved customer experience, and readiness for evolving regulatory and industry requirements.

5.8. Testing Services

5.8.1. Overview

Testing Services are an integral part of the smart metering ecosystem, providing assurance that system changes are implemented in a reliable and controlled manner. Testing Services are governed by the Smart Energy Code (SEC), where detailed and prescriptive requirements are set out. These requirements ensure that all parties entering or interacting with the DCC ecosystem do so in a controlled and secure manner.

Testing Services is delivered through a combination of internal DCC capability and an external service provider contract.

Table 5.13 – Testing Main Contracts

Service Provider	Contract	Role
HCL	Contract end date March 2029.	DCC Test Lab Operator (TLO) – Day to Day Lab Management including onsite support.

DCC has engaged with its customers to shape the activities of this service family, including a workshop in July 2025. More information on this service family is provided within Appendix 10.

5.8.2. Testing activities during the business plan period

Throughout the business plan period, all core testing services will remain available and unchanged, with no planned change programmes or new service introductions expected to impact delivery.

[redacted]

Table 5.14 – Testing key activities

Activity	Description	Outcome
UIT Availability	Ensure the User Integration Testing (UIT) environment remains available during core operating hours.	95% UIT availability.

Test Service Request	DCC will provide the necessary resources and tools to fully support User Testing Services.	90% requests met within 30mins.
Report on Test Issues	Details of testing issues and defects will be shared at Testing Forums (TDEG) and through a redacted report.	Monthly reporting shared with TDEG

5.8.3. Service benefits

These activities ensure that all parties interacting with the DCC ecosystem do so reliably and securely, maintaining confidence in the smart metering network. By sustaining high availability of testing environments, supporting timely service requests, and identifying defects, DCC's Testing Services safeguard service quality, reduce operational risk, and enable smooth integration of system changes.

5.9. Service families as a basis for transparent planning

Taken together, these service families provide the foundations for a dependable, secure and adaptable smart energy infrastructure. The activities set out in this chapter demonstrate how DCC will maintain and enhance these core services during the business plan period, strengthening performance, improving transparency, and supporting more integrated service delivery. This structure also enables clearer engagement with customers and a consistent basis for planning, assurance and operational decision-making across the portfolio.

6. Managing Change

Summary

This chapter provides a consolidated view of all change activity in the business plan period. It explains what is changing and why these changes are required to maintain service continuity, comply with regulatory and contractual obligations, and support the long-term operation of the smart metering ecosystem.

The scope covers four areas of change: In-Flight Change, Change Pipeline, In-Life Change (ILC), and Transition to the Successor Licensee (DCC2). Each area addresses specific regulatory, technical, or market requirements to ensure the infrastructure remains secure, resilient, and fit for purpose. Later sections set out the drivers, scope, and costs for each area, providing a clear view of why these initiatives are needed and how they will be delivered and governed.

6.1. Our change categories

Our proposals for change activity are grouped into four areas, providing a clear structure for understanding what is changing and why.

In-flight change

These are projects which have already gone through business case approval and are now in delivery. These projects include the Future DSP programme (DSP2), Future Connectivity, VWAN enablement and the SMETS1 FOC ANSO transition. The vast majority of in-flight spend in the business plan period relates to DSP2, which is the largest single change programme in scope.

Change pipeline

The change pipeline covers early-stage initiatives that DCC assesses must proceed in the business plan period, but which are at the pre-business case stage and therefore have lower cost maturity. These initiatives are essential to sustain service continuity and meet licence obligations. The change pipeline includes projects which are:

- essential to sustain large scale communication capabilities such as the Long Range Radio Committed Term project.
- reprocurement projects such as 4G Device Manager, ECoS and Switching which are required to maintain key service capabilities.
- projects which will underpin our commitment to meet regulatory obligations such as Energy Data Best Practice, Consumer Consent, and a new DCC Diagnostic Role which will enable DCC to better support suppliers in meeting Guaranteed Standards of Performance.
- strategic projects to deliver the next generation of capabilities such as 4G and Beyond, Post Quantum Readiness, and the Enduring Systems Integrator.

In-life change

ILC covers non-discretionary operational changes that are time-sensitive and required to keep services secure, compliant and performant, for example ServiceNow releases, DSP scheduling enhancements, 4G maintenance and scaling releases, and DCO hardware refresh. Forecasting is based in part on historic activity but also on forward views from service capability experts, refined quarterly to maintain accuracy and prioritise critical work.

Licence renewal

Licence Renewal is a single major internal programme to deliver the transition from DCC1 to the Successor Licensee in line with Ofgem's timetable and licence conditions. It covers pre-transfer separation of corporate services and post-transfer close-out of DCC1 obligations.

6.1.1. In-flight change

There are four in-flight projects which will be delivered after submission of this business plan:

- DSP2: In-flight expenditure is dominated by the Future DSP programme (DSP2), which is by far the largest change project by expenditure in the business plan period (£96m). This programme will deliver the transition from the legacy DSP to a modular, disaggregated model across multiple providers. The new architecture separates core components to improve resilience and flexibility, with specialist suppliers for the platform, integration and connectivity services. Full go-live is planned for February 2028, with device migration expected to complete by the end of 2028. DSP2 will provide a more robust and scalable platform, reduce annual operating costs [redacted] and enable change to be delivered more quickly and with lower risk.
- Future Connectivity: this project includes scaling the 4G service, adding 4G roaming capability and implementing maintenance and defect releases to enhance coverage, availability and reduce the number of non-communicating meters. It will be largely delivered ahead of the business plan period.
- VWAN: this project will enable connectivity via broadband for consumers who are not currently able to connect using existing smart metering WAN solutions. It will also largely be delivered before the business plan period.
- SMETS1 FOC ANSO transition: This project will transition service delivery to a cloud-based CGI platform replacing the current DXC service. The full service is expected to be delivered from Q4 2026 delivering annual savings [redacted] once the contract transition is complete, and securing continuity of service for SMETS1 devices.

These in-flight programmes are critical to maintaining stability and delivering the future capability customers expect. DSP2 underpins the next generation of smart metering services, while connectivity and SMETS1 transition projects ensure that all homes remain served reliably and securely. Together, they provide the foundation for resilience, scalability and cost efficiency across the smart metering ecosystem.

Further detail on the costs of the projects is set out in Chapter 9, with more detail on each project provided in Appendices 4 (SMETS1 FOC ANSO), 5 (Future Connectivity and VWAN) and 7 (DSP2).

Cost forecast for the in-flight change projects (£m)

Table 6.1 below provides a summary of in-flight change expenditure forecast in the business plan period. As highlighted above it is dominated by expenditure on DSP2. Of note, the forecasts provided in this business plan for in-flight change are in line with the business case approvals for these projects which are included in the evidence portfolio submitted in support of this business plan.

Table 6.1 – Breakdown of in-flight change project expenditure in the business plan period (£m)

£m	Ex-Ante Total		
	26/27	27/28	Total
	5 mths	*12 mths*	*17 mths*
SMETS1 FOC ANSO Re-procurement	[redacted]		
SMETS1			
DSP Data Systems			
Meter Data Management			
Total In-Flight Change Costs	27.4	56.1	83.5

6.1.2. Change pipeline

The change pipeline captures initiatives which are in the early stage of development but which need to be delivered during the business plan period because they are essential to maintain service continuity, meet regulatory and contractual obligations, and deliver long-term benefits for customers and consumers.

The pipeline comprises 12 projects which are grouped in the following section in line with the Smart Energy and Enabling & Testing service family structures in Chapter 5. We set out for each project the purpose, the factors driving it, and the value we expect it to deliver – providing a clear rationale why it is needed and how it supports our broader objectives.

Smart Energy

SMETS1 and SMETS2 2G swap-out

With all SMETS1 meters and SMETS2 2G communication hubs to be replaced by 2033, it is important to ensure a coherent, cost-effective and service-focused approach to managing the transition away from these technologies. DCC will undertake a project to work with industry stakeholders with a view to agreeing principles around the sequencing of transition activity for the SMETS1 and SMETS2 2G swap-outs. The objective is to establish a clear, coordinated and efficient swap-out and decommissioning strategy, developed in collaboration with industry and DESNZ, to support a smooth and cost-effective closure of this service. As part of this activity, DCC will also define and agree the appropriate engagement channels with the SEC Panel to ensure effective governance and oversight. This project is expected to be delivered using internal resource only.

Long Range Radio (LRR) Committed Term

The current LRR contract with Arqiva expires in December 2028 but it is essential to maintain the LRR service to deliver smart meter connectivity in the North region beyond that date. Although a contract extension option to 2033 exists, the timetable for swap out of both SMETS1 and SMETS2-2G capabilities by that date means it is important to consider broader

options for the continuation of the LRR service to support realistic transition planning between legacy and future communication capabilities.

This project focuses on securing the contractual arrangements and operational measures required to ensure continuity of LRR service until full retirement or replacement, [redacted]. It is driven by commercial and strategic imperatives to safeguard uninterrupted connectivity for up to 4.8 million premises, protecting consumer experience and industry confidence. By providing long-term certainty for industry planning and investment, the initiative enables proactive transition management and is key to avoiding cost escalations that might arise in the absence of strategic contract management.

4G Device Manager reprocurement

The Device Manager is a critical component for managing the growing 4G estate. As installations ramp up, the current solution must scale to maintain performance and resilience. This project will deliver the competitive procurement of hosting and service provision, ensuring a future-proof and scalable Device Manager capability that maximises value for money and leverages market innovation. Market testing will secure the best pricing and commercial terms, provide access to the latest hosting and service capabilities, and enable improved service and performance standards. Procurement will be aligned to [redacted], with scaling activities scheduled in line with 4G installation rates.

4G and beyond

This project aims to address the strategic need to define DCC's approach to connectivity beyond the expected 4G sunset and into the post-2044 landscape. It aims to ensure that all assets installed from 2029 achieve a minimum 15-year life, avoiding early write-downs and unnecessary cost. The project, which is currently in its discovery phase, will enable a future-proofed connectivity strategy that optimises asset life, assesses 4G supply chain resilience, reduces lifecycle costs and ensures a seamless transition to next-generation technologies. It will deliver cost optimisation through extended asset life and competitive sourcing, leverage innovation for new device and network solutions, and strengthen operational resilience and scalability.

Switching reprocurement

Switching services must remain secure, resilient and compliant with REC obligations beyond contract expires in 2027 which affect all four contracts which support the delivery of the service. DCC's aim is to align reprocurement activity on at least the three main fundamental service capability contracts (currently delivered by Landmark, Capgemini and Netcompany) to provide the optionality to either aggregate or disaggregate service delivery from 2027.

DCC will consider the technology required to sustain today's high level of availability and security, revisit its product strategy and review all services that make up the Central Registration Service (CRS). Fundamental capabilities are not expected to change, with improvements focused on process and contractual terms through competitive procurement. This project will ensure uninterrupted switching services, continuity and compliance with REC obligations, and deliver cost efficiencies while leveraging market innovation to enhance performance and resilience. Market testing will secure the best pricing and commercial terms.

Enabling and Testing

Post Quantum Readiness

To comply with NCSC's March 2025 guidance[70] and protect against emerging quantum threats, DCC will upgrade the smart metering network to deliver a quantum-safe system. This includes security enhancements across communication hubs, the TSP platform and user interfaces. The programme will ensure regulatory compliance with NCSC timelines, strengthen cybersecurity resilience against quantum computing risks, and future-proof long-term asset viability. It will safeguard customer trust and operational continuity while enabling cost efficiency through proactive transition planning. Activity must start now to meet mandated migration requirements and exceed minimum expectations, ensuring all systems transition to quantum-safe algorithms before the threat capability materialises in the 2033 timeframe.

Energy Data Best Practice

To comply with Ofgem's Energy Data Best Practice (EDBP) framework, DCC will improve data governance, enable public-benefit data access, and create a platform for both open and licensed data use. EDBP is a principles-based framework for strategic energy data sharing and is expected to become a DCC licence obligation before the business plan period (we are currently awaiting a consultation decision from Ofgem[71]), with related SEC and REC modifications. Delivering this initiative ensures regulatory compliance, unlocks innovation for decarbonisation, and provides public benefit through improved data access, while reducing complexity and improving operational efficiency.

Enduring Change of Supplier (ECoS) reprocurement

DCC is obligated to provide Change of Supplier functionality, which is currently provided under two contracts covering three ECoS capability areas. The contract for Lot 3 [redacted] cannot be extended beyond June 2028 so DCC must undertake a competitive reprocurement exercise to ensure secure, uninterrupted service beyond that date. [redacted]

This requirement is driven by licence obligations and the need to maintain a critical market process while leveraging market innovation and cost efficiencies through competitive procurement. Delivering this initiative will ensure compliance, support evolving market needs, improve system resilience, and provide access to innovation and improved services.

Centralised Consent

Subject to requirements of the Consumer Consent Solution Programme, DCC will integrate with RECCo's centralised consent solution to validate consumer consent before granting data access and to manage accession to the trust framework. This initiative is required to comply with Ofgem's mandate for an industry-wide technical solution for consent management, ensuring secure and transparent data sharing. It will improve consumer trust and experience, increase data availability, and reduce costs for new entrants by removing the need for separate consent systems. While RECCo will design and develop the core platform and trust framework,

[70] Timelines for migration to post-quantum cryptography - NCSC.GOV.UK
[71] Data Best Practice as a Code Obligation, paras 3.77-3.81

DCC's scope includes systems integration, operational and regulatory changes, and subsequent in-life change requests to support new data uses and users. We will aim to align delivery with RECCo's timetable and wider digitalisation initiatives such as MHHS, supporting energy flexibility and innovation.

DCC Diagnostics Role

The scope of this initiative is the provision of an estate-wide smart meter device reporting and diagnostic service, enabling suppliers and market participants to identify non-communicating devices and remediate issues. Delivering this capability is vital to enable DCC to use the smart metering network to access non-personal message data, perform root cause analysis, and provide actionable reporting to energy suppliers, MOPs and MAPs. This is needed to support compliance with GSOP standards, mitigate exposure to financial penalties, and improve operational efficiency across the market. Delivery will follow the regulatory implementation route set by DESNZ or Ofgem, with implementation activity starting in early 2026 and service capability expected to be delivered early in the business plan period.

Guaranteed Standards of Performance (GSOP)

New GSOP requirements from January 2026 (subject to Ofgem's consultation decision[72]) will mandate DCC to resolve specific identified faults within 30 days, significantly increasing operational accountability and performance expectations. In response this project will refine service management and triage capabilities, potentially using automation, to improve responsiveness and enable systems to process and triage large-scale incident reporting. It will also implement the necessary tooling, operational and commercial changes to align with GSOP milestones, supporting regulatory compliance and incentivising industry to deliver the desired consumer experience set out in the framework.

Enduring Systems Integrator

DCC intends to run a competitive procurement programme to establish a single sustainable Enterprise System and Service Integrator, consolidating integration services across the full span of our systems to support long-term system integration needs. This initiative is required to ensure continuity of service beyond February 2028, when current SI and DSP-SI contracts expire, while improving speed and quality of change delivery, reducing the technical assurance overhead, and strengthening accountability. A competitively sourced integrator will provide access to market innovation, advanced integration tools and practices, and deliver cost efficiencies through improved commercial terms. It will accelerate change, assure delivery quality, and support future DSP evolution and efficient service management.

Cost forecast for the change pipeline

Table 6.2 below provides a breakdown of forecast costs in the business plan period for the change pipeline projects. The table below sets out only the external costs relating to the projects. As the SMETS1 and SMETS2 2G swap-out is entirely internal resourcing it is not included in the table.

Owing to the fact that these projects are still at the pre-business case stage the scope and cost maturity is lower than would be expected for OBC or FBC level business cases. As a result, we have provided broader cost ranges for these projects in Chapter 11 on Managing Risk and

[72] Supplier Guaranteed Standards of Performance: Statutory Consultation

Uncertainty. Our cost forecasts will become more mature as we move through the business case process and DCC acknowledges that in some instances the potential costs depend on the outcome of further refinement of project scope or the outcome of reprocurement activities (i.e. to determine whether Design, Build, Test activity is required).

Table 6.2 – Breakdown of the change pipeline FY24/25 to FY27/28 (£m)

£m	Annual Trend				Ex-Ante Total		
	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
Long Range Radio Committed Term	[redacted]						
SMETS2-LRR/2G/3G							
Device Manager Re-procurement							
4G and Beyond							
SMETS2-4G							
Switching Re-procurement							
Switching							
Enduring System Integrator							
Meter Data Management							
Post Quantum Readiness							
Enduring Change of Supplier Re-procurement							
Privacy and Security							
Centralised Consent							
DCC Diagnostics Role *							
Energy Data Best Practice							
GSOP							
Service Management							
Total Change Pipeline Costs	-	0.9	41.4	66.9	29.4	66.9	96.3

** DCC Diagnostics Role is included in External Service (Non-Resource) within the RIGs but as it is a key change activity has been included in the table above but excluded from the Service Management sub-total and Total Change Pipeline Costs.*

DCC has engaged with customers on the need for these projects to take place as part of its business plan engagement as set out in Appendix 2, but has not yet had detailed engagement on some of the projects owing to the level of project maturity. In other instances, such as on the LRR Committed Term project there has already been extensive engagement. As set out in Chapter 4, there will be further opportunity for customers and stakeholders to influence the way ahead on these change projects as DCC carries out its standard engagement processes around programme business cases.

6.1.3. In-life Change

ILC covers non-discretionary, time-sensitive activity required to keep the smart metering infrastructure secure, compliant, and performant throughout the business plan period. These changes are critical to maintaining continuity of service, supporting regulatory compliance, and ensuring capacity and resilience as the ecosystem evolves.

Scope and approach

Indicative demand forecasts have been derived by working with subject matter experts across the service families, creating a forward view on the planned and anticipated upgrades and changes to current infrastructure based on strategic priorities, infrastructure needs and service evolution. Each activity is assessed and assigned a forecast cost, derived from historical project data within relevant service families. This model provides a structured, evidence-based view of

potential future demand, which is reviewed quarterly to build a more mature understanding of where cost savings can be made, focussing on work that is critical and beneficial to customers and consumers.

Forecast and cost allocation

A total of £54m of external costs and £3m of internal resource costs has been allocated for ILC over the business plan period. External costs are assigned to FSC contracts in the RIGS data templates that accompany this business plan.

Importantly, while only £2m of the ILC forecast is currently committed through purchase orders, a further £47m of the £54m forecast is allocated to specific projects relating to maintenance and capacity improvements, all of which have been derived from the indicative demand forecasting approach described above. Only £4.5m is set aside for unplanned change requests, and this has been allocated by service family and FSC contract in line with expected demand. As the majority of this forecasted spend is not committed, there is both risk and opportunity associated with delivering the planned work.

DCC will continue to manage costs carefully through its commercial review process, ensuring SME review, challenge and approval ahead of all agreements. Cost efficiency will also be supported by optimising release approaches and combining testing and releases where appropriate.

As part of our customer engagement, we will engage customers through standard SEC governance to highlight areas in which activity is planned, providing details of why the activity is required, and when and how it will be delivered to limit service disruption.

Key forecasted activities

Within the ILC forecast, a small number of projects account for a significant proportion of the overall cost. These activities are essential to maintain continuity, security and capacity across the smart metering infrastructure and are not discretionary. They include technology refreshes, capacity enhancements and critical releases that support resilience ahead of DSP migration. In line with the latest update, two SEC Modifications are also forecast within the period, the second of which is not yet allocated a SECMod reference:

- MP304: Forecast for implementation in November 2026. This change will reduce SMS traffic by moving SRV4.3 from on-demand to a scheduled basis and is expected to avoid [redacted] cost through to March 2029.
- Second SECMOD (reference TBC): Expected to deliver [redacted] cost avoidance between April 2027 and March 2029 by fulfilling SRV4.10 scheduled reads using cached data. The delivery timeline is not yet confirmed, although an ad-hoc SEC release in April 2027 is being explored due to the scale of cost avoidance.

Average SEC release costs have reduced from £3m to £2m due to efficiencies in the testing approach. No further SEC releases are expected to take place during the DSP2 migration period, during which a change freeze will apply. This freeze applies only to changes that directly or indirectly impact DSP2 functionality, therefore the ILC projects included in the forecast during the freeze period relate to other areas of DCC's technology architecture. Any DSP1-related activity focuses on maintaining continuity and essential maintenance ahead of migration to DSP2.

The higher-cost projects included in the forecast[73] include:

- 4G Releases: [redacted] These activities are not linked to DSP2 functionality, with Toshiba responsible for development.
- DSP Scheduling Enhancements: [redacted] This project is specific to DSP1 and will ensure DSP1 has sufficient capacity while we await migration to DSP2. It is not affected by the DSP2 change freeze as it does not relate to DSP2 functionality.
- DCO Tech Refresh: [redacted] in FY27/28 to replace physical hardware security modules (HSMs) that protect sensitive data and support secure systems and PKI in our data centres.
- Quarterly service management application Maintenance Releases: [redacted] This covers additional maintenance beyond standard [redacted] patching and releases. Examples include maintaining interfaces with existing service providers and supporting operational capability uplifts for targeted service improvements developed with internal and external stakeholders.

Table 6.3 below provides a full summary of the external cost forecast for ILC activity in the business plan period.

Table 6.3 - Forecast in-life change activity in the business plan period

Service Family	Activity	FY26/27 (5mth) £m	FY27/28 (12mth) £m
SMETS1	[redacted]		
SMETS2: LRR/2G/3G			
SMETS2: 4G			

[73] Costs reflect the full forecast for the business plan period November 2026 – March 2028

	[redacted]		
Switching			
MDM			
P&S			
Service Mgt			
Subtotal planned activity forecast		**18.9**	**30.3**
Subtotal unconfirmed change requests		**1.5**	**3.0**
TOTAL		**20.4**	**33.3**

6.1.4. Transition to Successor Licensee (DCC2)

The transition from DCC1 (Smart DCC Ltd) to the Successor Licensee (DCC2) is one of the most significant change activities in the business plan period. Ofgem confirmed in September 2025 that the transfer of control will take place on 1 November 2026, and DCC must ensure a seamless handover that minimises disruption for consumers, customers and wider stakeholders. This requirement is mandated under Licence Condition 43 and related provisions, which oblige DCC1 to enable the Authorised Business to transition smoothly where the licence is revoked or expires.

The Licence Renewal programme has been established to safeguard service continuity, ensure compliance with statutory obligations, deliver governance clarity and mitigate financial and operational risks during and after the transfer. Without a controlled and well-governed transition, there would be material risk to the stability of smart metering services and the wider energy market.

In line with DCC1's Business Handover Plan[74] DCC expects an intense phase of preparation ahead of the business transition date, with more limited activity required to close out the programme of work after the transfer is complete. The costs and activities covered by this business plan relate to those activities required after 1 November 2026, when the transfer is completed.

Scope of activity

The Licence Renewal programme covers all activities required to prepare for and execute the transfer to DCC2. This includes developing and maintaining the Business Handover Plan and supporting Ofgem's competitive procurement process through Stage Gate Reviews. It involves managing the separation of services and governance arrangements, preparing the data room for Ofgem's tender, and procuring new corporate systems (HR, Finance and Billing) to replace Capita-provided services.

Activities to procure new HR and financial applications are at an early stage. DCC1's business plan forecast for these activities assumes that the Successor Licensee will not be able to provide these capabilities. As further information about capability requirements is made available by Ofgem, the cost forecast for both implementation and business as usual resources to support the applications will be re-evaluated. The billing module will be implemented later than other applications to reduce the level of concurrent change, supported by a Transitional Service Agreement with Capita until the new solution is live.

After the business transfer, the Licence Renewal function will continue to play a central role in maintaining continuity and stability for customers and industry participants. Its focus will be on ensuring a smooth handover to the Successor Licensee, bringing DCC1's remaining regulatory obligations to a close, and making the necessary corporate governance adjustments that follow the transition. It will also oversee the contractual, legal, and financial interactions between DCC1 and DCC2, while supporting the rollout of new systems and services.

As post-transfer activities wind down and the Successor Licensee requires progressively less support, DCC will scale back both resource and non-resource expenditure. All such costs are expected to cease by March 2028, with any ongoing costs associated with new HR and financial systems transferred to the appropriate functions.

Table 6.4 – Timeline and Milestones

Timeline	Milestones
November 2026	Transfer of control to DCC2.
April 2027 onwards	Transition of corporate application support to BAU functions.
September 2027	Completion of DCC1 close-out activities and statutory audits.

[74] business-handover-plan-version-16-clean.pdf

March 2028	All residual costs cease following post-implementation review.

Resourcing and cost forecast

The Licence Renewal programme currently consists of 20 FTE across nine workstreams, with a forecast requirement for a further 20 FTEs subject to confirmation of Successor Licensee capabilities (we have assumed these additional 20 FTEs need to be funded). To maintain flexibility and control costs, these additional roles are expected to be filled through internal secondments or fixed-term contracts. The overall resource profile may change as the Successor Licensee's plans and capabilities become clearer.

Our current resourcing assumptions align with the Business Handover Plan and Licence Condition 43. DCC has also sought external input on the resourcing required for transition, which forms part of independent programme assurance.

From April 2027, costs relating to corporate applications, including HR and Finance systems, will transfer to the relevant business teams.

Total forecast costs for the transition programme between November 2026 to September 2027 are £4.4m, [redacted]

6.1.5. DCC1 activity after business transition

DCC1 will remain a legally trading entity until licence expiry in September 2027 and must complete a series of regulatory and statutory obligations, including price control submissions, audits, compliance reporting, and governance requirements.

Ofgem recently consulted on arrangements for recovering DCC1's costs after the business transfer on 1 November 2026[75], and a consultation decision is yet to be published. However, Ofgem has indicated in advance of that decision that DCC should include costs within this business plan relating to the completion of all DCC1 activities between the transfer date and the close of its licence.

Through the Ofgem consultation, Ofgem is proposing a mechanism whereby DCC2 would recover revenue from customers and pass it through to DCC1, enabling DCC1 to have sufficient cash to fund its post-handover licence obligations. These elements of DCC1 costs will be treated as passthrough costs by DCC2.[76]

The level of detail and terms agreed in the co-operation agreement between DCC1 and DCC2 will determine the level of resourcing DCC2 can provide to support DCC1. This will directly influence costs and the extent of external support DCC1 requires. Third-party consultancy costs have not yet gone out for tender, so forecast costs included in this business plan to support DCC1 transition are based on indicative values derived from previous benchmarks.

Between November 2026 and September 2027, DCC1 is expected to undertake a defined set of activities and dependencies, though Ofgem may determine that some are unnecessary,

[75] Financing arrangements for DCC1 and DCC2 during Business Handover (statutory consultation)
[76] Ibid. para 2.24

reducing associated costs. DCC1 is currently engaging with Ofgem to confirm whether the scope of these activities will be amended.

DCC1 employees will TUPE[77]-transfer to DCC2, so DCC1 is expected to resource its close-out activities through a mix of consultancy and FTEs, with support from DCC2 providing expert advice where resourcing constraints allow, along with access to data and systems. The extent of DCC2's support remains uncertain; for example, staff previously involved in DCC1 price control work are expected to focus on DCC2 submissions from November 2026. The required support will be defined in the co-operation agreement, anticipated shortly after DCC2's appointment, after which dependencies between DCC1, DCC2 and their owners will be developed and confirmed.

There remain significant areas of clarification to be resolved, but a cost forecast has been included in this business plan based on current assumptions (Appendix 12 – Cost Assumption Log provides further detail on these assumptions). These costs represent incremental expenses directly attributable to specific Smart Meter Communication Licence 1 (SMCL1) requirements that fall beyond the Transfer Date. No incremental cost forecast has been included for DCC2 to help support DCC1 as it is assumed that funding will come from existing BAU resources.

Total forecast transition costs for the period 1 November 2026 to 22 September 2027 amount to [redacted] of expenditure comprising:

- [redacted] for activities relating to price control FY25/26 and FY26/27;
- [redacted] for core regulatory deliverables such as the Annual Service Report, compliance oversight and audits; maintenance of the existing Surety Bond, operation of a reduced Board, and Capita resource to oversee these activities.
- [redacted] comprising time and materials for Capita to support the transition to new corporate systems, including data transfer, technical support and system close-down. It should be noted that this element of the cost forecast is uncertain and subject to the Successor Licensee capability and approval.

[77] Transfer of Undertakings (Protection of Employment)

7. How We Organise to Deliver

Summary

This chapter explains how DCC organises itself to deliver effectively, balancing efficiency with capability to remain fit for purpose throughout the business plan period and beyond. It outlines the current structure of the business and sets out our areas of focus to optimise our operating model, strengthen governance and build the skills needed to manage a complex supplier ecosystem while safeguarding value for customers. It also describes how we manage contracts effectively, given that around 80% of our total costs relate to external services, and how we embed continuous improvement and a culture that drives performance and accountability. Together, these measures ensure DCC can manage complexity, deliver value for money and support a smooth transition to the next licence period.

7.1. Overview

Over the past 12 years, DCC has grown at speed to meet the demands of a rapidly expanding smart metering programme. This growth was necessary during the early years when the organisation needed to establish national infrastructure, respond to emerging challenges and deliver at pace. Our focus was often reactive and shaped by the scale and urgency of the programme.

We have now moved beyond that initial expansion phase. The organisation has matured, our operating environment is more stable, and our planning is more structured. What began as a company centred on contract management has evolved into a broader capability that includes stakeholder engagement, technology design, procurement, assurance and operational management together with the corporate functions an organisation of our scale requires. Together these internal capabilities account for £173m (15%) of costs in the business plan period, reflecting the scale and complexity of the services we provide.

Delivering secure, resilient and cost-efficient services requires an organisation built for clarity, accountability and pace. Over the past two years, we have reshaped the organisation to ensure it is more efficient and better aligned to future delivery requirements. Total Labour Cost has reduced by 23% and average FTE employees by 8% through restructuring, reduced reliance on consulting and contractors and more disciplined workforce planning. Our ExCo has also reduced in size, with responsibilities rebalanced across the leadership team as part of our shift towards a more efficient and delivery-focused structure. This has created a leaner and more accountable organisation that is better positioned to meet licence demands.

While good progress has been made, we recognise there is more to do. Our priority now is to sustain operational performance, complete the transition in our system capabilities we have initiated and enable the smooth handover of ownership of the licence - all while ensuring we continue to evolve our operating model so it supports long term capability, value for money and pace of delivery.

[redacted]

Alongside structural improvements, we continue to scrutinise all aspects of the employee lifecycle. Strong governance around hiring decisions and regular reviews of salary benchmarking ensure talent is acquired efficiently and workforce stability is maintained through a period of change. Retaining key and critical talent remains essential and enhanced talent management, succession planning and improvements to performance management will help ensure we retain the capability needed now and in the future. Greater focus on internal mobility and skills development will support engagement and retention while reducing the cost of acquiring the skills required to deliver our commitments.

As we prepare for the future, we must retain a focus on the commercial and contract management capabilities which are vital to ensure we continue to extract best value from our external service provider arrangements, which account for 80% of our costs. Delivering effective programme management is also crucial as we look to deliver the changes outlined in Chapter 6 and enable the transition in system capabilities that will unlock long term value for money as set out in Chapter 8.

This provides the context for the remainder of the chapter, which sets out how our structure, capability and workforce planning will underpin efficient delivery throughout the business plan period and support the transition to DCC2.

7.2. Organisational Structure

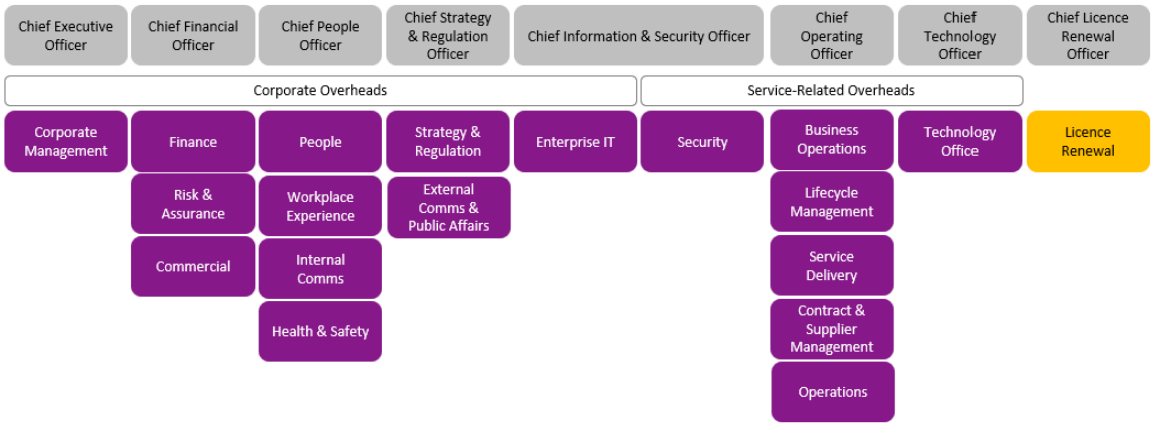
DCC's internal capabilities are split between those that directly support the delivery of services to DCC's customers, known as service delivery overheads, and those which are corporate functions required to enable the effective running of any similar regulated corporate entity.

In total, there are 12 service delivery and corporate functional areas which all report to a member of DCC's Executive Committee. All service delivery overhead functions report to the Chief Operating Officer, except for the Security function and the Technology Office.

There is an additional temporary function which has been established to oversee the transition to the Successor Licensee, under the Licence Renewal programme. Owing to the importance of this activity, this temporary function reports to an Executive Committee member, the Chief Licence Renewal Officer. Due to the temporary nature of the function, Ofgem does not class this function as a Corporate Overhead and all costs associated with it are classed as Other Costs (£9m in the business plan period).

Figure 7.A below shows how DCC's Executive Committee is structured, and where the split of service-related overheads and corporate overheads is reflected in that structure. Of note, the Chief Information and Security Officer is the sole Executive Committee member responsible for functions in both the service delivery overhead and the corporate overhead.

Figure 7.A – DCC Executive Committee structure (December 2025)



7.2.1. Spans of functional responsibility

Table 7.1 below provides a summary of the service delivery functions, which provide internal capabilities critical to service and operational delivery. Service delivery overheads account for £97m (8%) of the total DCC costs during the business plan period. Most of the functions sit in the Design, Build, Run (DBR) directorate under the Chief Operating Officer, except the Technology Office and the Security team.

Table 7.1 – Service delivery overhead functions

Function	Purpose/Role
Business Operations (DBR)	Acts as the office of the Chief Operating Officer, leading on pan-DBR activities including coordination of planning and delivery for DBR, risk and compliance management, financial management, executive reporting and employee engagement.
Technology Office	Responsible for setting DCC's technology strategy, design integrity, system integration and change assessment of DCC's technology systems. Their work starts from the inception of a programme, through the various business case stages. It is committed to ensuring that service design is maintained through to production and that these services are continuously reviewed and improved.
Lifecycle Management (DBR)	Oversees service lifecycle from concept to retirement, including business case development, requirement gathering, the coordination and delivery of in-life change, end-of-life planning, and transition plans for each service family.
Service Delivery (DBR)	Manages DCC's portfolio of change programmes from Concept to Contract and Contract to Market. Ensures programmes are delivered efficiently and in line with regulatory requirements, manages in-life change, provides test assurance, and maintains the portfolio view of change.

Contract and Supplier Management (DBR)	Manages supplier contracts across their lifecycle, ensuring obligations are met, costs are controlled, and supplier performance aligns with contractual requirements.
Operations (DBR)	Operates the secure national data network, supports programme transition from Contract to Market to Retire, ensures smooth service delivery, and acts as the main customer contact point, supporting onboarding, incident resolution, smart meter rollout, and the Centralised Switching Service.
Security	Provides cyber-security for all DCC systems, maintaining information security standards and certification and providing technology and data services to support internal functions.

All other internal costs (except the Licence Renewal programme) are classed as corporate overheads, which cover essential central services required for statutory and regulatory compliance, and account for £66m (6%) of total costs during the business plan period. Table 7.2 provides a summary of corporate overhead functions.

Table 7.2 – Corporate overhead functions

Function	Purpose/Role
Corporate Management	Provides legal services as well as direct support to the Chief Executive Officer, the Executive Committee and DCC's Board in discharging DCC Licence obligations.
Strategy and Regulation	Leads the development and maintenance of long-term strategy, external communications and public affairs, regulatory engagement, regulatory compliance, and price control activities, ensuring efficient costs and effective customer onboarding and offboarding. Promotes smart metering as an enabler for decarbonisation and social good.
Finance, Commercial and Corporate Assurance	Ensures financial health and sustainability of DCC. Provides financial control, planning and analysis, business partnering, financing arrangements, financial reporting, business case modelling, risk, internal audit, and assurance. Leads procurement of external services, manages strategic supplier relationships, defines requirements, manages suppliers for strategic alignment and value creation, applies third-party risk management, and delivers the Responsible Business Framework.
People	Manages policy and reward, staff recruitment, supports colleagues throughout their DCC journey, ensures sufficient resourcing, manages property and facilities (including workplace experience and health and safety), promotes a positive working environment, and defines the Employee Value Proposition (EVP). In addition, the internal comms team sits in the People function.
Enterprise IT	Delivers technology and data services for internal users, including IT strategy, architecture, Azure and Amazon Web Services (AWS) management, and service desk provision.

7.3. Organisational FTE forecast

In the RIGs data template which accompany this business plan, DCC presents the average number of FTEs for each financial year from FY24/25 to FY27/28. In FY24/25 the annual average FTE was 770.5, with 762 FTE employed at the end of the financial year. [redacted]

Average forecast FTE numbers are broken down by function and financial year in Table 7.3 below[78], [redacted] Licence Renewal FTE requirements are expected to reduce to zero before the end of the business plan period.

Table 7.3 – Organisational FTE forecast to FY27/28 (annual average)

Functional area	FY25/26	FY26/27	FY27/28
Service-Related Overheads			
Business Operations	[redacted]		
Technology Office			
Lifecycle Management			
Change & Delivery			
Contract & Supplier Management			
Operations			
Security			
Total Service-Related Overheads			
Corporate Overheads			
Corporate Management	[redacted]		
Strategy & Regulation			
CFO			
People			

[78] In Chapter 9 we report the forecast total FTE at end of financial year through the business plan period, as well as the annual average.

Commercial	[redacted]
Enterprise IT	
Total Corporate Overheads	
Licence Renewal	
Total Forecast annual average FTE* *rounded	

[redacted] we have continued to refine our resource position, so it remains aligned to delivery needs and regulatory expectations. This progress reflects a deliberate shift away from external consultants and contractors, ensuring we deploy the right skills at the right cost and strengthen value for customers.

[redacted]

[redacted]

[redacted] Each business area will operate within a defined headcount envelope, supported by active oversight to manage against it. All leavers will be reviewed centrally and any replacement will be carefully assessed against business need before being backfilled. We will maintain strong governance throughout, supported by our focus on internal mobility, so we optimise resources and remain on track with our planned trajectory.

7.4. Future operating model opportunities

Our future operating model will be critical to sustaining efficiency and capability as we transition to the next licence period. [redacted]

[redacted]

[redacted]

Accordingly, we are developing strategic options for both integrated and standalone scenarios. Should corporate systems and Capita-provided services be replaced by DCC, we will pursue automation, technology-enabled processes, and selective outsourcing to drive long-term efficiency, resilience, and scalability.

Clarification on the future scope of DCC, now concluded, will inform the capabilities and operating model required over time. DCC will continue to review and adapt its operating model during this business plan period, working both independently and with the confirmed Successor Licensee.

7.5. Spans and layers

[redacted]

This work forms the foundation of all organisational redesign initiatives. Between FY24 and FY25, we cut the number of managers with only one direct report by 30% and reduced the number of managers with more than nine direct reports by 78% (see table 7.4 below). In addition, the proportion of managers with optimal spans (typically five to six direct reports) increased by over 36%. This rebalancing supports more sustainable workloads, clearer decision rights, and stronger accountability.

Table 7.4 – Managerial structure metrics

Metric	2024	2025	Change
Total Managers	208	188	-10%
of which: managers with 1 direct report	40	27	-32.5%
of which: managers with 5-6 direct reports	33	45	+36.4%
of which: managers with 9+ direct reports	9	2	-77.8%

* as at end of October 2025

[redacted]

[redacted]

7.6. Structure and leadership distribution

DCC is structured to reflect the high degree of accountability, regulatory oversight, and supplier management required by our operating model. As an organisation impacting CNI, we operate within established regulatory frameworks and work alongside a broad ecosystem of delivery partners. This demands a structure that enables accountability, responsiveness, and clear lines of decision-making at every level.

Over the last two years, we have taken steps to rebalance and optimise our seniority mix. The size of ExCo has reduced from 12 to 8 in recent years, with responsibilities cascaded to new Director and Heads of roles. This shift has allowed us to increase execution pace, reduce bottlenecks, and embed ownership more deeply across the business. [redacted]

This is not about rigid ratios; it is about having the right leaders in the right places to support complex delivery and uphold our regulatory responsibilities.

Our current structure is summarised in table 7.5 below.

Table 7.5 – DCC management structure and total headcount as at end of October 2025

Role Level	Total
Exco	8
Director	36
Head of	65
Senior Manager	35
Manager	44
Below Manager	493
Total Headcount	**681**

In the RIGs data template which accompanies this business plan, DCC is required to present the management structure in line with specific classifications required by Ofgem, which assigns titles (Manager; Head Of; Director) based on level of remuneration.

7.7. Competitive and efficient reward strategy

Alongside our focus on organisational efficiency, it is essential that all new roles or changes to roles are sized, levelled, and remunerated fairly and efficiently. This is critical to attracting and retaining the talent we need.

We operate a disciplined and transparent approach to pay and reward, underpinned by robust external benchmarking and clear internal governance. Our pay policy for permanent roles is positioned between the 25th and 50th percentile of the market, ensuring total reward remains competitive while delivering strong value for money. It is important to note that DCC does not offer Long-Term Incentive Plan (LTIP) remuneration or ownership-based share programmes commonly seen at leadership levels.

All permanent roles are benchmarked using Korn Ferry PayNet, while contractor roles are benchmarked through Langley James, Turning Point, and Robert Walters. These external organisations also conduct job sizing using the Hay Methodology, which evaluates each role based on responsibilities, complexity, and impact. This ensures our roles are assessed objectively, consistently, and independently.

7.8. Talent, skills and capability

Retaining and developing talent is critical to delivering our commitments. We are reshaping our approach to capability across recruitment, skills, and learning and development. Previously, capability sat in different parts of the organisation; we are now moving to a centralised model that addresses current and emerging skills shortages while supporting long-term workforce planning, colleague growth, and effective business delivery.

Over the past three years, we have taken decisive action to transform our recruitment approach. We have reduced reliance on external hiring, driven down cost, and invested in long-term workforce sustainability. Hiring volumes have fallen significantly, from 369 in FY22/23 to 90 in FY24/25, and cost per hire has reduced accordingly as indicated in tables 7.6 and 7.7 below.

We have also shifted away from agency and contractor dependence toward more direct, internally sourced hiring, with a growing emphasis on internal mobility. This not only delivers cost savings but also ensures capability is retained and developed within the organisation.

Table 7.6 – Hiring volumes

Year	Total Hires	% Change
2023	248	-
2024	134	-46%
2025	<90	-33%

Table 7.7 – External and internal hiring

Year	External Hire	Internal Hire	External Cost per Hire
2023	148	100	[redacted]
2024	62	72	[redacted]
2025	35	55	[redacted]

This shift is not only about cost-efficiency; it reflects a more strategic, future-focused approach to workforce planning. We have launched and are embedding a capability framework that provides greater visibility of organisational skills and gaps, enabling us to:

- Support organisational decisions by grouping common capabilities and retaining key skills
- Strengthen internal mobility by identifying and developing transferable skills, reducing the need for external hiring
- Shape our talent strategy by developing skills ahead of time, ensuring workforce resilience and efficient investment in learning
- Retain critical talent and skills as we transition to the new licence period

We are also modernising how we develop people. Our transition to a centralised learning model has begun and will simplify and standardise Learning and Development (L&D) across the organisation. Through an outsourced partnership, we will improve efficiency by better targeting learning investment, strengthening governance and spend decisions, and ensuring closer alignment to business priorities. L&D costs are expected to reduce by 20% in the FY26/27 while quality and impact improve.

7.9. Managing contracts effectively

Managing contracts is central to our operating model and underpins our ability to deliver value for money. Around 80% of DCC's total costs relate to external services, making effective contract and supplier management critical. Our role is to set strategy, manage contracts, assure performance and safeguard end-to-end delivery. This requires strong commercial capability and disciplined governance. Holding suppliers to account is central to this, ensuring delivery standards are clear and enforced. We apply lessons learned across contract lifecycles, so supplier performance strengthens over time, customer outcomes improve, and practice remains aligned with DCC's Responsible Business Framework.

7.9.1. People

Two areas of the business are critical to achieving success: Commercial and Contract & Supplier Management. The Commercial function leads sourcing strategy, market engagement and negotiation, while Contract & Supplier Management owns performance throughout the lifecycle, ensuring obligations are met and suppliers are held to account.

To strengthen commercial capability, we have invested in the Commercial Academy, providing industry-recognised training and certification for our Commercial function. This has expanded internal capability, reduced dependence on external contractors, and strengthened

engagement across the team, enabling a more strategic, proactive, and value-driven approach to procurement and supplier management.

Our Contract & Supplier Management team is a registered member of the World Contract and Commerce Association (WorldCC). With the majority of the team now accredited, WorldCC has become our preferred standard, strengthening capability, ensuring consistent practice, and embedding strong commercial discipline.

The frameworks by which the Contract & Supplier Management team operates, such as obligation management and material controls, are based on the National Audit Office (NAO) framework and aligned with industry best practice. Our annual audit is linked to corporate objectives and is validated against the NAO framework, providing direct feedback on the quality of our commercial controls. In the recent OPR audit, the Material Controls process was highlighted as a key driver of improvement in Contract & Supplier Management, contributing to a 34% increase in the overall DCC score.

As part of the RY25/26 savings, the Contract Management function has been realigned and right-sized in line with the contract roadmap, ensuring capability is maintained while reducing cost. This means the team remains fully equipped to manage the complexity of our supplier ecosystem and deliver strong commercial governance, even as overall resources reduce. The approach recognises the additional workload created by disaggregation and is designed to maintain resilience as we progress through upcoming commercial activities, including major contract extensions and other critical milestones.

7.9.2. Processes and controls

Processes and controls are central to how we manage contracts effectively. Our approach combines clear frameworks and disciplined governance to ensure supplier performance is assured and contractual obligations are met. These principles underpin all elements of our commercial model, from procurement strategy to risk management and pipeline planning, enabling consistency, transparency, and value for money. We embed a culture of continuous improvement throughout these processes, using lessons learned and performance insights to refine controls, strengthen resilience, and drive better outcomes for customers over time.

New procurement strategy

In January 2025, Ofgem directed DCC to implement changes to its Procurement Strategy, aligned with the Procurement Act 2023 and Government best practice. Over the course of this year, DCC has successfully embedded these changes, creating a more efficient, competitive and transparent procurement model that delivers improved value for money for UK consumers.

The key changes are:

- Greater clarity on the use of Preferred Supplier Lists for frequently purchased and well-defined goods and services such as consultancy, cloud, professional services [redacted] DCC anticipates that around 60–70% of spend will be covered by these lists.
- Greater clarity on types of competitive processes including full competitive process and streamlined competitive process.
- Clearer guidelines on when direct negotiation may be a more economically efficient route.

To ensure openness and competition, DCC will proactively horizon-scan for new suppliers and where appropriate, invite responses from the market on key challenges outlined by DCC and its customers. This ensures all viable suppliers, including new market entrants, have a clear opportunity to bid for work and prevents the market from operating a closed shop.

To incentivise innovation, Preferred Supplier Lists will include a mandatory innovation fund linked to a percentage of supplier spend for reinvestment into DCC priorities guided by customer input.

This updated approach is already yielding positive results, fuelling genuine competition and enhancing DCC's customer proposition by consolidating requirements, leveraging more efficient contracting routes, and reducing supplier bidding costs. By combining streamlined processes with dynamic Preferred Supplier Lists, suppliers will retain their place based on performance, ensuring strong delivery standards and accountability.

While Preferred Supplier Lists will cover most spend, some areas will remain outside these lists, creating additional opportunities for suppliers to participate and contribute. This approach enables more strategic conversations with fewer suppliers and allows contracts to be re-evaluated where appropriate.

Forward-looking reprocurement approach

DCC's reprocurement approach is designed to ensure that existing contracts can be replaced or renewed before they expire, maintaining continuity of services and avoiding last-minute procurement pressures. All upcoming procurement needs are captured early in the digital platform (EFlow) at the "idea stage," allowing DCC to plan ahead. The timing for reprocurement is calculated based on the current contract end date and the expected duration of the full procurement process, ensuring new contracts are in place when existing ones end. This structured and forward-looking approach also provides opportunity to accelerate procurement if commercial or operational circumstances change, such as market conditions offering better technology or lower prices.

The benefits of this approach are both operational and financial. Operationally, it reduces the risk of service interruptions and allows DCC to proactively manage contract transitions. Financially, it enables the organisation to achieve cost efficiencies and cost avoidance by comparing the potential costs of new contracts with the exit costs of existing ones. Early and strategic reprocurement will lead to lower service costs, avoidance of penalties, and the adoption of more efficient technologies. By embedding financial review and market intelligence into the reprocurement process, DCC ensures that contract decisions are both timely and cost effective.

Third-Party Risk Management

DCC has fully implemented a Third-Party Risk Management (TPRM) framework to strengthen supply chain resilience. The framework uses detailed business intelligence to identify risks across suppliers, subcontractors, and new procurements. It incorporates a comprehensive Environmental Social Governance (ESG) risk identification process and applies these principles consistently to monitor and mitigate risks on an ongoing basis.

Key actions include:

- Establishing supplier profiles that consolidate all elements from the TPRM and ESG risk framework

- Conducting baseline reviews of critical suppliers
- Expanding intelligence gathering into downstream suppliers
- Integrating with Commercial teams for budget oversight

The framework enhances commercial decision making by embedding supplier risk profiles into procurement choices, enabling DCC to select partners with greater confidence. It supports early risk identification, reducing uncertainty and avoiding costs associated with supplier failure. It strengthens business continuity planning, ensuring minimal disruption to services and safeguarding infrastructure. It also improves sustainability outcomes by proactively identifying opportunities for improvement across the supply chain, supporting DCC's Responsible Business Framework.

By leveraging actionable intelligence, the TPRM framework minimises financial exposure while maximising resilience. It provides deeper supplier insight beyond publicly available information, incorporating human intelligence feeds, international media sources, and expert analysis. This ensures risks are fully understood and addressed, reinforcing DCC's ability to deliver stable, reliable services for customers.

Commercial pipeline improvements

Our commercial pipeline process ensures procurement initiatives are planned proactively, aligned to category strategy and governed through clear controls. Early-stage ideas undergo internal review, with DESNZ and SEC Panel informed via forums and quarterly reports. Defined roles and cross-functional involvement ensure robust requirements and collaborative solutioning with bidders. Additional controls include Senior Leadership Team (SLT) fortnightly forums and monthly Enterprise Planning and Management Office meetings, providing assurance that scope is locked before moving forward. Improvements have already reduced early engagement instructions by 65%, strengthening accountability and supporting more consistent delivery.

Transitioning to a new supplier performance management model

DCC is transitioning to a Master Services Agreement model to drive consistency, resilience and accountability across its supplier base. Under this model, Procurement and Legal teams define key performance measures at the outset, which are then handed over to Contract Management for monitoring throughout the contract lifecycle. These measures can be refined and applied to future Statements of Work (SoW), ensuring lessons learned translate into stronger supplier performance, better outcomes for customers, and alignment with DCC's Responsible Business Framework.

The MSA approach provides:

- Efficiency: a single framework that avoids renegotiation of standard terms for each new service.
- Consistency: clear and uniform treatment of warranties, Intellectual Property Rights (IPR) and contractual obligations.
- Accountability: suppliers remain bound by agreed performance measures, with penalties for poor delivery and rewards linked to milestone achievement.
- Value for money: benchmarking and structured performance management ensure competitive costs over time. Value for money assessments will also consider the impact

on DCC Users, balancing contractual obligations with user outcomes. Incentivisation mechanisms are being explored to drive improvements in the quality and delivery of change, ensuring suppliers remain focused on delivering tangible benefits for customers.

- Flexibility: enables DCC to add or adjust Statements of Work as requirements evolve without creating new overarching contracts.

7.10. Effective programme delivery

Continuous improvement is also embedded in how DCC delivers programmes and manages change. It ensures lessons learned from past challenges are actively applied to future initiatives, strengthening delivery quality, cost efficiency, and timeliness. Our approach combines governance, structured processes, and capability uplift to make improvement a core organisational discipline.

Governance and framework enhancements

Following early challenges such as SMETS1, we introduced the Prince2-aligned Delivery Pathway, supported by health scores and a formal gating process. These gates provide assurance that best practice is followed at every stage, with Gate 5 reviews ensuring lessons learned are captured and centralised. This framework is now standard across all programmes. The Delivery Pathway was introduced in November 2024 and is embedded across the In-Life Change portfolio, which averages five gates each month. An Investment Committee now reviews any spend over £250k, providing clear oversight before financial commitments are made.

Lessons learned integration

We have established a centralised lessons learned repository through the ePMO and Clarity tool. Programme teams must review prior insights before initiation, ensuring historical issues are not repeated. Improvements in testing and customer engagement (informed by SMETS1 and GBCS4.1 experiences) are now embedded into programmes such as GBCS 4.2, DCO, MHHS, and SEC Releases. This has delivered measurable results: In-Life Change Right First Time delivery increased from 50% to 87%, SEC Mod Impact Assessments have all met SLA since June 2024, and incidents per release reduced from 0.15 in June 2024 to 0.03 in November 2025.

Transition and business change robustness

To avoid post-launch incidents and prolonged periods to close out final activities, we strengthened transition and business change services. Recent deliveries demonstrate this maturity, with stable service performance following go-live. For example, the DCO re-platforming achieved zero major incidents and minimal defects within predefined thresholds.

Demonstrated delivery success

These improvements are proving effective, with the 4G Comms Hub rollout delivered to plan with strong customer engagement, DCO implementation achieved robust governance with minimal post-launch issues, and MHHS progress demonstrates disciplined delivery and proactive risk management.

Continuous improvement remains a dynamic discipline. We continually refresh our methods and tools, supported by capability uplift across delivery teams, to ensure best practice evolves

with our operating environment. The adoption of Clarity and regular governance reviews keep lessons learned embedded in every programme, turning insight into action. This commitment is reinforced by a culture that promotes collaboration, accountability and improvement, ensuring operational enhancements are sustained and measurable.

7.11. Embedding a culture for performance and continuous improvement

Sustainable progress is driven not only by systems and processes but by the behaviours, motivations and engagement of our people. Organisational culture, through behaviours, is the foundation that enables strategy delivery and regulatory excellence.

Our refreshed strategy informs the cultural evolution needed for success under the theme of being 'Future Ready'. This means delivering core services reliably today while building the operational maturity required for not-for-profit status and ex ante regulation. To create the right environment for our new strategy to thrive, we need to be more customer centric, accountable, resilient and cost conscious. We have identified five behaviours from the new Smart DCC Skills Framework that will help colleagues develop and consciously create the right cultural environment at Smart DCC. The Skills Framework is now finalised, and the platform that operationalises skills will launch in early 2026, enabling skills to be mapped to roles and compared across the organisation. The five behaviours are:

- Customer Focused: We prioritise understanding customer needs and delivering solutions that create measurable value.
- Adapt: We respond effectively to change, remain open to new ideas, and maintain resilience under pressure.
- Deliver Effective Outcomes: We set clear goals, take ownership of results, and balance quality with speed to achieve what matters most.
- Collaborate Openly: We share information transparently, work across boundaries, and value diverse perspectives to unlock collective strength.
- Plan Purposefully: We create robust plans, evaluate risks, and make informed decisions that balance cost, value, and regulatory obligations.

These are supported by clear, meaningful sub-skills that colleagues can develop and apply at every level. These include a commitment to continuous improvement as a capability as well as a behaviour, and this is threaded throughout the framework.

These behaviours underpin how we work every day and ensure alignment with our strategic priorities. Together, the culture goals and behaviours create a clear blueprint for how we operate and deliver value.

Putting culture into action

To make culture real and measurable, we embed it into core organisational processes. This ensures behaviours are not aspirational but actively shape decisions, performance and incentives.

- Performance management: clear objectives aligned with regulatory priorities, reviewed mid-year and year-end. Peer feedback is encouraged throughout, supporting reflection and identifying areas for growth.

- Values and behaviours: As we approach the new licence period and begin designing DCC2, we will focus on socialising and embedding the five behaviours outlined above. These behaviours will be reinforced through clear guidance and leadership modelling, enabling consistent feedback, development and alignment with our updated strategy across all roles.
- Organisational sentiment: biannual surveys assess alignment with behaviours. This measure has consistently received strong and improved ratings in the past, and this year we introduced the five new behaviours to understand colleague sentiment and benchmark performance. We will continue this with our next YourVoice survey, enabling us to understand trends as we progress cultural evolution and our strategic goals.
- Incentive structures: values and behaviours contribute materially to an individual's performance rating, which in turn drives their annual bonus. This ensures improvement is both expected and rewarded.

We are embedding these cultural ambitions into our skills framework and leadership development programmes, ensuring behaviours are consistently reinforced and improvement becomes a recognised capability across the organisation.

Culture evolution is a long-term journey. While supporting colleagues through this period of significant change, we are actively creating opportunities to embed these behaviours without introducing a typical wholesale culture change programme, sensitive to the level of change colleagues are already experiencing. We anticipate broadening colleague engagement from April 2026 as we better understand the Successor Licensee and approach the business transition date.

8. Delivering Value for Money

Summary

This chapter sets out how DCC is aiming to deliver improved value for money for consumers and its customers which results in a lower cost per meter year on year. This is delivered through measures which minimise external costs while driving efficiency in DCC's internal operations. DCC is aware that its current costs reflect the significant transitional aspect to its work and we provide a longer term forecast that indicates both costs and the cost per meter are likely to reduce in the longer term because of the work we are undertaking now. We also set out key aspects of our governance which are key to the way we control costs.

8.1. Introduction

It is a core requirement of both the current and draft future smart metering licences[79] that DCC delivers mandatory business services in an economic and efficient way. Government and Ofgem rightly expect that delivering value for money should be a core principle for DCC.

Ensuring that we strike the right balance between the cost of our inputs and the outputs and outcomes we deliver for consumers and our customers is central to our strategic decision making and operational approach. In this chapter, we describe how the cost per meter trend provides the overarching indication of whether we are achieving this, and we set out the range of measures we are taking to drive cost out of contracts with external suppliers and to ensure that our internal operations are as lean and efficient as they should be.

This business plan covers a relatively short period of 17 months, and to assess whether DCC is delivering value for money it is helpful to view the longer-term trend. This is not least because much of the change activity we are undertaking now is critical to delivering more streamlined service delivery over the longer term.

Underpinning our approach is a robust governance model which ensures that in every decision we make about committing to new investment we are careful to focus on delivering value and delivering a positive impact for consumers.

8.2. Cost per meter

While there are many lower-level indicators that inform our understanding of efficiency, at its simplest level the key indicator is whether the costs of delivering DCC's operations are reducing on a cost per meter basis. Our aim is to ensure that on a year-on-year basis it is cheaper for every meter to be on the network.

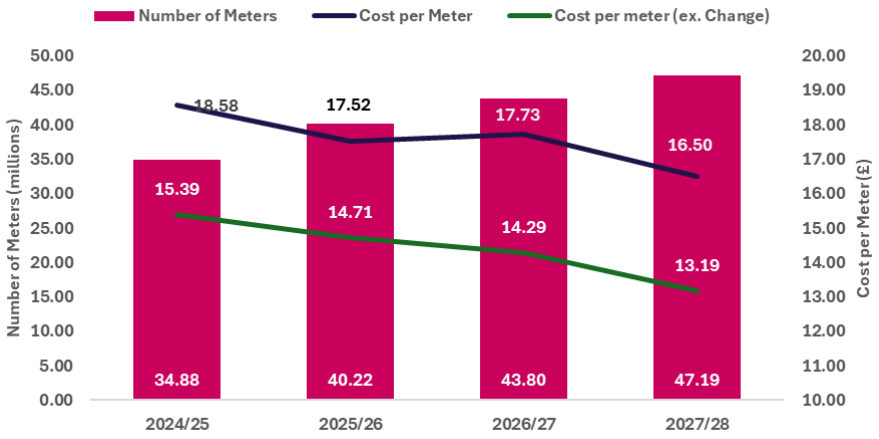
While our costs will increase between FY24/25 and FY27/28, the number of meters on the network is expected to increase significantly faster. With meter volumes increasing by 38% in this period compared to a nominal cost increase of 20%, the cost per meter is expected to decline over time.

[79] Draft new Smart Meter Communication Licence | Ofgem

Figure 8.A below indicates the trend we expect to deliver over the period. Excluding passthrough costs, DCC expects the average cost per meter to reduce significantly between FY24/25 and FY27/28 from £18.58 to £16.50. When the costs of delivering change are also excluded, providing a clearer sense of the underlying trend, the cost reduction is more pronounced reducing from £15.39 to £13.19. Whilst the total cost per meter increases in FY26/27 due to the increase in our change pipeline activities and ramp up of 4G Comms Hubs, the underlying cost per meter (excluding all change activities) reduces year-on-year.

This trend is being achieved not only as the size of the smart meter estate grows, but also as the overall level of network traffic per meter increases. This demonstrates that DCC is effectively controlling cost growth and delivering year-on-year efficiency on a per-meter basis. We expect this trend to continue in future business plan periods, and we discuss it in more detail in section 8.5 below.

Figure 8.A – Cost per meter excluding passthrough costs FY24/25 to FY27/28 (£)



8.3. External costs

Key to ensuring that the reduced cost per meter is achieved is DCC's approach to smarter procurement and proactive strategic contract management described in Chapter 7, and the delivery of operational efficiencies which continue to drive a more efficient external cost base. With around 80% of DCC costs incurred through external service providers, our ability to effectively procure reliable and economic provision from the market is fundamental to our ability to deliver value for money.

We have a mature and well-embedded approach to driving value through our contractual arrangements. We also continually seek opportunities to reduce costs through operational and process efficiencies. The benefits of our approach materialise in two ways:

- Efficiencies: This covers measures taken to reduce current spend versus our plan, which will be passed through to customers via our Charging Statement. Typically, it involves identifying areas where current spend can be optimised or eliminated without negatively impacting the quality of products and services delivered. As a result, it increases value for money, for example by delivering the same outputs or outcomes at lower cost or by obtaining more of the same service for the same cost

- Avoidance: These are proactive measures taken to mitigate or reduce future costs which would otherwise have been added to future Charging Statements and therefore paid for

by customers. Typically, this involves identifying cost drivers and implementing solutions to mitigate them before they impact.

To secure efficiencies and cost avoidance DCC typically employs four main levers:

- Reprocurement of existing provision
- Renegotiation of existing terms
- Application of robust contract management
- Technological change to suppress variable costs

In the following section we set out measures we have taken which deliver enhanced value for consumers and customers through each of these approaches.

Reprocurement of existing provision

DCC has a database of its contracts and maintains a commercial pipeline of upcoming contract change events (contract expiries, breakpoints or extension triggers) which it uses to shape its procurement approach for key capabilities. As indicated in Chapter 7, such events provide opportunities for DCC to realise greater efficiencies in the delivery of future services, and we have recently completed several contract awards which will deliver savings within the business plan period or beyond it:

- SMETS1 ANSO: The current ANSO contract supports more than four million FOC meters and has been delivered by DXC since 2021. DCC launched a competitive procurement process to replace the existing contract resulting in CGI being selected as the preferred bidder following a rigorous evaluation process, including engagement with customers through the SEC. A contract was signed with CGI in September 2025, which will see a cloud-based solution delivered that is expected to achieve significant annual savings [redacted] The aim is for associated delivery activities to complete early in the business plan period and for the service to be established from Q4 2026. The contract runs to 2033 and is forecast to deliver [redacted] savings if DCC utilises the maximum contract term.

- DSP: The current DSP service is managed end-to-end through a single service provider, CGI. Having reviewed the challenges faced with the current approach, DCC has opted to deliver future service provision through a disaggregated contractual approach in which the four key components of the service are delivered by different providers. Contracts were awarded in March 2025 and the transition to DSP2 is scheduled to complete by December 2028. We expect this to deliver longer term value for money and enable a faster, more responsive approach to change. DCC's expectation is that the new service should deliver savings [redacted] in operational costs once it is embedded.

- DCO: The reprocurement of the DCO capability, which saw contracts signed in January 2025 with Capgemini and Critical Software, is expected to deliver total savings [redacted] over the initial contract term to March 2029.

Re-negotiation of existing terms

Where there is not a clear contract change event, DCC will still look to deliver changes in the commercial terms where it identifies there is the opportunity to deliver better value for consumers and customers. With the expected growth in network traffic and the risk of a

consumers and customers. With the expected growth in network traffic and the risk of a significant growth in overage costs on some our key SMETS1 contracts, DCC has carried out extensive commercial re-negotiation of terms to achieve significant cost avoidance:

- SMETS1 Vodafone: For IOC and FOC cohorts, DCC has renegotiated terms with Vodafone which are already delivering material savings. The result of the negotiations is that we expect to deliver [redacted] in cost avoidance between April 2025 and March 2029 based on forecast volumes. This is forecast to deliver [redacted] of cost avoidance in the business plan period (see Appendices 4 and 12 for detail).

- SMETS1 Secure: Commercial negotiations with Secure on MOC cohort overage terms are ongoing [redacted]

Application of robust contract management

Key Performance Indicators (KPI) and SLA are applied across DCC's contracts with its external service providers, aligned to DCC's licence obligations and SEC service measures and reported monthly.

As part of this approach, the contracted KPIs have service credits associated with them, which are carefully weighted to apply leverage where DCC deems it most important and to influence service provider behaviour and manage their performance. The use of KPIs and the service credit regime is a key area of focus for ensuring that contractual performance is aligned with the issues that matter most to customers.

DCC performance manages its supply chain through a recognised tiered governance structure, operating around monthly and quarterly formal performance reviews. These reviews assess delivery against operational and commercial KPIs and SLAs, with performance improvement plans implemented where required. A core input to these performance reviews is the Monthly Service Review (MSR) which provides an aggregated view of supplier performance across four core delivery pillars of Operations, Commercial, Security and Change Delivery. These reports are reflected in the Annual Supplier Report (ASR) which is externally communicated to Ofgem, SECCo and DESNZ, and is also published on the DCC website.

Where persistent poor performance is evidenced, DCC enacts the relevant senior level escalations and rectification process to deliver corrective actions towards the required level of performance. While penalties may be applied to service providers, we have made no forecast of cost implications of such measures across the business plan period.

Technological change to suppress variable costs

DCC continuously assesses technology solutions to manage network traffic and reduce the impact of customer demand while minimising costs. Since 2024, we have carried out extensive work in relation to technological solutions for our SMETS1 capabilities which are forecast to deliver significant cost avoidance. As set out in Annex 1 to Appendix 4, we forecast that altogether these initiatives will deliver [redacted] cost avoidance between December 2024 and March 2029 with [redacted] of this cost avoidance expected to be delivered in the business plan period.

Examples of the measures we have proactively identified include:

- SRV batching, identification and management of 'noisy' high-traffic devices: Grouping of multiple SRVs before processing and optimisation of timing to improve traffic and service.
- Reduction of retries for unresponsive devices: this involves reducing the number of message retry attempts for devices that have not been responding to messages.
- These measures are targeted at reducing SMS traffic for SMETS1 devices, with volumes expected to fall from 1.9bn to 1.3bn per month by March 2028.

Most of the technological measures that contribute to the identified cost avoidance are already underway, but two measures [redacted] remain subject to SECMOD approval. DCC is engaging through SEC governance to progress these measures, and Annex 1 to Appendix 4 provides further detail.

Future opportunities

The closure of 2G services and the required swap out of all SMETS1 and SMETS 2G communication hubs by December 2033 presents an opportunity for DCC to work with suppliers to agree an optimised approach to the swap out process that maintains service performance while delivering a cost-effective closure of these service elements. As outlined in Chapter 6, we propose to work closely with suppliers through our proposed SMETS1/2 Swap Out and End of Life Strategy project on this. Industry can influence these costs positively if swap-out profiles are achieved ahead of the assumptions set out in this business plan. It is recognised that the speed, geographical spread of activity and finite resource within industry all present challenges in realising these cost efficiencies.

In parallel, DCC will continue to review the balance between fixed and variable costs across the related contract base. Where there is advantage in doing so, we will explore opportunities to renegotiate the terms of contracts to improve the fixed/variable cost balance with a view to optimising the profile of cost reductions as we scale down capacity in these service areas.

8.4. Internal costs

Reduction in labour costs

[redacted]

[redacted] Since June 2025, DCC has undertaken a programme of work to reduce its costs through headcount reductions. This has primarily affected the DCC's DBR function, although reductions in other DCC functions have also contributed. This has largely been achieved through an organisational restructuring that allowed better exploitation of synergies between teams and streamlined capabilities into

[80] Total Labour Costs are all costs associated with permanent and contractor staff and external consultants used as an alternative to internal resource. It includes Payroll, Non- Payroll, Recruitment and External Services (Resource).

distinct teams. It also involved process improvements, use of innovative technologies and upskilling of existing staff to enable them to move into different roles. Examples include:

- Introduction of Generative AI: Implementation of a Contract Obligation Management tool using Generative AI which contributed to the rationalisation in headcount whilst allowing for a step change in contract obligation conformance.
- Creation of Service Families: These have formed the basis of DCC's organisational design. Cross functional teams have been created around these service families which will drive increased accountability, quicker decision-making and reduce siloed working.

We have also cut back expenditure on contractors and third-party consultancy. At the end of March 2024 there were 120 contractors in the organisation and this will be reduced to 28 by the end of March 2026. Whilst some of this reduction is offset by an increase in permanent FTE it should be noted that permanent FTE are approximately 50% cheaper than contractors. External Service (Resources) was £28m in FY23/24, and this reduced significantly to £6.5m in FY24/25 (a 77% reduction). We have continued to reduce this further in FY25/26 to £2.5m, and we forecast spending only £3.7m over the business plan period.

Figure 8.B – Total Labour Costs and FTEs over FY23/24 to FY27/28 (£m)

We follow a rigorous benchmarking process to achieve resource optimisation and ensure our staff cost is as economic and efficient as possible. Before each recruitment exercise, vacancies are evaluated to determine their placement within the benchmark scale. To determine the benchmark scales, we use several external database and methodology.

For permanent staff, roles are assessed using the Korn Ferry (formerly Hay) methodology, which is a robust, widely recognised benchmarking source. For contractors, we use data from three providers - [redacted] In addition, our use of PayNet has been externally assured by consultants [redacted] to confirm that the way in which roles have been mapped to the model is appropriate.

Based on our current approach, which is in line with the guidance from Ofgem, we will continue to base the benchmark on the median salary, i.e. the 50th Percentile (50P) of a sufficient range of comparable roles (with a variation of 10%). All salary offers go through an approval process, with any request for a salary offer above the top of the benchmarked range approved collectively by the CPO and the CFO.

Figures 8.C and 8.D show DCC's performance in recruiting permanent staff and contractors, respectively, against the benchmark (10% above the 50th percentile – 50P10) for FY25/26

(base year). In total, 688 roles are in scope for benchmarking during the business plan period, of which 67 are contractors.

Figure 8.C – Permanent roles salary benchmark comparison

Figure 8.D – Contractor rate benchmark comparison

Reduction in accommodation costs

DCC took the decision during FY24/25 to close its site in Ruddington, which was completed in June 2025. This involved offering impacted colleagues based at that location redundancy or relocation to the Manchester or London sites. Relocating colleagues to Manchester allowed DCC to maximise existing office capacity, reducing the need for duplicate facilities and services. The decision was supported by hybrid working practices, which reduce the overall space requirement per employee and create long-term cost flexibility. By closing the office as the lease was coming to an end, DCC will avoid annual running costs of £1.5m.

While the business plan covers a short 17-month period, many of the actions set out here are transitional investments that realise their full value beyond this window. The following section therefore sets out how these changes contribute to sustained long-term value for consumers.

8.5. Delivering long term value for money

DCC's service family model described in Chapter 5 provides a clear and structured view of how smart energy and enabling services are being delivered today, and Chapter 6 sets out our plans for change expenditure which will shape how our services will be delivered in future. With the business plan covering a 17-month period it is important to set the activities proposed in the context of how we expect them to inform the longer-term delivery of value for money. In this section we provide an illustrative and directional longer-term cost forecast through to 2040, which demonstrates how the activities we are delivering now and in the next business plan period will drive longer term cost efficiency.

With any long-term costing exercise, there is always a need for caution, as unknown costs and opportunities will arise in the years ahead, meaning that some of the assumptions we make now will inevitably not materialise. We aim to provide clarity around the assumptions we have used to inform our assessment and recognise that actual costs that materialise will differ from those set out to some degree. However, the aim is to demonstrate the overall shape of cost efficiency that we believe our strategy can achieve.

What follows is a baseline planning scenario and we look forward to working with our customers and wider industry stakeholders to refine longer term planning assumptions through the work on the Business Strategy and Technology Roadmap.

8.5.1. DCC's long term cost model

Model planning assumptions

With any long-term cost forecast, there will clearly be sensitivities relating to the assumptions used. In Table 8.1 below, we have provided a high-level summary of the assumptions which inform the model. Key amongst them are the growth in the installed meter base (see Figure 8.F for more detail), the assumed end dates for 2G and LRR communication services, making no assumptions for savings around future procurement events, and the continuation of the current ratio of overhead costs. The major element that is omitted from the model, and which would undoubtedly affect the cost profile, relates to assumptions around future levels of change expenditure, with DCC assuming no new change projects from FY28/29. This is clearly material, but at this stage DCC is not able to provide a reliable forecast for these costs.

Table 8.1 – DCC's High Level Planning Assumptions

What is included	What is not included
• Assumed growth in the installed meter base extrapolated linearly to FY39/40 • **CSP contract extensions for Arqiva and VMO2** [redacted] ○ VMO2 to 2033 • All SMETS1 and SMETS2 2G services end in 2033 • DSP1.0 closes down **at the end of 2028**	• No change pipeline costs from FY28/29 onwards i.e. no new change costs • No DSP FBC provision for future annual change activity [redacted] (as this would be linked to the future change pipeline) • Future data services use case costs and benefits (e.g. SMEDR) • Comms hub asset charges • Potential Comms Hub exchange financing

• All other operational costs as per current terms with no assumption made for savings on reprocurements • Change pipeline expenditure as per proposed projects in Chapter 6 up to March 2028 • In-life change cost assumed to continue through to 2040 • DSP Full Business Case contingency for DBT up to FY28/29 when DBT is planned to complete • Overheads proportion of service costs maintained at c.19% of total costs in the long-term as per current levels • Assumed extrapolation of passthrough costs • Indexation assumed at 2% each year, where relevant	• DCC costs components excluded when switching from ex post to ex ante (overhead/margin / gainshare) • Discounting for time value of money

The indicative long range cost forecast

Figure 8.E below sets out the high-level view of how DCC's costs should alter over time recognising that other than in-life change, there are no new change costs assumed beyond FY27/28.

The critical driver for the evolution of the cost base is the transition from the current state of four CSPs (SMETS1, SMETS2-LRR, SMETS2-2G/3G, and SMETS2 4G) and two parallel DSP systems (DSP1 and DSP2) to a model in which there is a single CSP (SMETS2-4G) and a single DSP (DSP2). This transition will happen in stages.

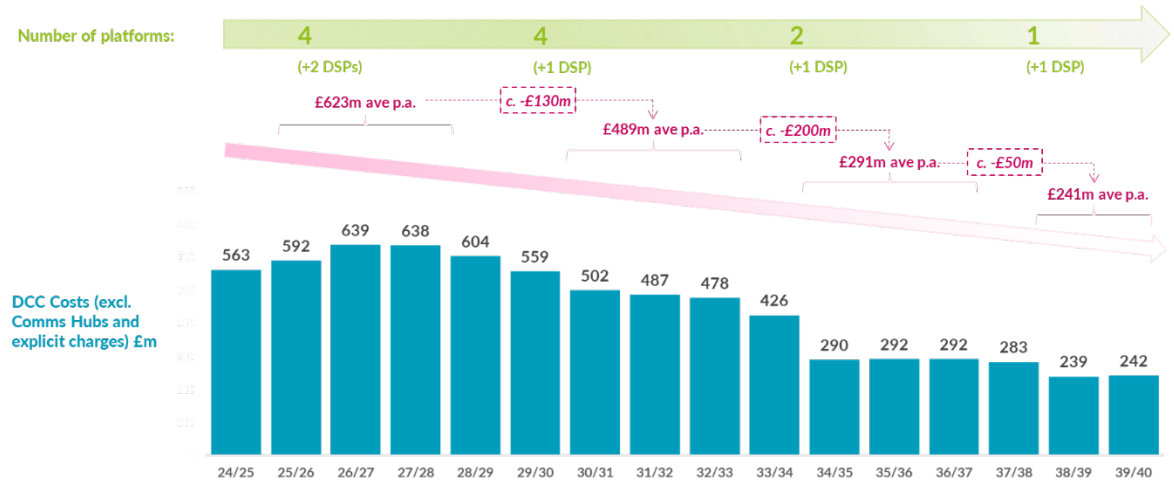
In this model:

- SMETS1 costs peak in FY26/27 before reducing gradually to zero in FY33/34
- DCO costs end in FY33/34 with the closure of the SMETS1 service
- SMETS 2G costs also reduce to zero by FY33/34
- SMETS2 LRR costs run through to [redacted] when the service closes and costs reduce to zero
- SMETS 4G costs continue to gradually increase as the install base increases
- DSP transitions as planned by December 2028 with DSP1 then closing down

As a result of these planning assumptions, there is a reduction in cost when the parallel run of the DSPs ends and a gradual reduction in SMETS1/SMETS2-2G variable costs, with a more substantial reduction in costs coming in FY33/34 when the SMETS1 and SMETS 2G services close. A further reduction then follows when the LRR service closes [redacted]

It is recognised that new change projects will arise, and that before FY39/40 it is likely that DCC may need to invest in longer term successor technologies. However, even if substantial change costs were to result, our expectation is that the streamlining of CSP and DSP capabilities should deliver sustained reductions in the service operating costs. Delivering the 4G capability at scale and the DSP2 capabilities as outlined in this business plan are therefore fundamental prerequisites to realising longer term benefit.

Figure 8.E – High-level long-term cost forecast



CSP Transition

As outlined above, DCC expects to see the gradual reduction in the size of the SMETS1 and SMETS2-2G estates, with rapid growth in the SMETS2-4G estate driven by the continued growth in the installed base and the swap-out of legacy devices that need to be removed by 2033. Table 8.F below assumes a similar swap-out profile for all SMETS1 and SMETS2-2G capabilities through to 2033, but as recognised in section 8.3, there is an opportunity for DCC to work with customers to optimise the swap-out process and maximise cost effectiveness during the transition.

Figure 8.F – The forecast transition of the CSP mix

Reductions in cost per meter

The transition from multiple CSPs to a single CSP variant also has significant benefits for the operational costs associated with sustaining the installed meter base. As set out in table 8.G below, the dynamic relationship between the number of meters installed and the cost base per variant sees significant changes in the cost per meter for each variant over time. It indicates

that the average cost per meter will continue to decrease and that SMETS2-4G will quickly become the most cost efficient variant based on operating costs.

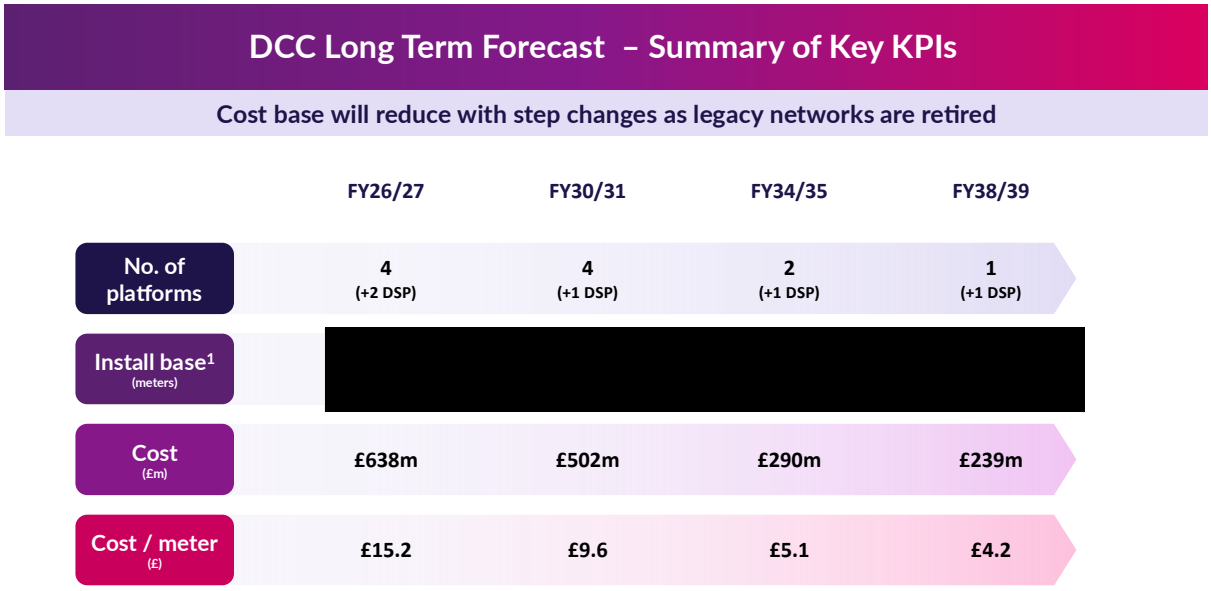
Figure 8.H provides a high-level summary of the long-term value for money opportunity. While change costs will undoubtedly increase costs to some extent from those indicated, no benefits from other opportunities are assumed either. The actual scale of savings realised may prove to be smaller than that shown, but DCC is confident that the transitional investments we are delivering now and in the coming years will deliver long-term benefit

Figure 8.G – Forecast changes in the average cost per meter by comms hub variant

£	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35	35/36	36/37	37/38	38/39	39/40
Cost per meter[1] – Operational																
IOC / FOC																
MOC																
SMETS1 – Total																
SMETS2 – 2G/3G																
SMETS2 – LRR																
SMETS2 – 4G																
Total	6.1	6.0	5.8	5.4	4.5	4.9	4.8	4.7	4.4	3.7	2.0	2.0	2.0	1.8	1.2	1.2

1 - Cost per meter: calculated as operational cost, divided by average install base for the year

Figure 8.H - Summary of long-term value for money opportunity



1 – Install base end of each FY (Mar) as per Q4 25 Demand Forecast.

8.6. Governance around value for money

8.6.1. Investment Committee

Purpose

DCC's Investment Committee provides the governance framework to guarantee that spending decisions are robust, transparent, and aligned with DCC's strategic objectives. It requires strong, well evidenced business cases and maintains clear audit trails to ensure that all expenditure delivers genuine value for consumers and customers. The Committee plays a critical role in providing assurance to the Board that governance processes have been strictly adhered to for any proposals which involve expenditure above £1m (which must be submitted to the Board for approval).

Governance and Composition

The Committee is chaired by the Chief Financial Officer, with the Chief Strategy and Regulation Officer, Chief People Officer, Chief Operating Officer, and Chief of Staff as permanent members. It is further supported by representatives from Procurement, Contract Management, and Economic Regulation. It meets monthly with business owners responsible for presenting items for evaluation in good time to meet business plan timelines. Minutes, actions, and decisions are recorded, and funding for items is not released unless approval has been granted.

Scope

The Committee is responsible for monitoring process, compliance and approving spend included in DCC's Annual Business Plan (ABP) for specific items over £150k. It also governs proposed investments that differ from those in the ABP for specific items over £150k and approves new resource expenditure under DCC's Resourcing Policy, irrespective of value including the use of consultancy, professional services, and managed services.

The Committee also evaluates all business cases for proposals above £1m prior to submission to the Board.

Activities the Investment Committee is required to review and approve include:

- New projects and programmes
- New in-life change activities
- Changes to in-flight projects/programmes requiring additional cost compared to previous Investment Committee approval
- Cost increases between £150k and £1m
- Cost increases above £1m (reviewed to assure governance prior to escalation to Board)
- Changes to BAU activity requiring additional cost compared to previous Investment Committee approval, with costs above £1m escalated to Board
- Changes to agreed delivery mechanisms for any activity compared to previous Investment Committee approval, such as requests to use consultants, contractors, or third parties instead of permanent colleagues

The following areas of expenditure are not considered by the Investment Committee:

- Overall headcount structure and cost (agreed in ABP)
- Annual salary reviews and bonus sign-off
- BAU activities within contract terms and previous Investment Committee approval
- In-flight programmes within contract terms and previous Investment Committee/Board approval
- Contract Requests within previous Investment Committee approval envelope
- Costs below £150k governed by Delegation of Authority

Approval of submitted items requires a clear business case covering scope, cost, procurement approach, resourcing approach and stakeholder engagement. Costs must fall within Board approval limits for activities already approved, otherwise escalation is required. Procurement must follow LC 16 requirements and align with DCC's Procurement Strategy.

The Committee ensures beneficial outcomes for customers and energy consumers by requiring strong business cases for all spend decisions, enforcing strategic alignment, and ensuring compliance with procurement strategy and policy. It embeds a culture of cost efficiency across the organisation to protect customers from unjustified costs. Stakeholder engagement and support are integral to business cases, ensuring that investment decisions reflect consumer needs.

8.6.2. Benefit tracking

As well as ensuring that our expenditure plans are appropriately reviewed and challenged, it is important that we maintain robust processes for the internal governance, monitoring and controls around any projected savings and benefits. DCC operates robust financial governance processes, including formal tracking of savings against baseline forecasts, regular reporting to senior leadership, and independent assurance, as outlined below:

- Tracking: All efficiency/avoidance initiatives are tracked by DCC's Contract and Supplier Management function as this function is accountable for the majority of DCC's external spend.
- Independent verification and benefit realisation: DCC's Finance function independently verifies the benefits prior to actualising into the financial forecasts and budgets. Monthly benefit realisation is tracked to ensure benefits flow through to reduced customer charges.
- Board oversight: In terms of upward reporting, findings are then shared with the Senior Leadership Team during the monthly reporting cycle, and updates are communicated to the ExCo and the Board.
- Auditing: All results will undergo review by the DCC Internal Audit team for additional assurance.

9. Cost of Delivery

Summary

This chapter covers the costs associated with the delivery of our planned activities across the business plan period. It describes how Ofgem requires our costs to be structured and provides an overview of key factors which drive year on year changes in our cost base. It sets out our total costs and then provides a breakdown of external, internal and passthrough costs which together constitute our required revenue. It also summarises areas of uncommitted expenditure.

9.1. Introduction

This chapter sets out the costs associated with the delivery of our planned activities across the business plan period.

For context, we explain extensive changes to the structure of DCC's cost base under the new ex ante regulatory arrangements which mean the costs in this business plan cannot be compared on a like-for-like basis to previous ex post reporting. We highlight the requirement for DCC to forecast part-year costs for regulatory year FY26/27 and the implications. We also provide a high level explanation of factors driving year on year cost changes before providing a more in-depth explanation of the forecast costs in the business plan period.

DCC's total cost base comprises external, internal, and passthrough costs:

External Costs: These costs are incurred through expenditure on external service provider contracts (known as Fundamental Service Capability or FSC contracts) and future projects for which the supplier is not yet contracted. In total there will be 29 FSC contracts in the business plan period and there are 11 projects for which a supplier is not yet contracted. We provide analysis of fixed and variable costs and the balance of investment between day to day operations and delivering change.

Our external costs are structured by service family in line with the service families described in Chapter 5. All external costs except variable costs within a service family are expected to be fungible only within the relevant service family in line with Ofgem's ex ante framework.[81] Data tables in this chapter relating to external costs follow the service family structure.

Internal Costs: These costs cover all costs other than external and passthrough costs, and largely constitute internal overhead costs such as payroll, accommodation and IT. We provide a breakdown of cost by General Ledger code as well as by internal functions.

Passthrough Costs: These are specific external costs set out in the licence over which DCC has no direct control and as such allowances are automatically adjusted to match the level of costs incurred. Passthrough costs are currently limited to specific external costs for the Alt HAN Company and SECCo.

[81] DCC Review Phase 2: Determination of Allowed Revenue - conclusions | Ofgem, paras 3.27-3.35

We also provide a summary of:

> Other Costs: These are elements of Internal and External Costs that Ofgem requires to be separated from other Service Family or Overhead costs so they can be clearly ringfenced. Although they are reported as Other Costs to support ringfencing, they are also included in the relevant External and Internal Costs and so do not represent an additional cost category. In this business plan, all Other Costs are classified as Internal Costs.

We also provide analysis of our uncommitted expenditure across our forecast costs. Commentary relating to the delivery of value for money and our drive for cost efficiency is covered in Chapter 8.

All costs in this chapter are in nominal terms unless explicitly stated to be real price terms. The costs we describe are consistent with those set out in the RIGS data template submitted alongside this business plan. A separate cost assumptions log is also included at Appendix 12 which provides detailed costing assumptions for all areas of expenditure.

9.2. Introduction to DCC's cost base

The cost structure in this business plan is different to the one that has been used for DCC's previous ex post price control submissions. This reflects decisions Ofgem has made during its review of the regulatory framework for DCC which significantly alter the way costs will be reported for the Successor Licensee compared to those for DCC1.

> Not-for-Profit Organisation: Ofgem's decision that under the Successor Licence DCC should become a fully not-for-profit organisation[82] means there will no longer be a requirement for DCC to report profit-related calculations on baseline margin, baseline margin performance adjustment, external contract gainshare, and over-recovery interest payments.
>
> Replacement of Shareholder Services: Ofgem has indicated corporate services currently provided by DCC1's shareholder should be competitively procured or provided by a future shareholder based on the same principles that apply to the procurement of other Relevant Service Capability contracts.[83] As a result, all corporate services which are currently funded through the margin paid to Capita plc will be funded as distinct funding lines within DCC's internal cost base under the Successor Licensee. This will provide greater transparency of our corporate service costs.
>
> Simplified Required Revenue: The calculation of DCC's required revenue for the period of this business plan is much simpler than the formula used to calculate the Allowed Revenue for DCC1. DCC's total costs for this business plan period will solely comprise external costs, internal costs, and passthrough costs.
>
> Service Family Cost Structure: As set out in Chapter 5, Ofgem has agreed that DCC should present its costs for ex ante business plans using a service family reporting structure.[84] This is a very significant and important change, which for the first time enables DCC to bring together costs by service category to demonstrate the total cost associated with the provision of service capability. Under existing reporting for ex post

[82] DCC Review: Phase 1, p3 and DCC Review: Phase 2 – Process for determination of Allowed Revenue (conclusions), p9
[83] DCC Review: Phase 2 – Objectives, operational model and future role of DCC, p42, para 3.19
[84] Successor Licensee Regulatory Instructions and Guidance (SL RIGs): Decision

price control submissions, reporting is highly disaggregated and DCC is acutely aware that it is challenging for customers and other stakeholders to understand the costs associated with a defined set of activities which are geared towards achieving a specific set of outcomes. The change to service family reporting is designed to support greater understanding and transparency of DCC's cost base and the cost implications of achieving activities and outcomes. As set out in Chapter 5, there are currently eight service families.

Within the service family structure, we have indicated which elements of DCC's internal costs are dedicated to service delivery (classed as Service Delivery Overheads) with the remaining internal costs classified separately as Corporate Overheads. Together they constitute our internal costs.

Accruals: In this business plan, DCC is for the first time presenting its cost forecast on an accruals basis in line with Ofgem's recent decision that ex ante cost reporting should move from cash reporting.[85] DCC welcomes this change, which provides a more accurate reflection of how resources are used to support service delivery. It does, however, mean that comparison of cost reporting between ex post price control submissions and this business plan is difficult, albeit we set out DCC's net cash requirements in the RIGS data template.

9.2.1. Implications of a split regulatory year

Standard practice in ex ante price controls is for companies to provide cost forecasts for full regulatory years. The expected timing of the business handover from DCC1 to the Successor Licensee, however, means that it is necessary to provide a part-year forecast for FY26/27.

Ofgem has indicated that the transfer to the Successor Licensee will take place on 1 November 2026 meaning that only the last five months of FY26/27 are included in the cost forecast. To arrive at the calculation of costs for this period, DCC has undertaken detailed work to calculate the full year forecast for FY26/27 and then carried out detailed profiling of costs to establish the cost forecast for the period from 1 November 2026. There remains a risk that cost profiles will change after submission of the business plan and Chapter 11 covers this uncertainty in more detail.

9.2.2. Understanding DCC's cost base

The changes in cost reporting outlined above inevitably make it difficult to provide meaningful comparison of ex post and ex ante cost reporting. Instead, to enable an understanding of cost trends over time we have set out our costs from FY24/25 through to FY27/28. This is designed to show how costs in preceding years compare to costs during the period of the business plan.

As part of our reporting, we also provide information on different categories of expenditure to aide understanding of our cost base, including the following areas:

Fixed v Variable Costs: In the cost reporting that follows we have sought to provide clarity at both an organisational and service family level on the balance between fixed costs and those that vary owing to volume changes in customer demand. This categorisation is important because it indicates the proportion of the cost base that is

[85] DCC Review Phase 2: Determination of Allowed Revenue - conclusions | Ofgem, p39

stable and predictable, and how much of it is subject to potential change based on external factors.

Change versus Business as Usual (BAU) Costs: We also provide clarity on the balance between BAU running costs and those costs which represent time-bound costs associated with the delivery of change. This demonstrates the balance of investment between the day-to-day running of DCC's operations and investment to sustain or improve our service capabilities.

Committed versus Uncommitted Costs: We have set out where costs are contracted or not. This is important because any proposed changes in planning assumptions are simpler to deliver where the associated costs are not yet tied to contracts.

While there are elements of DCC's cost base which are stable and predictable, there are others which are subject to change. Common factors which lead to cost changes are summarised below with more detailed explanations of cost trend changes explained in each subsequent section. There is also a detailed explanation of costs for each service family in Chapter 5.

9.2.3. Factors influencing year on year cost change

Projects

The composition of DCC's portfolio of projects changes over time leading to variations in the level of expected expenditure year on year. Although there are several major projects which will complete ahead of this ex ante business plan, there are a range of important new projects that are replenishing the project pipeline which are critical to the future success of the network. The most significant impact of these changes to the project portfolio in the business plan period relates to external costs, but they also impact internal resource cost assumptions. Of note, there are three projects classed as Other Costs[86] which sit outside our service family structure – Licence Renewal, Fuel Poverty and Energy Efficiency.

Transitional Costs

CSP and DSP contracts are at the core of the capability DCC provides to customers. In both capability areas, DCC will be undergoing service transition during the business plan period. The implications of these transitions for the longer term cost base are set out in Chapter 8.

DSP: As set out in Chapters 5 and 6, DCC will be transitioning from the original DSP contract to a disaggregated service over the period of 2025-2028 with dual running of some service elements in this period. We expect DSP2 to deliver significant cost savings [redacted] albeit the benefits from this transition will not be fully delivered until after 2030.

CSP: The transition from 2G/3G WAN capability to 4G is a process that began in 2025 and will run through to 2033. Further work is required with customers and DESNZ to optimise transition planning assumptions, but as outlined in Chapter 5, during the business plan period DCC will need to operate 2G/3G/4G and LRR capabilities simultaneously. Chapter 8 makes clear the longer term cost impact when the transition to a single CSP is completed.

In addition, the licence renewal programme represents a major organisational change, which is designed to support Ofgem's selection process and deliver a smooth transition to new

[86] Licence Renewal, Fuel Poverty and Energy Efficiency

ownership and a not-for-profit operating model. It will also need to oversee significant changes in how corporate services are delivered. We are also required to factor into our costs the parallel running of the DCC1 and DCC2 licences between November 2026 and September 2027.

Variable Demand

Changes in customer demand may directly or indirectly impact contract costs. Examples of changes in the volume of customer demand which directly impact contract costs include:

- The number of communication hubs and SIMs connected to the network.
- The number of SMS messages and service requests sent per month.
- The data volume sent over the network.

Examples where changes in customer demand indirectly affect costs include:

- Capacity requirements for virtual or physical infrastructure to maintain performance.
- Utilisation of cloud services.
- Service management requirements.

Efficiency Measures

Delivering value for money and cost efficiency is a core priority for DCC as outlined in Chapter 8. As part of our forward financial programme, DCC continuously seeks to identify measures which will avoid or reduce costs in the delivery of its outputs. This can include benchmarking and working with suppliers to reduce the cost of contractual outputs or taking management action to implement efficiency measures within DCC's internal cost base.

Risk

DCC's cost forecast includes a purposeful and targeted assessment of cost risk associated with the delivery of proposed activities. Large parts of DCC's cost base are stable or predictable in their nature, such as overhead costs and fixed operational costs, but there are other elements of the cost base which are less predictable. In assessing these areas of risk, DCC must take account of the regulatory framework Ofgem has set and the extent to which it provides for in-period adjustment to costs.

The proposed automatic adjustment mechanism for passthrough costs, inflation and volume-related costs is helpful in this respect. However, Ofgem is not proposing to allow an annual reopener in the first ex ante cycle which means that programme costs are the key area of cost risk that must be addressed upfront in the ex ante forecast. This risk falls into two categories:

> Approved Projects: Where a project, such as DSP programme, is already subject to an approved business case DCC has included the approved risk contingency that is relevant to the period covered by the business plan. This does not mean that DCC necessarily expects to spend all this contingency, but if it is not included in the allowance DCC cannot access the approved risk funding. The only project where this approach has been taken is DSP2 where we have included contingency costs approved in the Full Business Cases (FBC).

Change Pipeline Projects: For projects which have not yet been subject to business case approval (i.e. pre-Strategic Outline Case)[87], the early stage of the project means that the cost estimate is of low maturity and therefore the span of potential cost is wider than might typically be expected for projects at a later stage of the business case process. DCC has carried out three-point estimates for all such projects. We have applied the mid-range cost estimate as our cost forecast. Further detail on the cost uncertainties associated with these projects is set out in Chapter 11.

9.3. DCC's cost base

9.3.1. Total costs

Table 9.1 below provides a high-level breakdown of the total forecast costs for the period of the business plan in comparison to costs for earlier years. FY24/25 is the last year for which actual costs are available in full. All subsequent years are either partial or full forecasts.

Table 9.1 – DCC's Actual and Forecast Costs for the Period FY24/25 to FY27/28 (£m)

	Annual Trend				Ex-Ante Total		
£m	**24/25**	**25/26**	**26/27**	**27/28**	**26/27**	**27/28**	**Total**
					5 mths	*12 mths*	*17 mths*
External	518.6	584.3	648.9	659.8	279.7	659.8	939.5
Internal	129.7	120.2	127.7	118.9	54.1	118.9	173.0
Passthrough	29.5	33.7	41.4	48.0	18.0	48.0	66.0
Total Required Revenue	677.7	738.1	818.0	826.7	351.7	826.7	1,178.5
Risk Provision - DSP	[redacted]						
Total Required Revenue less Risk							

The overall allowance request for the business plan period is £1.178.5bn. The significant increase in annual costs from FY24/25 to FY27/28 is mainly driven by two factors:

- The first is an additional £103m in communication hub charges incurred in FY26/27 and FY27/28 compared to the previous two years.
- The second is an increase in change-related costs, which grow from £112m in FY24/25 to £156m by FY27/28.

It is important to recognise that the allowance request includes [redacted] risk provision that has been approved in the DSP2 FBCs but which DCC is not currently forecasting to spend. DCC is requesting the inclusion [redacted] in the allowance ([redacted] of the total allowance) because it needs to be able to access the approved risk contingency if necessary; were this risk contingency not to be funded, DCC might need to slow down or descope aspects of this critical change programme if identified risks materialise.

External costs constitute 80% of DCC's total allowance request, with internal costs representing 15%, and passthrough costs 5%. As a share of total costs External Costs increase by 3% from 77% in FY24/25, with Passthrough costs up 1%, and Internal Costs decreasing by 4%. The reasons for changes in the level of expenditure in individual cost categories are set

[87] HMT's Green Book Business Case process typically involves a three stage business case process: 1. Strategic Outline Case, 2. Outline Business Case, 3. Full Business Case

out below. The high proportion of expenditure on external costs demonstrates the critical importance for DCC of ensuring value for money from its external service provider contracts.

9.3.2. External costs

External costs constitute costs associated with the 29 FSC contracts with external service providers, other future projects where the supplier is yet to be identified. External service non-resource costs are classed as internal costs but are treated the same way as external costs for the purposes of fungibility in Ofgem's ex ante framework.

We break down our external costs into six categories as defined below:

Fixed BAU Costs: These costs all sit within our FSC contracts and cover BAU operating costs which are fixed in nature, except for inflation adjustments and changes resulting from contract renegotiation or reprocurement.

Volume-Driven BAU Costs: These costs also all sit within our FSC contracts and relate to BAU operating costs, but they vary according to the volume of activity.

In-Flight Change Projects: These costs are for defined projects and programmes that aim to sustain or enhance service delivery, and they are already subject to some form of business case approval of cost. All costs sit within the FSC contracts.

In-Life Change: These costs relate to more limited contract change that might result from issues identified by customers through the SEC/REC modification processes or otherwise result from the identification of contractual provision which needs to be resolved. These costs are often limited and short term in nature. All costs sit within the forecast costs for the FSC contracts.

Change Pipeline: These forecast costs are for projects which are not yet subject to formal business case approval but for which DCC must incur costs within the business plan period. Forecast expenditure remains uncommitted and the provider of the required services is unknown apart from one project (Long Range Radio Committed Term has to be taken forward with Arqiva).

External Service (Non-Resource). These costs relate to limited expenditure on services such as consulting and other specialist external advice.

Table 9.2 below provides a summary of external costs broken down by the six categories. In the following sections we provide a more detailed explanation of the costs of each category.

Table 9.2 - Total Actual and Forecast External Cost FY24/25 to FY27/28 (£m)

	Annual Trend				Ex-Ante Total		
£m	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
Fixed - BAU	199.6	227.4	228.1	223.3	94.7	223.3	318.0
Volume Driven - BAU	194.0	225.9	263.4	274.6	105.4	274.6	380.0
In-Flight Change	79.2	83.7	71.6	56.1	27.4	56.1	83.5
In-Life Change	32.4	28.2	37.7	33.3	20.4	33.3	53.7
Change Pipeline	-	0.9	41.4	66.9	29.4	66.9	96.3
External Services (Non-Resource)	13.5	18.2	6.6	5.6	2.4	5.6	7.9
Total External Costs	**518.6**	**584.3**	**648.9**	**659.8**	**279.7**	**659.8**	**939.5**

Fixed BAU costs

Table 9.3 provides a breakdown of Fixed BAU costs in the business plan period, which constitute 34% of total external costs and 46% of all BAU costs. The remainder of External Costs are either variable BAU costs or relate to the delivery of change, both of which present greater risk of variability. The relatively low percentage of fixed BAU costs relative to overall costs therefore means it is challenging to deliver stable cost profiling over multiple years.

Fixed BAU costs are stable and predictable across the business plan period with a minor reduction occurring in FY27/28. This results from reductions on new contracts such as the SMEST1 FOC ANSO contract which are offset to an extent by the increase caused by parallel operating costs of DSP1 and DSP2 in that period. Where further opportunities are identified to deliver savings against Fixed BAU costs through contract negotiation, DCC will pursue these opportunities.

Table 9.3 –Forecast Fixed BAU Costs FY24/25 to FY27/28 (£m)

£m	Annual Trend				Ex-Ante Total		
	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
S1SP_1 - CGI IE							
S1SP_2 - SECURE METERS							
S1_CSP_1 - VODAFONE							
S1_CSP_2 - VMO2							
S1SP_3a - TRILLIANT							
S1SP_3b - DXC							
S1SP_3c - CGI							
SMETS1 Total							
CSPN - ARQIVA							
CSPC - VMO2 CENTRAL							
CSPS - VMO2 SOUTH							
SMETS2 - LRR/2G/3G Total							
4G_WAN - VODAFONE							
4G_DEVICE MANAGER - ACCENTURE							
4G_COMMS HUBS - TOSHIBA							
SMETS2 - 4G Total							
AMSRS - LANDMARK							
SMT - CAPGEMINI							
CSI - NETCOMPANY							
Switching Total							
DSP_1 - CGI							
DSP_SI - CGI							
DSP_MF - IBM							
DSP_NW - VODAFONE							
DSP_DUIS - NETCOMPANY							
Meter Data Management Total							
S1_DCOa - CAPGEMINI							
S1_DCOb - CRITICAL SOFTWARE							
S1_DCOc - CAPITA							
ECoS_Hosting - ACCENTURE							
ECoS Application - CRITICAL SOFTWARE							
PKI -E							
Privacy and Security Total							
FSM_SP - CAPGEMINI							
Service Management Total							
TAF - HCL TECHNOLOGIES							
Testing Total							
Total Fixed BAU Costs	199.6	227.4	228.1	223.3	94.7	223.3	318.0

Volume-driven BAU costs

Volume-driven BAU costs constitute 40% (£380m) of total external costs and 54% of total BAU costs. This indicates that both our BAU and external cost forecasts are subject to significant exposure to changes in volumes.

Communication Hub Charges

Communication hub charges, which are reflected in our Arqiva and VMO2 contracts in the SMETS2-LRR/2G/3G service family and the Toshiba contract in the SMETS2-4G service family, account for £252m (27% of external costs). These variable costs reflect orders placed by suppliers for communication hubs. As a result, DCC has very limited control over the costs incurred, albeit it has established financing arrangements to smooth the profile of charges to customers, and in turn consumers, in the period to 2028 (further detail is provided in Chapter 10 and Appendix 13).

The key change factor in the business plan period is the significant scaling up of 4G communication hubs which is a process that will continue into future business plan cycles. Up to 2026/27 there is a significant increase in LRR/2G/3G communication hub charges due to the financing profile. After that point, it is expecting that 4G hubs will assume an increasing share of overall charges. Table 9.4 below indicates the forecast communication hub charges for the business plan period across the two service families.

Table 9.4 – Forecast communication hubs (millions) and associated costs (£m)

£m		Annual Trend				Ex-Ante Total		
		24/25	25/26	26/27	27/28	26/27	27/28	Total
						5 mths	*12 mths*	*17 mths*
CSP North	Volume	3.6	4.2	4.8	4.8	4.8	4.8	4.8
	£							
CSP Central	Volume	5.7	6.4	6.4	6.4	6.4	6.4	6.4
	£							
CSP South	Volume	4.4	4.9	4.9	4.9	4.9	4.9	4.9
	£							
SMETS2 - LRR/2G/3G Total	**Volume**	**13.6**	**15.6**	**16.1**	**16.1**	**16.1**	**16.1**	**16.1**
	£							
SMETS2 - 4G Total	**Volume**	**-**	**0.9**	**5.1**	**6.4**	**3.1**	**6.4**	**6.4**
	£							
Total CH Costs (£m)		**111.8**	**143.2**	**173.4**	**184.4**	**68.1**	**184.4**	**252.4**

Other drivers of variable costs include volume changes in SMS and service request messages and data volumes, which are driven by customer activity on the network. Table 9.5 below provides a summary of all variable costs across our FSC contracts including communication hub charges. Chapter 11 provides fuller detail on the various types of variable cost and the different contracting approaches we employ depending on the circumstances of the requirement. This is supported by further detail in Appendix 13, which covers forecasts and volume sensitivity.

DCC has taken action to control the growth in the variable cost forecast relating to message volumes for SMETS1 which will see significant cost avoidance in future years if expected increases in customer demand materialise. This is covered in more detail in Chapter 8 on Delivering Value for Money.

Table 9.5 – Actual and forecast volume-driven BAU costs FY24/25 to FY27/28 (£m)

£m	Annual Trend				Ex-Ante Total		
	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
S1SP_2 - SECURE METERS							
S1_CSP_1 - VODAFONE							
S1_CSP_2 - VMO2							
SMETS1 Total	70.3	69.0	73.0	71.0	30.0	71.0	101.1
CSPN - ARQIVA							
CSPC - VMO2 CENTRAL							
CSPS - VMO2 SOUTH							
SMETS2 - LRR/2G/3G Total	114.6	136.8	147.6	138.4	59.8	138.4	198.2
4G_WAN - VODAFONE							
4G_COMMS HUBS - TOSHIBA							
4G_HOSTING - NORDCLOUD							
CH&N - Programme Financing							
SMETS2 - 4G Total	6.4	15.7	36.3	58.2	12.8	58.2	71.0
AMSRS - LANDMARK							
Switching Total							
DSP_1 - CGI							
Meter Data Management Total							
Total Volume Driven BAU Costs	194.0	225.9	263.4	274.6	105.4	274.6	380.0

Fixed v Various BAU Balance

Variable cost exposure is largely concentrated (over 97%) in the three communication service provider service families (SMETS1, SMETS2-LRR/2G/3G and SMETS2–4G). This is because they include communication hub costs and changes in SMS message and service request volumes predominantly affect variable costs in these service areas. In turn, this concentration of variable cost means each of the three services are heavily exposed to cost uncertainty - variable costs represent 70% of SMETS1, 54% of SMETS2-LRR/2G/3G and 47% of forecast SMETS2-4G BAU costs in the business plan period.

Table 9.6 below shows the balance of fixed and variable costs across our FSC contracts and the service families.

Table 9.6 Comparison of fixed v variable BAU costs in the business plan period (£m)

£m	Ex-Ante Total								
	26/27			27/28			Total		
	Fixed	*Volume based*	*Total*	*Fixed*	*Volume based*	*Total*	*Fixed*	*Volume based*	*Total*
S1SP_1 - CGI IE									
S1SP_2 - SECURE METERS									
S1_CSP_1 - VODAFONE									
S1_CSP_2 - VMO2									
S1SP_3a - TRILLIANT									
S1SP_3b - DXC									
S1SP_3c - CGI									
SMETS1 Total	14.7	30.0	44.7	22.2	71.0	93.2	36.8	101.1	137.9
CSPN - ARQIVA									
CSPC - VMO2 CENTRAL									
CSPS - VMO2 SOUTH									
SMETS2 - LRR/2G/3G Total	39.9	59.8	99.7	92.4	138.4	230.7	132.2	198.2	330.4
4G_WAN - VODAFONE									
4G_DEVICE MANAGER - ACCENTURE									
4G_COMMS HUBS - TOSHIBA									
4G_HOSTING - NORDCLOUD									
CH&N - Programme Financing									
SMETS2 - 4G Total	10.4	12.8	23.1	28.4	58.2	86.6	38.8	71.0	109.8
AMSRS - LANDMARK									
SMT - CAPGEMINI									
CSI - NETCOMPANY									
Switching Total	3.2	1.0	4.2	7.7	2.4	10.1	10.9	3.4	14.3
DSP_1 - CGI									
DSP_SI - CGI									
DSP_MF - IBM									
DSP_NW - VODAFONE									
DSP_DUIS - NETCOMPANY									
Meter Data Management Total	13.4	1.8	15.2	40.3	4.6	45.0	53.7	6.4	60.1
S1_DCOa - CAPGEMINI									
S1_DCOb - CRITICAL SOFTWARE									
ECoS_Hosting - ACCENTURE									
ECoS Application - CRITICAL SOFTWARE									
PKI -E									
Privacy and Security Total	11.4	-	11.4	27.8	-	27.8	39.2	-	39.2
FSM_SP - CAPGEMINI									
Service Management Total									
TAF - HCL TECHNOLOGIES									
Testing Total									
Total Fixed and Volume Driven BAU Costs	94.7	105.4	200.1	223.3	274.6	498.0	318.0	380.0	698.1

In-Flight change projects

DCC currently has 16 change projects in the delivery stage, which are currently operating under business case approvals. By the time the business plan period starts, many of the projects will have ended and expenditure will be largely concentrated (97%) on the DSP project that will deliver the transformation from the current DSP service to the disaggregated DSP2 service. Limited expenditure will also take place on the SMETS1 FOC ANSO re-procurement. The total value of In-Flight change cost within the plan period is £83.5m (9% of total external costs). Table 9.7 below provides a summary of all In-Flight change projects broken down by service family.

Table 9.7 In-Flight change projects FY24/25 to FY27/28 (£m)[88]

£m	Annual Trend				Ex-Ante Total		
	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
SMETS1 FOC ANSO Re-procurement							
SMETS1 In-Flight Other							
SMETS1	0.8	5.0	6.7	-	2.4	-	2.4
SMETS 2 LRR/2G/3G In-Flight Other							
SMETS2 LRR/2G/3G							
Comms Hubs & Networks							
Future Connectivity							
vWAN							
SMETS2 - 4G	46.5	15.7	0.2	-	-	-	-
REC Release Management							
Switching							
DSP Data Systems							
Market Half Hourly Settlement (MHHS)							
MDM In-Flight Other							
Meter Data Management	14.2	36.5	63.4	56.1	25.0	56.1	81.1
Enduring Change of Supplier							
PKI Enduring Services							
SMETS1 DCO Re-Procurement							
P&S In-Flight Other							
Privacy and Security	6.8	13.6	0.2	-	0.0	-	0.0
Future Service Management							
Service Management							
Test Automation Framework							
Testing							
Total In-Flight Change Costs	79.2	83.7	71.6	56.1	27.4	56.1	83.5

In-Life change

Across the FSC contracts, funding has been earmarked for the delivery of In-Life change to current contracts. These changes may result from new customer requirements, the need for technology refresh or other requirements which were unforeseen at the point the contract was signed. In total, £54m has been allocated for this purpose in the business plan period. The forecast is based on historic cost analysis combined with insights from subject matter experts into likely future requirements. Whilst there is only £2m of committed purchase orders (i.e. contracted), £47m is defined and committed to specific projects across service families but currently remains uncontracted. The balance of £4.5m is set aside for unplanned change requests and therefore uncommitted. Further detail on the background to the requirements is set out in Chapter 6 and appendices 4-10.

Table 9.8 below provides a breakdown of In-Life change funding across the business plan period by service family.

[88] We have placed all costs for these projects against the primary service they support. In the case of Comms Hubs & Networks several million pounds of cost are actually incurred against contracts in other services too. This table will not therefore reconcile to the RIGS data template submitted alongside our business plan. This is not however an issue that is material to the period of the business plan.

Although there is an increase in forecast expenditure in FY26/27, this is largely due to 4G Releases, quarterly ServiceNow Maintenance Releases and DSP Scheduling Enhancements. The balance of proposed spending across the service families is indicative of transitional activity across the communication service providers and the DSP transition. [redacted]

Table 9.8 – Breakdown of In-Life change funding in BAU projects FY24/25 to FY27/28 (£m)

	Annual Trend				Ex-Ante Total		
£m	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
SMETS1	[redacted]						
SMETS2 LRR/2G/3G							
SMETS2 4G							
Switching							
Meter Data Management							
Privacy and Security							
Service Management							
Total In-Life Change Costs	32.4	28.2	37.7	33.3	20.4	33.3	53.7

Change pipeline projects

There are a further 11 future projects for which DCC is yet to contract with a supplier, but for which it assesses there is a clear justification and requirement for expenditure in the business plan period. Chapter 6 covers project requirements by service family and further detail on each project is provided in the appendices on the individual service families (Appendices 4-10).

All change pipeline projects are currently at the pre-SOC stage so DCC's cost estimates are at an early stage of development. Table 9.9 below provides a summary of the forecast costs of the 11 projects in the business plan period, with all representing DCC's mid-point estimate of costs. Further detail on our approach to cost estimating and risk assessment on these projects is set out in Chapter 11.

Of note, there is a twelfth change pipeline project covered in Chapter 6 covering the SMETS1 and SMETS2 2G swap-out strategy project, but this is entirely an internal resource project and is therefore not included in table 9.9 below.

Table 9.9 – Breakdown of the change pipeline FY24/25 to FY27/28 by Project (£m)

£m	Annual Trend				Ex-Ante Total		
	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
Long Range Radio Committed Term	[redacted]						
SMETS2-LRR/2G/3G							
Device Manager Re-procurement							
4G and Beyond							
SMETS2-4G							
Switching Re-procurement							
Switching							
Enduring System Integrator							
Meter Data Management							
Post Quantum Readiness							
Enduring Change of Supplier Re-procurement							
Privacy and Security							
Centralised Consent							
DCC Diagnostics Role *							
Energy Data Best Practice							
GSOP							
Service Management							
Total Change Pipeline Costs	-	0.9	41.4	66.9	29.4	66.9	96.3

** DCC Diagnostics Role is included in External Service (Non-Resource) within the RIGs but as it is a key change activity has been included in the table above but excluded from the Service Management sub-total and Total Change Pipeline Costs.*

All the change pipeline projects are expected to proceed through business case stage approvals prior to implementation, which will lead to further refinement of the cost forecast. Figure 9.A below sets out indicative approval milestones for each of the 11 projects.

Figure 9.A – Indicative schedule for business case approvals for the 11 change pipeline projects

Service Family	Project	SOC	OBC	FBC
SMETS2 – LRR/2G/3G	LRR Committed Term	-	N/A	May 26
SMETS2 4G	Device Manager reprocurement	Mar 26	Nov 26	Sep27
SMETS2 4G	4G and Beyond	Aug 26	Aug 26	Nov 27
Switching	Switching reprocurement	-	N/A	Jun 26
MDM	Enduring System Integrator	Mar 26	Sep 26	Dec 27
Privacy and Security	Post Quantum Readiness	Jun 26	Nov 26	Mar 27
Privacy and Security	Enduring CoS reprocurement	Feb 26	Jul 26	Apr 27
Service Management	Energy Data Best Practice *	Not GBBC but will move through opportunity statement; service strategy and business case submission in April 2026		

Service Management	Centralised Consent	Assumes DCC action is required; timetable subject to RECCo decisions		
Service Management	DCC Diagnostics Role*	Not GBBC but will move through opportunity statement; service strategy and business case submission in April 2026		
Service Management	GSOP*	TBC	TBC	TBC

**Not Green Book Business Case but will move through opportunity statement; service strategy and business case submission in July 2026*

Total change expenditure

Change expenditure is designed to refine, improve or replace service capability and is key to ensuring that DCC continues to deliver high quality services in future. Change projects are also important for realising efficiencies in the future delivery of services. The SMETS1 FOC ANSO re-procurement and transition from DSP1 and DSP2 are examples of projects we are undertaking which are designed to deliver operational savings, albeit outside of the business plan period in the case of DSP.

The combined cost of In-Flight change projects, In-Life change and change pipeline projects are set out in table 9.10 below. This indicates a significant increase in expenditure on change delivery between FY24/25 and FY27/28, increasing from £112m to £156m and as a proportion of External Cost spend from 22% to 24%. DCC is moving into a critical period of transition regarding WAN coverage and disaggregated data service provision, along with increasing focus on preparing for future cyber security threats, which drives these cost increases. Table 9.11 shows how the combined change costs map into the RIGS data templates.

Table 9.10 Total change expenditure FY24/25 to FY27/28 (£m)

	Annual Trend				Ex-Ante Total		
£m	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
In-Flight Change	79.2	83.7	71.6	56.1	27.4	56.1	83.5
In-Life Change	32.4	28.2	37.7	33.3	20.4	33.3	53.7
Change Pipeline	-	0.9	41.4	66.9	29.4	66.9	96.3
Total Change Costs	**111.5**	**112.8**	**150.8**	**156.3**	**77.2**	**156.3**	**233.5**
Change as % Total Service Family Costs	22%	19%	23%	24%	28%	24%	25%

Table 9.11 Total change expenditure per the RIGs FY24/25 to FY27/28 (£m)

£m	Annual Trend				Ex-Ante Total		
	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
S1SP_1 - CGI IE							
S1SP_2 - SECURE METERS							
S1_CSP_1 - VODAFONE							
S1SP_3a - TRILLIANT							
S1SP_3b - DXC							
S1SP_3c - CGI							
SMETS1 Total	5.4	11.8	10.1	3.1	4.1	3.1	7.2
CSPN - ARQIVA							
CSPC - VMO2 CENTRAL							
CSPS - VMO2 SOUTH							
SMETS2 - LRR/2G/3G Total	17.7	9.4	17.2	26.7	11.6	26.7	38.2
4G_WAN - VODAFONE							
4G_DEVICE MANAGER - ACCENTURE							
4G_COMPONENT INTEGRATOR - ACCENTURE							
4G_COMMS HUBS - TOSHIBA							
4G_INTEGRATION ASSURANCE - CRITICAL SOFTWARE							
4G_HOSTING - NORDCLOUD							
4G_DEVICE MANAGER RE-PROCUREMENT							
SMETS2 - 4G Total	37.7	11.3	23.1	26.8	13.0	26.8	39.8
AMSRS - LANDMARK							
SMT - CAPGEMINI							
CSI - NETCOMPANY							
CSA - EXPLEO							
CSI - New							
Switching Total	1.8	1.1	5.0	5.5	5.0	5.5	10.5
DSP_1 - CGI							
DSP_SI - CGI							
DSP_MF - IBM							
DSP_NW - VODAFONE							
DSP_DUIS - NETCOMPANY							
Meter Data Management Total	31.7	56.3	74.1	64.8	31.1	64.8	95.9
S1_DCOa - CAPGEMINI							
S1_DCOb - CRITICAL SOFTWARE							
S1_DCOc - CAPITA							
ECoS_Hosting - ACCENTURE							
ECoS Application - CRITICAL SOFTWARE							
PKI -E							
ECOS Application New Procurement							
Post Quantum Readiness							
Privacy and Security Total	11.9	13.5	9.4	23.0	7.3	23.0	30.3
FSM_SP - CAPGEMINI							
Centralised Consent							
DCC Diagnostics Role *							
Energy Data Best Practice							
GSOP							
Service Management	3.2	8.5	10.9	6.4	5.3	6.4	11.6
TAF - HCL TECHNOLOGIES							
Testing							
Total Change Costs (Aligned to RIGs)							

** DCC Diagnostics Role is included in External Service (Non-Resource) within the RIGs but as it is a key change activity has been included in the table above but excluded from the for Service Management sub-total and Total Change Costs.*

Total FSC expenditure

The sections above provide a breakdown of our forecast External Costs by category of expenditure. Our cost data reporting to Ofgem is largely contract focused. In this section we

provide a reconciliation of the tables provided above to an FSC contract view. Table 9.12 below sets out total forecast FSC expenditure which includes all fixed and variable BAU expenditure, all in-flight change projects, all in-life change expenditure and the forecast expenditure for the LRR Committed Term project (as this will be taken forward with Arqiva if approved).

Most external cost expenditure (95%) is expected to be channelled through our FSC contracts. Table 9.12 also outlines the remaining 5% of costs which are not currently aligned to an FSC contract.

Table 9.12 - Total actual and forecast expenditure by FSC and non-FSC FY24/25 to FY27/28 (£m)

	Annual Trend				Ex-Ante Total		
£m	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
S1SP_1 - CGI IE							
S1SP_2 - SECURE METERS							
S1_CSP_1 - VODAFONE							
S1_CSP_2 - VMO2							
S1SP_3a - TRILLIANT							
S1SP_3b - DXC							
S1SP_3c - CGI							
SMETS1 Total	109.4	111.9	117.5	96.3	48.8	96.3	145.1
CSPN - ARQIVA							
CSPC - VMO2 CENTRAL							
CSPS - VMO2 SOUTH							
SMETS2 - LRR/2G/3G Total	227.9	248.0	262.6	257.4	111.2	257.4	368.6
4G_WAN - VODAFONE							
4G_DEVICE MANAGER - ACCENTURE							
4G_COMPONENT INTEGRATOR - ACCENTURE							
4G_COMMS HUBS - TOSHIBA							
4G_INTEGRATION ASSURANCE - CRITICAL SOFTWARE							
4G_HOSTING - NORDCLOUD							
SMETS2 - 4G Total	49.2	47.9	70.8	101.3	30.6	101.3	131.9
AMSRS - LANDMARK							
SMT - CAPGEMINI							
CSI - NETCOMPANY							
Switching Total	11.3	10.8	10.5	11.1	4.7	11.1	15.8
DSP_1 - CGI							
DSP_SI - CGI							
DSP_MF - IBM							
DSP_NW - VODAFONE							
DSP_DUIS - NETCOMPANY							
Meter Data Management Total	55.5	91.1	110.3	109.8	46.2	109.8	156.0
S1_DCOa - CAPGEMINI							
S1_DCOb - CRITICAL SOFTWARE							
S1_DCOc - CAPITA							
ECoS_Hosting - ACCENTURE							
ECoS Application - CRITICAL SOFTWARE							
PKI -E							
Privacy and Security Total	40.1	40.0	28.2	38.6	11.8	38.6	50.4
FSM_SP - CAPGEMINI							
Service Management							
TAF - HCL TECHNOLOGIES							
Testing							
Total FSC Costs	500.5	560.1	609.1	623.4	258.5	623.4	882.0
Total Non FSC Costs	4.6	6.1	33.1	30.8	18.8	30.8	49.6
Total External Costs	505.1	566.1	642.2	654.3	277.3	654.3	931.6

External service non-resource costs

As set out in table 9.2, DCC expects to incur limited external service (non-resource) (ESNR) costs of £8m in the business plan period. DCC has taken targeted action to significantly reduce expenditure on external advice, which is why annual costs are expected to reduce from £14m in FY24/25. DCC's expenditure in this area will be focused on specialist external expertise that cannot be provided at efficient cost within the organisation's workforce. Table 9.13 provides a summary of these costs by service family and a full breakdown of the ESNR costs is provided in the Supplementary Schedules to the RIGs.

Table 9.13 Total External Service Non-Resources FY24/25 to FY27/28 (£m)

	Annual Trend				Ex-Ante Total		
£m	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
SMETS1							
SMETS2 - LRR/2G/3G							
SMETS2 - 4G							
Switching							
Meter Data Management							
Privacy and Security							
Service Management							
Testing							
Total External Services (Non-Resource)	13.5	18.2	6.6	5.6	2.4	5.6	7.9

9.3.3. Internal costs: Expenditure by General Ledger Code

In line with Ofgem's RIGS guidance[89], DCC's internal costs are categorised under ten general ledger codes.

Payroll: These costs include salaries, day rates, overtime, bonuses, car allowances, healthcare, National Insurance, pensions and other allowances. It includes the costs of both permanent DCC staff and contractors.

Non-payroll: These costs include the cost of travel, subsistence, mobile phone and training expenses.

Recruitment: These costs cover the procurement of internal and external resources.

Accommodation: These costs cover all property costs such as rent, rates, and office maintenance.

External Services (Resource): These costs include third-party resource services, such as legal or consultancy support. This includes resource which would have previously been categorised as Internal Services (i.e. those provided by a Related Undertaking, incl. the parent company).

External Services (Non-Resource): These costs cover third-party non-resource services (i.e. not covered by the 29 FSC contracts). This includes non-resource costs which would have previously been categorised as Internal Services (i.e. those provided by DCC1's parent company).

[89] Regulatory Instructions and Guidance (Successor Licensee) | Ofgem

Service Management: Cost of providing a first line service desk. This includes the Service Management System.

Transition: Previous General Ledger Code for the cost of setting up DCC and mobilising the business. There are no Transition costs in this business plan as any costs related to Licence Renewal are included in Other Costs.

IT Services: This category is where all IT costs are reflected. This includes email authentication, billing, document management, data services, financial planning tools and networks, hosting, programme and architectures, desktop support, telephony and website.

Office Sundry: Office costs that are small in amount and relatively rare in occurrence.

Table 9.14 below provides a breakdown of DCC's internal costs by General Ledger code. Of note, this does not include £9.7m of internal costs which are reported separately in the section on Other Costs. These costs relate to the delivery of the Licence Renewal programme (detail of which is set out in chapter 6) and two innovation projects (detail of which are set out in Appendix 1).

Table 9.14 – Internal costs split by General Ledger code FY24/25 to FY27/28 (£m)

	Annual Trend				Ex-Ante Total		
£m	**24/25**	**25/26**	**26/27**	**27/28**	**26/27**	**27/28**	**Total**
					5 mths	*12 mths*	*17 mths*
Payroll	[redacted]						
Non-payroll	3.6	3.6	3.6	3.5	1.5	3.5	5.1
Recruitment	2.4	0.7	0.4	0.4	0.1	0.4	0.6
Accommodation	5.6	6.6	5.9	6.0	2.4	6.0	8.4
External Services (Resource)	6.5	2.5	3.2	2.4	1.3	2.4	3.7
External Services (Non-Resource)	3.6	2.0	1.9	2.8	1.4	2.8	4.2
Service Management	[redacted]						
IT Services	12.6	10.6	12.4	14.8	6.1	14.8	20.9
Office Sundry	0.2	0.1	0.1	0.1	0.1	0.1	0.2
Total Internal Costs	**128.0**	**114.6**	**113.1**	**115.3**	**48.0**	**115.3**	**163.3**

Payroll

[redacted] We conduct robust salary benchmarking to ensure our payroll costs are economic and efficient. In section 8.5 on demonstrating value for money we provide further detail on this analysis.

Permanent Staffing [redacted]

Contractor Costs: Contractor numbers have reduced significantly in recent years from a high of 151 FTE at March 2023 to a forecast of 28 FTE by the end of March 2026. DCC

expects to stabilise around this number across the business plan period, as there will always be a requirement for contractor resource to augment permanent capability where time-bound, niche requirements must be met. Contractor FTE numbers are expected to represent just over 4% of FTE numbers in FY27/28.

Figure 9.B – End of Year (March) FTE split by Permanent Staff and Contractors FY24/25 to FY27/28

In the RIGs, FTEs are reported on an annual average basis as per figure 9.C below. This [redacted] demonstrates that DCC is reducing its reliance on more expensive contractors as we focus on a stable permanent workforce to deliver our services.

Figure 9.C– Annual Average FTE split by Permanent Staff and Contractors FY24/25 to FY27/28

Non-payroll

These costs remain flat between FY24/25 to FY27/28 in spite of inflation increases. A substantial element of these costs relates to travel and subsistence. We continue to optimise our non-payroll costs through our focus on cost-effective Travel and Subsistence planning. While aiming to preserve the benefits of face-to-face collaboration and site visits, the following measures have been implemented:

- Adopting a hybrid approach where virtual meetings complement necessary in-person engagements.

- Optimising travel schedules and using alternative travel options such as grouped travel to reduce unnecessary trips while maintaining operational efficiency.
- Leveraging corporate partnerships for more cost-efficient accommodation arrangements.
- Improving governance with more stringent approvals and regular granular reporting to ensure travel expenditure incurred is efficient and effective.

Recruitment

These costs primarily relate to recruitment and extensive referencing checks for employees, and are expected to fall significantly owing to a reduction in FTE numbers, a declining attrition rate and reducing contractor requirements. We are challenging ourselves to reduce this considerable (83% reduction) across the plan period from £2.4m in FY24/25 to £0.4m in FY27/28.

Accommodation

DCC is currently implementing a property strategy to consolidate into two sites, reducing the footprint and centralising business operations. This involves:

- Closure of Discovery House, Nottingham in early 2025 with the lease ending in December 2025. Savings from this site will be realised from 2026.
- Ending our lease at Ibex House, London, and relocating DCC's London office to Riverscape.
- Extending our lease at Brabazon House, Manchester, for one to two years while options for relocation are researched [redacted] Brabazon House faces on-going challenges due to its ageing infrastructure, high maintenance costs, and lack of modern sustainability features.

Whilst accommodation costs are relatively stable across the plan period, there is cost avoidance included which formed the basis of the property portfolio decision outlined above. Ibex House had a historically low rent and required substantial investment to maintain safe and operational standards going forward. Had we stayed in the building we would have faced a significant increase in rent. By moving to a modern, fully refurbished office space at Riverscape, where we did not pay for the fit-out, we have avoided these costs and still delivered a high-quality workspace that delivers greater efficiency, sustainability, and an improved working environment. In addition, the constrained Ibex office also required DCC to spend on additional external venue space annually. The move to Riverscape reduces this requirement.

Table 9.15 below sets out our forecast accommodation costs in the business plan period. DCC will continue to monitor property strategy effectiveness, ensuring future lease agreements align with long-term cost efficiency objectives.

Table 9.15 Summary of accommodation costs FY24/25 to FY27/28 (£m)

£m	Annual Trend				Ex-Ante Total		
	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
Ibex	[redacted]						
Riverscape							
Brabazon							
Ruddington							
Total Accomodation Costs	5.6	6.6	5.9	6.0	2.4	6.0	8.4
Rent	[redacted]						
Rates							
Facilities							
Service Charge							
Utilities							
Repairs and Dilapidations							
Move Costs							
Total Accomodation Costs	5.6	6.6	5.9	6.0	2.4	6.0	8.4

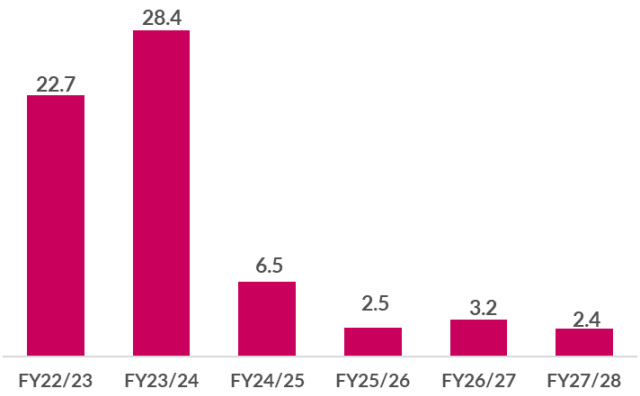
External Services (Resource)

Since FY23/24 DCC has focused on reducing its reliance on consultancy by in-sourcing capability through permanent recruitment. As indicated in figure 9.D below, this has led to a sharp reduction in consultancy expenditure year on year with expenditure forecast to fall from a high of £28m in FY23/24 to £2.4m in FY27/28 (-92%). We will continue to require some external expertise including:

- External Audit: for Responsible Business Framework and GDPR Compliance;
- Commercial: for strategic consultancy via the eFlow platform in relation to the Commercial pipeline, control of procurement activity and supplier risk management;
- Responsible Business: for support to develop, deploy and refine the Responsible Business Framework;
- Legal advice: for additional specialised support to the legal function; and
- Strategic Consultancy: for Board provision to obtain insight, coaching and for time sensitive, high impact matters.

A full breakdown of the ESR costs is provided in the Supplementary Schedules to the RIGs.

Figure 9.D External Services Resource FY22/23 to FY27/28 (£m)



External Services (Non-Resource)

To ensure compliance, credibility and strategic insight is maintained, the following services are expected to be delivered externally:

- External Audit: for Statutory annual audit, National Institute of Standards and Technology audit;
- Memberships and Accreditations: for Risk & Audit, Independence Compliance Officer and other industry bodies;
- Benchmarking: for Price Control and Procurement; and
- Market research, media and public affairs.

A full breakdown of the ESNR costs is provided in the Supplementary Schedules to the RIGs.

Service Management

These costs relate to Service Desk provision by EXL for Switching and SMETS2 [redacted] This contract went through a full reprocurement process and compared to the previous contract, saves [redacted] cost avoidance across the plan period.

IT Services

DCC is required to set up its own IT infrastructure in preparation for the transition to the Successor Licence. Currently IT infrastructure, hardware, software, services and enterprise applications (Finance and Billing, HR) are provided by DCC1's parent company and the cost is paid through Internal Services and profit mechanisms.

The process to identify DCC2's business requirements and separation from existing services has begun and is expected to be complete by the licence transfer date. DCC forecasts that the ability to select more appropriate IT solutions for the size and needs of DCC2 along with consolidating solutions across the organisation will deliver savings compared to current costs, despite the potential loss of volume purchasing discounts. Although the IT General Ledger annual expenditure is forecast to increase in FY27/28, this is expected to be offset by the removal of existing costs (i.e. DCC1 licensee overhead and margin) that are not evident in an ex ante cost comparison.

Office Sundry

These costs are made up of miscellaneous office expenditure including Printing, Stationery, Mobile Phones and Couriers. The annual cost is £0.1m and remains flat across the period.

9.3.4. Internal Costs: Expenditure by Internal Function

As set out in Chapter 7, DCC's internal functions are structured into two distinct categories. Internal Functions which sit within the Design, Build, Run capability area are focused on direct support to the delivery of services to DCC's customers and are classed as Service Delivery Overheads. All other functions are classed as Corporate Overheads and include the provision of standard capabilities in any similar-sized, regulated organisation such as Finance, HR, IT, Regulation and Procurement.

Table 9.16 below provides a summary of costs for functions classed as Service Delivery Overheads. Of note, Security is listed as a function with the Service Delivery Overhead albeit the Security team is formally part of the broader Enterprise IT team which sits within the Corporate Overhead. This is designed to accurately show where the team's activity is directed.

Table 9.16 – Service Delivery Overheads FY24/25 to FY27/28 (£m)

£m	Annual Trend				Ex-Ante Total		
	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
Business Operations							
Contract Management							
CTO							
Lifecycle Management							
Operations BAU-Enduring							
Service Delivery							
Security							
Total Service Delivery Overheads	**76.0**	**69.6**	**68.7**	**69.2**	**28.0**	**69.2**	**97.1**

Table 9.17 provides a summary of costs for functions classed as Corporate Overheads. It should be noted that the Corporate Overhead figures include costs for the integration of new corporate service systems into our internal costs. These costs are currently included in the margin paid to DCC1's shareholder which are not reflected in the figures below.

Table 9.17 – Corporate Overheads FY24/25 to FY27/28 (£m)

£m	Annual Trend				Ex-Ante Total		
	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
CFO Function							
Commercial							
Corporate Management							
People							
Enterprise IT							
Strategy and Regulations							
Total Corporate Overheads	**52.0**	**45.0**	**44.4**	**46.2**	**20.0**	**46.2**	**66.2**

Table 9.18 provides a summary of overall overheads, which as a percentage of forecast Total DCC Costs (i.e. not including other costs and passthrough costs) are 15% in the business plan period. Service Delivery Overheads account for 9% and Corporate Overheads 6%. As indicated in Table 9.18, overheads are reducing as a percentage of overall DCC costs between FY24/25 and FY27/28. This is largely driven by reductions in payroll costs.

Table 9.18 – Total Overheads FY24/25 to FY27/28 (£m)

£m	Annual Trend				Ex-Ante Total		
	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
Service Delivery Overheads	76.0	69.6	68.7	69.2	28.0	69.2	97.1
Corporate Overheads	52.0	45.0	44.4	46.2	20.0	46.2	66.2
Total Overhead Costs	**128.0**	**114.6**	**113.1**	**115.3**	**48.0**	**115.3**	**163.3**
Total as % of DCC Total Costs	20%	16%	15%	15%	14%	15%	15%

Other Costs

Other Costs is a small cost centre comprising ringfenced funding requirements in line with Ofgem's decisions on accounting treatment for these projects.[90] [91] All requested funding in this category relates to Internal Costs, but the project costs set out in table 9.19 below do not count towards our Corporate and Service Delivery Overhead costs.

It should be noted that workload on the Licence Renewal programme is expected to increase leading up to the transfer to the Successor Licensee. The additional costs forecast in FY25/26 and FY26/27 relate to our working assumption that DCC2 will not have the system capabilities that we currently receive from DCC1 in terms of finance and HR systems. Therefore, we are including programme costs for procurement of replacement HR, finance and other corporate service systems. The Licence Renewal programme activity is expected to complete in early FY27/28. Further information about the Licence Renewal Programme is outlined in Chapter 6.

DCCs Business Handover Programme, comprises nine workstreams and the overall resourcing approach has been agreed with Ofgem and supported by customers. Resourcing will be materially altered if the Successor Licensee has pre-existing corporate services. Our working assumption is that we will need to provide 40 FTE to meet all the requirements of support for the Successor Licensee. Should the future owner be able to resource some of these capabilities itself the DCC resourcing requirement could reduce to as low as 20 FTE. The precise requirement will depend on the outcome of Ofgem's selection process for the Successor Licensee. Roles such as those involved in contract novation, TUPE, change, communications, knowledge transfer and project controls will be required regardless of Successor Licensee capabilities.

The ongoing run costs of the new systems are reflected in the Corporate Overhead functions of Finance, People, Enterprise IT and Corporate Management.

Within the Licence Renewal Programme there is £4.8m forecast for the business plan period relating to the DCC1 transition costs that DCC2 will incur. This activity has been included at the request of Ofgem following their consultation on this issue on 24 October.[92] Estimated costs have been agreed with the DCC1 licensee.

The two additional projects included in Other Costs are covered in Appendix 1.

Table 9.19 – Other costs breakdown (£m)

	Annual Trend				Ex-Ante Total		
£m	**24/25**	**25/26**	**26/27**	**27/28**	**26/27**	**27/28**	**Total**
					5 mths	*12 mths*	*17 mths*
Licence Renewal Programme	1.6	5.5	14.5	3.3	6.0	3.3	9.2
Fuel Poverty	[redacted]						
Energy Efficiency							
Total Other Costs							

[90] Business Plan Guidance & Cost Control Processes and Procedures for Smart Meter Communication Licence holder v1, para 3.30
[91] Successor Licensee Regulatory Instructions and Guidance (SL RIGs): Decision, para 1.26
[92] Financing arrangements for DCC1 and DCC2 during Business Handover | Ofgem

9.3.5. Passthrough costs

Table 9.20 indicates the expected passthrough costs in the period of the business plan, which relate to costs incurred by the Alt HAN Company and SECCo and which are charged to DCC at cost.

Table 9.20 – Passthrough cost breakdown (£m)

£m	Annual Trend				Ex-Ante Total		
	24/25	25/26	26/27	27/28	26/27	27/28	Total
					5 mths	*12 mths*	*17 mths*
Alt HAN	13.9	18.2	21.6	28.7	9.8	28.7	38.4
SECCo	15.7	15.4	19.8	19.3	8.3	19.3	27.6
Total Passthrough Costs	**29.5**	**33.7**	**41.4**	**48.0**	**18.0**	**48.0**	**66.0**

Alt Han Company

Alt HAN services are designed to provide a communications network for smart meters in premises where the standard home area network (HAN) solution is not viable e.g. due to a weak signal. The Alt HAN Company is the entity responsible for managing this alternative network.

Each year, the SEC requires the Alt HAN Company to prepare its proposed budget for the next two regulatory years, and circulate to relevant energy suppliers, the Secretary of State for DESNZ and Ofgem. Following this process, the Alt HAN Company submits the approved budget for the next regulatory year and a draft budget for the following year to DCC. This is reflected in DCC's Charging Statement to be recovered as Fixed and Explicit Charges Revenue.

As part of this process, the Alt HAN Company provides a five-year budget outlook. DCC has included the company's projections for FY26/27 and FY27/28 in this business plan. We have pro-rated on a straight-line basis the annual spend for the FY26/27 to calculate the five month requirement for FY26/27. No other adjustments have been made to the outlook.

The company's budget covers resource and operating costs, technology and operational services, third party change management, financing costs and the Crowded Meter Rooms programme. The cost forecast sees a 100% increase in costs from £14m in FY24/25 to £29m in FY27/28 due to the Crowded Meter Rooms programme, which is expected to run for up to five years from FY25/26.

Smart Energy Code Company (SECCo)

The SEC sets the regulatory and operational framework for smart metering in the GB market. The SEC is self-governed and managed by the SEC Panel, with oversight where appropriate from Ofgem. SECCo is a not-for-profit company that plays a crucial role in administering and overseeing the SEC. Its costs cover the various SEC Panels, strategic management, SEC operations, and other related services.

DCC receives a forecasted budget for SECCo in the same way it does for the Alt HAN Company. We include this in our Charging Statement to recover revenue on behalf of SECCo. SECCo's budget is available on the SEC website.

Both companies can also adjust their in-year budget and forecasted outlook, and this cost risk is covered in Chapter 11.

9.4. Uncommitted costs

Committed costs covers expenditure that DCC is obligated to pay, either because they are already under contract with external service providers for the delivery of specific services, or because the activity is certain to occur even if the contract has not yet been signed. In other words, committed costs include both contracted spend and forecasted activities that are definite but currently uncontracted. Uncommitted costs represent the remaining planned expenditure that is not yet contracted and relates to activities expected to be agreed during the plan period.

Of the total £1.113bn costs forecast to be incurred by DCC (i.e. excluding passthrough costs), £959m (86%) is classed as committed cost, of which £876m (79%) is contracted. A total of £154m is classed as uncommitted as set out in table 9.21 below. This expenditure relates to:

Fixed - BAU. Within our fixed BAU cost [redacted]

Volume Driven - BAU. All costs within volume driven BAU are contracted.

In-flight Change Projects. This mainly relates to [redacted] and all committed, [redacted]

In-Life Change (ILC). Expenditure is based on indicative demand and allocated to individual service families. Only £2m is currently committed through purchase orders, but a further £47m of the total £54m is allocated to specific projects relating to maintenance and capacity improvements so is classed as committed uncontracted.

Change Pipeline. Change pipeline activity is defined in the business plan period, but all projects are at the pre-business case stage so all £96m is currently uncommitted.

DSP Risk Provision. The [redacted] of risk provision for DSP is currently uncommitted but clearly defined within the Final Business Case.

External Services (Non-Resource). Relates to external consultancy, of which £3.1m is uncommitted.

Internal. There is around £22m of uncommitted expenditure which is mainly within our IT Services and Licence Renewal costs relating to the transition to DCC2 and enduring systems support, which is expected to be required for third party external support but where the supplier is currently unknown.

Table 9.21 – Breakdown of uncommitted costs in the business plan period (£m)

10. Finance

Summary

This chapter sets out financial management arrangements which are designed to deliver a prudent and responsible approach to ensuring the financial resilience of DCC. It covers arrangements to ensure a smooth handover to DCC2, and the handling of DCC1 costs post-transfer. We set out how we ensure appropriate levels of working capital are maintained and how we manage cash to ensure our requirements are balanced sensibly with the interests of customers through the Charging Statement. We outline financing arrangements we have in place and others which are under review which have the benefit of smoothing bill impacts for consumers. We also set out how we keep under review our ability to operate as a going concern.

10.1. Handover arrangements

This business plan covers price control arrangements that will apply from the start of the Successor Licence. The detail of how DCC1 will ensure a smooth and orderly transition to the Successor Licensee is set out in DCC's Business Handover Plan. [93] A key aspect of this plan is to ensure that the necessary financial arrangements are put in place to enable the Successor Licensee to operate effectively from the first day, and to ensure there is clarity around how income, outgoings and liabilities will be managed between the outgoing and incoming licensees.

10.1.1. Business Transfer Document

To ensure appropriate and agreed arrangements are put in place to support a smooth financial transfer between licensees, DCC has begun work with external legal advisors to draft a Business Transfer Agreement that would apply between the outgoing and incoming licensees. Our intention is for this to serve as the legal document providing the basis for transfer of DCC1's cash, assets and liabilities to DCC2 upon the business handover date.

As set out in the business handover document, this agreement will cover the following key elements:

- Sufficient cash funds for Successor Licensee: [redacted]
- Ensuring that liabilities are effectively transferred: [redacted]
- Alignment of income and outgoings to each licensee's activities: [redacted]

[93] attachment-2-business-handover-plan-version-17-clean.pdf

[redacted]

- Post handover assurance: [redacted]

10.2. DCC1 Post-Handover Costs

Ofgem consulted on financial arrangements relating to handover between DCC1 and DCC2 in October 2025 and issued its decision on how DCC1's costs post-business transfer should be managed on 19 December 2025.[95] Under these arrangements, we are required to provide a forecast in this business plan for DCC1's forecast costs for activities it must complete between the business transfer and the end of its licence. We have included a forecast [redacted] for these activities as outlined in Chapter 6.

In line with Ofgem's principle of maintaining a single Charging Statement for DCC's services, these costs will be charged through DCC2's Charging Statement as Passthrough Costs and paid to DCC1 to cover the costs of the required activities.

10.3. Working capital

Although there is some fluctuation in the level of working capital held by DCC1, we expect to broadly maintain a common level of net assets which we would expect to continue beyond the business transfer to DCC2. Given DCC2's costs, supplier profile and customer billing arrangements are not expected to vary significantly from DCC1's, it is envisaged that its working capital requirements will remain in line with historic levels. Table 10.1 below shows snapshots of DCC1's working capital position since March 2024. [redacted]

Table 10.1 – DCC1 Working Capital (£m)

Category	Mar 2024 (£m)	Mar 2025 (£m)	Sept 2025 (£m)
[redacted]			

[94] Financing arrangements for DCC1 and DCC2 during Business Handover
[95] Ibid.

[redacted]

10.4. Cash management

DCC1 maintains three key areas of cash provision:

- Operational cash.
- Credit cover from customers which is designed to ensure DCC can draw on funds where it finds that a customer is not able to pay its invoice.
- Long term financing of programmes and communication hubs, which is provided for the specific purpose of funding the activities in question.

Given the limited and specific purposes of credit cover and financing provision, it is important that DCC maintains an appropriate level of operational cash to sustain the effective operation of the business.

DCC1's Financial Planning and Analysis and Treasury teams forecast and monitor the level of cash held monthly. DCC1 has determined a target operational cash holding of £36m (equivalent to around half a month of typically operational expenditure) to ensure that sufficient funds are held to manage variation in monthly costs and maintain healthy cash reserves. Within that policy, DCC has determined that during a regulatory year, cash holdings can fluctuate between [redacted] In the event that cash holdings deviate above or under that range the following guidelines apply:

A. If DCC1 is forecasting cash holdings to remain above [redacted] for a prolonged period then DCC should consider re-opening the charging statements to return cash to customers; and

B. If conversely, cash is forecast to remain below [redacted] then DCC should consider re-opening the charging statements to increase charges.

As a result of DCC1's focus on cashflow forecasting, we have been able to reduce the levels of cash held compared to previous years. As shown in figure 10.A below, DCC has maintained cash holdings at the lower end of the cash healthy range following the final repatriation of cash for FY24/25 in April 2025. These actions were taken in response to Ofgem requests to minimise cash holdings where possible, especially in the period leading up to business handover. DCC expects to maintain the current policy until the transfer of the business to DCC2.

One area of concern that DCC has previously raised with Ofgem ahead of the decision on the Determination of Allowed Revenues[96] is Ofgem's expectation that the contingency arrangements provided through the 5% overcharging mechanism should address both working capital protection as well as deliver scope for DCC to incur minor cost overruns where necessary. As highlighted in our consultation response, our concern is that dual-hatting the use of the contingency may undermine the protection of DCC's working capital position, especially given the levels of uncertainty faced in the business plan period. Given the low levels of operational cash holdings that DCC maintains, this is an issue that will need to be monitored closely.

Figure 10.A – DCC's Operational Cash Holdings March-October 2025 (£m)

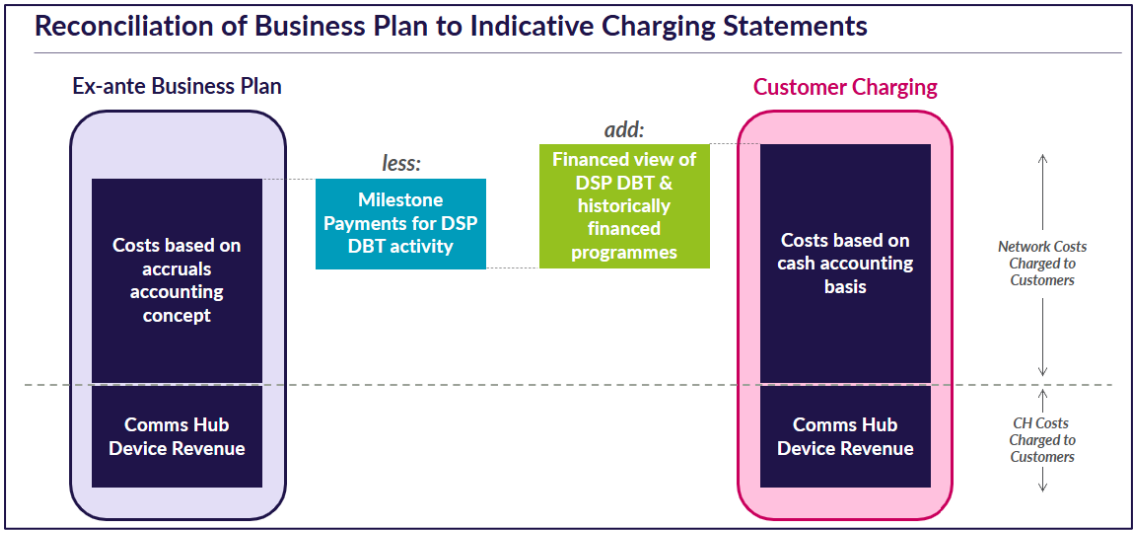
10.5. Charging Arrangements

As outlined in Chapter 9, DCC is for the first time setting out its forecast costs on an accruals basis. The Charging Statement is however cash-based, so in the RIGS data template submission which accompanies this business plan, we outline our cashflow forecast for the business plan period. Figure 10.B below sets out how DCC carries out the conversion from the accruals forecast to the cash forecast that underpins the Charging Statement. Updates to the Charging Statement forecast are shared with customers each quarter at the Quarterly Finance Forum (QFF).

In its recent consultation on the draft DCC2 licence, Ofgem has indicated it will allow the Charging Statement to be adjusted up to three times each Regulatory Year to take account of Automatic Adjustments to required revenue. As part of DCC's consultation response, we have also noted the need to allow adjustments resulting from any agreement to approve additional funding for an Emergency Reopener.

[96] DCC Review Phase 2: Determination of Allowed Revenue - conclusions | Ofgem

Figure 10.B – Converting the Accruals Forecast to Cash Forecast



10.6. Borrowing

10.6.1. DCC Financing Facilities

DCC currently has five financing facilities in place which it uses to smooth the cost impact of network improvements (SEC Modifications and Programme Design, Build, Test costs) as well as the Communication Hub arrangements. All five of these facilities, details of which are set out in table 10.2 below, are planned to novate from DCC1 to DCC2.

Table 10.2 – DCC's Current Financing Facilities

Facility	Description of usage	Future drawdowns?
2G/3G & LRR Comms Hub	In relation to comms hub orders, DCC extended the availability of drawdowns under these facilities until December 2025 (2G/3G) and August 2026 (LRR) and repayments will continue until 2028.	Yes
4G Comms Hub	Following receipt of customer support to DCC's consultation on the matter and non-objection from DESNZ, DCC finalised detailed terms with short-listed funders and received DCC Board approval for a facility to smooth the bill impact of 4G comms hub orders. The facility [redacted] was signed in October 2025 and will run to 2028.	Yes
4G DBT	This [redacted] facility was set up to support work on the rollout of the 4G programme. The drawdowns on this facility completed in March 2025 and repayments will continue until the final payment in 2028.	No
DSP DBT	This [redacted] facility was set up to support work on the DSP2.0 programme, and was signed in July 2025, with a SecMod completed to align the facility to the existing 4G DBT facility. DCC has based its charges for FY25/26 on the DSP DBT costs being financed.	Yes

Milestone financing	This facility which was set up to smooth DCC charging impacts from SEC releases and system enhancements. No further drawdowns are planned and repayments finish in 2028.	No

10.6.2. Communication Hub Financing

All Long Range Radio (LRR) and 2/3G communication hubs ordered by energy suppliers to date are financed to 2028, resulting in the amortization of the capital cost to that date including interest and financing fees. As a result, DCC will continue to charge SEC parties the financing costs for LRR, 2G and 3G communication hubs until FY28/29.

Separately, the asset costs of over 23 million 4G communication hubs commence in 2025/26 so there is an overlap in the costs of legacy and future communication hubs. If DCC were to pass the 4G costs to energy suppliers immediately it would create a significant spike in the bill impact for consumers from FY25/26 to FY27/28. As a result, with the agreement of DESNZ, DCC will take on a financing facility to smooth the impact for consumers.

DCC is in the process of concluding a [redacted] agreement for 4G communication hub orders which will provide a three-year facility through which all communication hubs ordered during the period will be financed with a 15-year term. This will enable DCC to pay costs to the supplier of the 4G communication hubs, Toshiba, between FY25/26 and FY27/28 without adding the costs on to consumer bills while legacy LRR, 2G and 3G financing costs are being cleared. DCC will begin to charge SEC parties for the costs of the 4G hubs from FY28/29 with charges running for 15 years, during which period DCC will recover the costs of the financing arrangement. DCC also has access to an additional [redacted] financing facility to mitigate the risk that customers order significantly higher volumes of communication hubs than forecast.

The benefits of this arrangement are set out in the Full Business Case (FBC),[97] but the primary benefit is to reduce the impact on DCC's charges for the next three regulatory years from FY25/26 through to FY27/28 while DCC continues to pay legacy financing charges for LRR and 2G/3G Comms Hubs from Arqiva and VMO2. Figure 10.C indicates the smoothing effect of the financing facility on bills in the three year period.

Figure 10.C – Indicative Model of Bill Impact of 4G Financing

[97] Included in the business plan evidence portfolio.

When the financing arrangements for the legacy communication hubs come to an end in 2028, in consultation with DESNZ, DCC will review whether there is benefit to consumers from continuing to finance additional 4G communication hubs beyond those that have been financed during the initial three year period.

Of note, for the 4G communication hub programme, the hubs will be paid for by DCC which will retain ownership of the assets and ongoing monitoring, management and ultimate disposal. DCC will therefore account for the assets on its balance sheet.

10.6.2. DSP DBT Financing Facility

Following the approval and successful financing of [redacted] costs for the 4G DBT facility, DCC took the decision to finance [redacted] costs for the DSP DBT programme. The benefit of this approach is to smooth the bill impact of the programme in the same manner as the 4G communication hub facility. Figure 10.D below shows the impact on the cost profile for customers with the peak charges reducing from a high of over £50m to £30m.

Figure 10.D – The impact of DSP financing on customer charges

10.6.3. Financing of swap out Costs

Although the cost impact is not included in this business plan forecast, DCC expects to take on an additional financial facility in 2026 relating to the costs of funding site visits to conduct the swap out of over 11 million 2G and 3G communication hubs which need to be replaced by 2033. DESNZ confirmed in February 2024[98] that DCC should fund these site visits and Ofgem issued a consultation on 9 September seeking input on the proposed cost of each site visit.[99] A decision on the latter is yet to be issued.

Owing to the scale of costs associated with the programme of site visits, DESNZ has indicated it would like DCC to establish a further financing facility to reduce the near-term bill impact of the associated activity. For instance, at the maximum £115 cost per site visit proposed by Ofgem in its consultation, one million site visits would cost £115m. DCC has not included costs in the business plan forecast owing to three uncertainties:

[98] Smart Metering Implementation Programme: 4G Communications Hub only exchange site visits arrangements, and further proposal on the DCC charging mechanism and legal changes - Smart Energy Code

[99] 4G Communications Hub only exchange site visits: Communications Hub Replacement Reimbursement Methodology

- The cost per site visit is still subject to confirmation.
- The terms of a financing agreement are still to be finalised and agreed.
- The forecast scale of activity by suppliers during the period of financing is still to be determined.

DCC expects further progress to be made on these issues in Q1 2026 with a view to updating the business plan cost forecast to reflect progress through out Draft Determination response.

10.7. DCC Going Concern assessment

Each year the DCC Board is required to confirm its assessment that DCC1 remains a going concern and has sufficient financial resources. This occurs ahead of signing off the company's statutory accounts ahead of the July deadline for their submission under the current licence.

In assessing the going concern of the business there are a number of critical areas which DCC1 and its Board consider:

- Cash flow: This is closely monitored by the Board to ensure that the Company has enough funds to continue operating and that appropriate measures are in place to satisfy the licence requirements with respect to financial stability. A key priority is to ensure that charges to customers are set at an appropriate level to ensure adequate cash levels are maintained throughout the year.
- Financial Support – Capita Bond: Until the business transfer, the company has access to financial support, if required, through arrangements in place with the parent company [redacted]
- Financial Support – Customer Credit Cover: Irrespective of both the volume and value of unpaid invoices we continue to have access to credit support provided by customers in accordance with the SEC, which can be drawn upon if a customer fails to pay their invoice. Credit support is provided in the form of a bank guarantee, letter of credit or a cash deposit. The value required is calculated per section J3 of the Smart Energy Code. On 31 March 2025 the Company held [redacted] in cash deposits. Cash deposits, together with bank letters of credit and affiliate guarantees, give cover for approximately 115% of one month's total charges to customers.

Going forward, DCC2 is expected to maintain the cash healthy range policy of DCC1 and DCC customers will be expected to continue to provide credit cover as set out in the SEC. Ofgem are considering if the Capita Bond arrangement needs to be mirrored post licence transfer to DCC2.

11. Managing Risk and Uncertainty

Summary

This chapter sets out the risks and uncertainties that may affect DCC's required allowance. It explains how inflation, passthrough costs and volume-sensitive variable costs will be managed through Ofgem's proposed Automatic Adjustment mechanism so that allowances reflect actual costs. It also highlights areas where uncertainty is less easily mitigated, including the potential deferral of DCC1 activity, the low cost maturity of change projects, the reactive nature of in-life change, uncertainty around business transfer costs, and the possibility of new scope emerging from policy or regulatory decisions. To provide clarity, we set out specific costs which are not included in the business plan and how these might be taken forward should the need materialise. Taken together, the chapter provides a clear view of where uncertainty sits and how we propose to manage these risks within the ex ante framework.

11.1. Introduction

DCC has undertaken a comprehensive business planning process to identify the activities it expects to deliver during the business plan period and the costs associated with them. In line with Ofgem's requirements, DCC has set out the full range of expected costs for the period. However, some cost forecasts carry inherent risks and there is also a possibility that DCC may incur costs for activities not included in the business plan because the need for them is not sufficiently certain at the time of submission.

This chapter sets out the risks and uncertainties associated with the cost forecast for the business plan period and explains how DCC expects to manage them effectively. It also highlights potential areas of new scope that are not included in the current cost forecast but represent credible areas in which DCC may be asked to expand its activities after the business plan has been submitted.

11.2. Inflation

Like any organisation, DCC must factor inflation into its cost forecasts. Under the current licence, Ofgem's default expectation is that inflation should be forecast using the CPIH rate published by the Office for National Statistics (ONS). The SEC supports the use of indexation clauses in DCC's contracts to keep terms fair and aligned with economic conditions, but it does not mandate specific indices. As a result, many DCC contracts use alternative measures such as CPI, RPI or the Average Weekly Earnings Index (AWEI).

In forecasting inflationary cost adjustments, DCC has applied the indexation specified in each contract, using the relevant CPI, RPI or AWEI forecast. As shown in table 16 of Appendix 13, most contracts are based on CPI, with a smaller number linked to CPIH, RPI, AWEI or a combination of CPI and RPI. For the business plan period, DCC has assumed a CPI rate of 2% in line with the Bank of England target and for RPI [redacted] it has assumed a 3% rate.

No indexation has been applied to contracts or costs beyond those listed in table 16 of Appendix 13 and payroll costs, where a 3% annual increase has been assumed. This creates a risk that other costs may be exposed to unforecasted inflationary pressures.

DCC's inflation forecast is based on ONS data, which changes monthly. This means the forecast at submission may differ from actual inflation during the business plan period. Ofgem recognises this risk in its Conclusions on the Determination of Allowed Revenue[100] and proposes to adjust DCC's allowances automatically to reflect actual inflation. In line with the licence, Ofgem will default to CPIH unless DCC can demonstrate that another contractual index applies, in which case allowances will be adjusted accordingly. Table 16 of Appendix 13 lists those contracts for which DCC is seeking alternative treatment to CPIH. Appendix 13 also sets out further detail on methodology, assumptions and inflation-related cost forecasts.

11.3. Passthrough costs

As set out in Chapter 9, the current licence requires DCC to use its allowances to fund the operations of SECCo and the Alt HAN Company. DCC has based its forecast on information provided by both organisations, although either may revise its costs at a later stage. Any such changes must be reflected in customer charges because DCC has no control over these costs.

Ofgem has indicated that, as with inflation, any changes to passthrough costs made after submission of this business plan will be managed through the proposed Automatic Adjustment mechanism. This approach ensures that allowances are aligned to the actual costs, whether they increase or decrease.

11.4. Volume adjustments

DCC is exposed to volume-related cost sensitivity within the variable elements of its external service provider contracts. Section 11.4.1 summarises the key volume drivers, the types of contracts that include variable cost components, and the contracts affected.

A particular area of concern is the variable contract costs driven by the volume of messages sent across the network. Message volumes have risen from 1.6 billion in July 2023 to more than 3 billion in November 2025 and are forecast to reach up to 6 billion by March 2028. However, there remains significant uncertainty about whether this increase will occur at the pace and scale currently anticipated. DCC has already taken proactive steps to amend the contracts most exposed to changes in message volumes, which is an important element of cost avoidance during the business plan period, as described in Chapter 8.

11.4.1. Variable costs in external service provider contracts

There are a range of different volume drivers in our contracts which are affected by changing levels of customer demand. Among them are the number of communication hubs installed and differing volumes of SIMs, service requests, SMS messages, data volumes, cloud services and transactions per second (TPS) which are driven by customer activity.

Some of DCC's FSC contracts include both fixed and variable cost components. As indicated in table 9.5, 11 of our current FSC contracts are exposed to variable costs accounting for £380m of the forecast cost in the business plan period. The communication service provider

[100] DCC Review Phase 2: Determination of Allowed Revenue - conclusions | Ofgem

services (SMETS1, SMETS2-LRR/2G/3G and SMETS2-4G) are particularly susceptible to variable costs, accounting for 97% of the total.

Fixed costs remain stable aside from inflationary adjustments, while variable costs fluctuate in line with activity levels driven by customer demand. Variable pricing within these contracts operates through three mechanisms: predefined unit costs (UC), purchased capacity with pre-agreed rates above a threshold (PC), and defined capacity (DC), where any requirement to exceed contracted levels triggers a change request and renegotiated pricing.

DCC considers UC and PC mechanisms appropriate for Ofgem's proposed Automatic Adjustment mechanism because the relevant unit rates are known. All the contracts identified in table 9.5 fall within this category.

DC contracts, however, present greater uncertainty, as costs above the defined capacity cannot be forecast in advance. Three DC contracts carry a material risk associated with Transactions Per Second (TPS) performance commitments [redacted] Although TPS rates are fixed, their adequacy is sensitive to demand levels, and there is a risk that TPS thresholds may be exceeded during the business plan period. DCC would welcome engagement with Ofgem on how these should be treated where demand growth may lead to additional but currently unknown costs.

Appendix 13 provides further detail on how volume-related drivers influence each contract, the pricing mechanisms that determine variable costs, and the results of sensitivity analysis showing how changes in volumes would affect overall contract costs.

11.1.2. Communications Hub Costs

Of the £380m of variable cost in the business plan period £252m relates to communication hub costs. Communication hub expenditure alone represents more than 20% of DCC's total costs and most of these costs are variable in nature. The primary driver of variable cost is the number of communication hubs ordered on behalf of suppliers, although there are also variable financing and operational costs that contribute to overall expenditure.

Variable Costs Associated with Communication Hub Volumes

DCC forecasts that the number of communication hubs on the network will increase from approximately 25.4 million to 28.8 million by March 2028. The mix of LRR, 2G, 3G and 4G variants will be determined by supplier decisions, but we have made assumptions about the mix to arrive at the cost forecast. The mandated sunsetting of 2G and 3G WAN capability by 2033 requires suppliers to replace more than 18 million legacy hubs with 4G devices, alongside completing the smart meter roll out by 2030. Until suppliers submit deployment plans in 2026, DCC has relied on customer orders, historic installation rates and its own assessment to forecast order volumes and the expected variant mix.

Customer demand for Communication Hubs is determined through a SEC-governed process (Appendix H), whereby customers provide a forecast extending up to 24 months. Beyond this horizon, DCC applies its own informed judgement. A low, mid and high forecast has been developed, with the mid case forming the basis of the business plan and assuming a modest increase in installation activity to meet the 2033 deadline. Orders for LRR, 2G and 3G hubs fall under the Arqiva and VMO2 contracts, while 4G hubs are procured under the Toshiba contract. DCC expects rapid growth in 4G devices and a gradual decline in earlier variants as swap outs progress.

Actual orders may diverge from forecast due to supplier priorities and wider uncertainties. These variations in order volumes affect costs through several mechanisms, including tiered cost bands, exposure to exchange rate movements and inflation adjustments under the relevant contracts.

Financing arrangements also differ by variant. 2G and 3G hubs follow an accelerated financing profile that requires full cost recovery by 2028, which means any additional orders must also be funded on this basis. In contrast, 4G hubs are financed over 15 years, supported by a facility that manages early period cash requirements. Interest rates are set monthly at the point of drawdown and fixed for the 15-year term, which leaves DCC exposed to market rate movements for future drawdowns.

Ofgem has confirmed that it will use the Automatic Adjustment mechanism to adjust allowances relating to variable costs, where DCC can demonstrate contractual terms which link costs to changes in volume of activity. This would mean allowances would be reduced or increased according to whether actual volumes are higher or lower than those forecast in this business plan. DCC would propose to include all the contracts set out in table 9.5 and table 16 of Appendix 13 (Variable Costs) as relevant contracts for the Automatic Adjustment mechanism.

Ofgem's proposed Automatic Adjustment mechanism will play an important role in addressing the risk associated with forecasting inflation, passthrough and volume-related costs.

11.5. Deferred expenditure

As set out in Chapter 9, DCC is operating in an unusual scenario in which the forecast for a single regulatory year must be split between two different licensees. DCC has undertaken detailed profiling of forecast costs for FY26/27 to determine which expenditure is expected to be delivered under DCC1 and which will fall to the Successor Licensee after the business transfer. Some elements of expenditure, such as fixed BAU operational costs and staff salaries, are predictable in their timing. However, there are categories of expenditure where the timing is less certain. Programme and in-life change costs are the key concerns in this regard, as the timing of scheduled work can shift and alter the cost profile.

In our response to Ofgem's consultation on its Draft Business Guidance[101], we raised concerns about the absence of a clear mechanism to adjust allowances where planned activity is deferred from DCC1 to the Successor Licensee. Ofgem has recognised this issue and has indicated in its Final Business Plan Guidance that DCC should use its Draft Determination response to highlight where such cases have arisen.[102] Based on this, Ofgem may then adjust the awarded allowance for the Successor Licensee. Ofgem has also indicated that, where there is a reasonable need, it may consider an Emergency Reopener to ensure that allowances are adjusted where DCC2 is required to take on activity that had previously been expected to be completed by DCC1. Without an adjustment mechanism, there is a high likelihood that the Successor Licensee will be required to deliver activity for which it is not funded.

11.6. Change projects

As set out in Chapter 6, DCC expects to incur expenditure on 11 change pipeline projects involving external costs for which there are no business case approvals, but for which there is

[101] Draft Terms of Reference for Customer Challenge Group and draft Business Plan Guidance | Ofgem
[102] Terms of Reference for Customer Challenge Group and Business Plan Guidance, para 2.18

certainty of need within the business plan period. These initiatives are in the early stage of development and, as a result, have lower cost maturity. This presents a risk that initial estimates may be either too low or too high.

The framework that Ofgem has set out for the first ex ante planning cycle does not include an annual reopener so there is no opportunity for costs to be submitted for these projects later in period. That has necessitated DCC making an early estimate of costs to secure required allowances ahead of the price control period.

As set out in table 11.1 below, the three-point estimates of cost associated with the 11 projects in the business plan period ranges in aggregate from a low of £56m to a high of £143m. In calculating the required allowances for the 11 projects, DCC has in all cases adopted the mid-range most likely estimate of costs, resulting in a cost forecast of £96.3m. This forecast represents 8% of DCC's overall request for allowances. Further detail on the specific projects is included in the relevant service family appendix as indicated in table 11.1.

DCC is aware that there is the potential for both under and overspend against these estimates, and our preference would have been to secure sufficient upfront allowances to resource the projects and to present wider project costs at a later stage for approval when the cost estimates are more mature. Like the deferred expenditure challenge, DCC would welcome the opportunity to update its cost forecasts for the projects in its response to the Draft Determination, or would be open to use of the Emergency Reopener to update costs on projects for which the cost range is more material.

It will be vital for DCC to secure sufficient funding upfront to enable the projects to proceed if the Emergency Reopener cannot be accessed. If awarded allowances present a reduction in funding for any of the projects, this may necessitate a change in scope or changes to the timetable for delivery.

It is also important to recognise the impact of fungibility rules between service family budgets. In other organisations operating under an ex ante regulatory framework, a project portfolio approach provides an opportunity to offset potential cost increases on one project with cost reductions in another. For DCC, this portfolio approach to cost risk on projects is only available within service families. As a result, if actual costs for the 11 projects costed at mid-range turn out to be towards the high-range cost there will only be limited scope to find off-setting savings within the relevant service family.

Table 11.1 – Summary of the Low-Mid-High ranges for the 11 change projects

Change Pipeline Project	Service Family	Appendix	Business plan period Cost (£m)		
			Low	Mid (plan value)	High
LRR Committed Term	SMETS2 – LRR/2G/3G	5	[redacted]		
Device Manager Reprocurement	SMETS2 4G	5			
4G and Beyond	SMETS2 4G	5			

Switching Reprocurement	Switching	6	[redacted]		
Enduring System Integrator	MDM	7			
Post Quantum Readiness	Privacy and Security	8			
Enduring CoS Reprocurement	Privacy and Security	8			
Centralised Consent	Service Management	9			
DCC Diagnostics Role*	Service Management	9			
Energy Data Best Practice	Service Management	9			
GSOP	Service Management	9			
Total Change Pipeline			**56.0**	**96.3**	**143.1**

** DCC Diagnostics Role is included in External Service (Non-Resource) within the RIGs but as it is a key change activity has been included in the table above but excluded from the Service Management sub-total and Total Change Pipeline Costs.*

11.7. In-Life Change

In-Life Change relates to non-discretionary, time sensitive operational changes that are required to keep services secure, compliant and performant. Chapter 6 provides the full description of these activities and the basis for the expenditure forecast.

For the business plan period, DCC has forecast £54m of In-Life Change expenditure. Only £2m of this is currently under purchase order, while a further £47m has been earmarked for specific maintenance, capacity and regulatory activities identified through DCC's demand forecasting approach. This means that most of the expected activity has been planned for but is not yet contractually committed, which creates uncertainty around both the timing and the precise level of expenditure required.

There remains a risk that overall in-life change requirements could be higher or lower than forecast, or that the distribution of funding across service families may not align with the work ultimately required. Any unspent allowances will be returned to customers through the charging regime, so the primary risk lies in insufficient or misaligned funding that may prevent essential work from progressing.

Ofgem's rules on fungibility mean that in-life change funding cannot be transferred between service families. If the funding allocated within a service family proves insufficient, the route

available to DCC will depend on the driver for the expenditure. Ofgem's Business Plan Guidance indicates that DCC would be able to raise an Emergency Reopener if the requirement is a customer-driven Code Modification.[103] However, if the driver for the contract change arises from another requirement, it is less clear whether the Emergency Reopener could be used. If the reopener cannot be accessed, DCC would be unable to progress the work.

11.8. Business transfer costs

As set out in Chapter 6, DCC will undertake a programme of activity to support the transfer from DCC1 to the Successor Licensee, including the separation of corporate services from Capita and the procurement and implementation of new HR and financial systems. Chapter 6 describes the key activities required to support the transfer to the Successor Licensee and the assumptions that inform the business transfer cost forecast.

The forecast for business transfer costs is informed by these assumptions and reflects DCC's expectation that the move to independently provided corporate services will reduce overall cost, with DCC1 margin overheads ceasing and new People and Finance functional costs replacing them. However, these procurement processes remain at an early stage and the market position, supplier capability and commercial terms that underpin the forecast have not yet been confirmed.

There remains a risk that the procurement assumptions which underpin the costs set out in this business plan are not achieved. If the cost of the new corporate service systems is higher than expected, this would result in additional costs for the Successor Licensee and may require an adjustment to its funding.

There is also uncertainty relating to the cost forecast for DCC1 activities required in the business plan period, particularly but not limited to costs to support the transition to new corporate systems, as this will be subject to Successor Licensee capability.

DCC proposes that any required adjustment should be raised in its response to the Draft Determination, or that the Successor Licensee should have the ability to seek an Emergency Reopener where appropriate.

11.9. Sensitivities to the cost envelope

In proposing the cost forecast to deliver the planned activities in the business plan period, it is vital that we take due account of the potential sensitivities relating to planning assumptions that could affect the overall cost envelope. Outlined below is a high-level assessment of the risks (meaning the potential to underperform and incur additional cost) and the opportunities (meaning the potential to outperform and incur less cost) that could influence the overall cost envelope and how we expect these to be treated within the ex ante framework. All values included in the sensitivity tables should be treated as a range rather than an absolute number. Probability outlined in the table is an estimation of the likelihood of the sensitivity happening and values have not been adjusted in this regard.

Volume and variable related cost sensitivities

There is uncertainty over volume-related and variable assumptions. We have included our latest view of forecasted volumes (see table 11.2 below), and we expect any potential cost risk

[103] Business Plan Guidance & Cost Control Processes and Procedures for Smart Meter Communication Licence holder v1, p33-34, paragraphs 5.20-5.22

will be mitigated through the Automatic Adjustment mechanism. That means that Ofgem will adjust the allowances to the actual costs incurred, effectively de-risking the forecast.

Table 11.2 – Summary of volume and variable cost sensitivities[104]

Item	Sensitivity	Proba-bility	17-month Period (£m)		Ex-Ante Frame-work Treatment
			Risk (+)	Opp. (-)	
Volume & Variable Cost Sensitivities:					
SIM Charges	Higher or lower installs/migrations	50%	4.9	(4.9)	Auto Adjusted
[redacted]					
Other variable	Volume sensitivity of +/-10%	50%	1.8	(1.8)	Auto Adjusted
Indexation	Higher or lower run costs if CPI +/-1%	50%	6.5	(6.5)	Auto Adjusted
Comms Hub Costs	Sensitivities on i) volume +/-10%; ii) exchange rates+/-10%; iii) interest rates +/-1%	50%	11.1	(11.1)	Auto Adjusted
Passthrough Costs	Budget variance +/-20%	75%	12.5	(12.5)	Auto Adjusted
Material Volume and Variable Cost Sensitivities:			**49.9**	**(45.3)**	

Change, programme and contract cost sensitivities

For in-flight change, we have included costs aligned to the Full Business Case for the DSP2.0 programme, which is aligned with the framework guidance. This represents prudent planning so that funding can be accessed if required. However, we would aim to outperform the cost forecast and therefore there is an opportunity range between zero and the risk provision included in the plan.

For the change pipeline we have included our best estimate of cost for the expected scope. However, as outlined in section 11.6, all change pipeline activities are at a pre-business case stage and there remains a high level of cost uncertainty. There is potential to outperform the cost estimate, but there is also a risk that scope adjustments or new factors arise that have not

[104] All risk and opportunity values outlined in tables 11.3, 11.4 and 11.5 should be considered as a range and not an absolute number.

been costed. This is potentially challenging given that Ofgem has not indicated there will not be access to a reopener. Ofgem is aware of this challenge, and we would welcome further engagement on how to proceed with projects for which there is a high certainty of need but currently a low certainty of cost. In table 11.3 below, we outline the difference between the total high and low scenarios of the total change pipeline compared with the mid case included in the plan.

In-life change can be difficult to predict far in advance and typically arises over a short time frame. We have included our best estimate of expected change across the different service families, but there is both risk and opportunity that we may need more or less than planned. Ofgem's Business Plan Guidance indicates that DCC would be able to raise an Emergency Reopener where the requirement is a customer-driven Code Modification.

In addition to change assumptions, we also have sensitivities across contracts that include break points during the plan period and where ongoing negotiations could affect the original planning assumptions and cost. Table 11.3 below highlights the potential additional cost risk associated with the DSP1.0 contract extension. If this materialises before the start of the business plan period, DCC would welcome guidance on how this should be treated and whether an Emergency Reopener should be considered.

Table 11.3 – Summary of change, programme and contract cost sensitivities

			17-month Period (£m)		Ex-Ante Frame-work Treatment
Item	**Sensitivity**	**Prob-ability**	**Risk(+)**	**Opp. (-)**	
Change, Programme and Contract Cost Sensitivities:					
[redacted]					
Change Pipeline	High or low scenario vs. best estimate assumed in plan	50%	46.8	(40.3)	Potential reopener
In-Life Change	Potential higher or lower cost for indicative demand assumption	50%	4.9	(4.9)	Potential emergency reopener
[redacted]					
Contract Change Requests	Higher or Lower un-forecasted CRs	50%	6.0	(3.0)	Fungible across same Service Family
Material Change, Programme and Contract Cost Sensitivities:			**73.1**	**(72.6)**	

11.10. Activities outside the scope of the business plan

Additions since the draft business plan

Ofgem's Future Role of DCC decision requires the Successor Licensee to review all FSC contracts within 12 months of licence commencement.[105] This review is included within the scope of this business plan because it is a confirmed licence requirement. However, any resulting follow-on activity such as reprocurement, redesign or design, build, test activity is not included and would require DCC or the Successor Licensee to return to Ofgem for additional funding once the requirement and cost are established.

In line with Ofgem's decision on financing arrangements for DCC1 and DCC2[106], DCC1 transition costs from 1 November 2026 are also included within the scope of this business plan.

Activities not in scope

There are several areas of potential activity that have not been included in the scope of this business plan because requirements, timing and policy direction remain uncertain. Table 11.4 below summarises the activities that are currently out of scope for this business plan, reflecting areas where policy intent, cost assumptions or regulatory decisions remain uncertain and where funding cannot be justified at this stage. These activities may yet be required to take place in the business plan period, but DCC would need to return to Ofgem through the Draft Determination response or the Emergency Reopener for additional funding if the certainty of requirement is confirmed.

Table 11.4 – Activities not included in the business plan

Project	Description	Rationale
SMEDR	Establishing a repository to enhance data sharing, streamline access to smart meter data and reduce operational costs.	DESNZ has not yet confirmed whether it intends DCC to take forward the capability. A decision may follow in 2026, at which point DCC may need to request additional allowances.
GSOP operating costs	Uplift in service desk resourcing if Ofgem's GSOP decision requires increased incident response capability.	Ofgem's final GSOP decision is expected in January 2026 and the scale of operational uplift required remains uncertain. This may require an allowance adjustment once confirmed.
Communication hubs swap out costs	Funding for per-site visit costs associated with 2G swap outs.	As outlined in Chapter 10, the cost per visit is not yet confirmed. There is also uncertainty around the pace of swap out activity and financing arrangements have yet to be agreed. Progress in each of these areas is expected in Q1 2026. Ofgem has indicated these costs are expected to be treated as passthrough.

[105] DCC Review Phase 2: Objectives, operational model and future role of DCC – conclusions
[106] Financing arrangements for DCC1 and DCC2 during Business Handover | Ofgem

Follow on costs arising from the mandated contract review	Any reprocurement or redesign activity that could follow the contract review.	Only the initial contract review is included within scope of the business plan. Any follow on activity would be subject to a separate funding request to Ofgem, given that the requirement, timing and cost parameters have not yet reached a level of maturity that would support inclusion in the business plan forecast.

Beyond these projects, Government and Ofgem decisions may introduce new obligations during the business plan period and the costs associated with these cannot be forecast with confidence at this stage. DESNZ's consultation on the smart metering policy framework post 2025, as well as the potential for updated guidance from the National Cyber Security Centre, may require DCC to adjust funding requirements in future.

12. Measuring Success

Summary

This chapter provides a summary of how DCC's performance is currently measured and the steps we are taking in collaboration with customers to improve our system performance and customer satisfaction reporting. It also outlines the steps we are taking to ensure we have strong, reliable reporting to underpin service family delivery. Finally, it sets out the next steps we expect in the development of the regulatory reporting regime and the work DCC will need to undertake to ensure an appropriate reporting framework is in place to support effective engagement with the CCG.

12.1. Introduction

As a monopoly provider, it is essential that the DCC is appropriately incentivised to deliver high-quality services and value for money in support of the smart metering programme, whether these are financial incentives in the case of DCC1, or reputational incentives for the not-for-profit Successor Licensee. In the ex ante framework, by determining DCC's allowed revenue up front, DCC is incentivised to manage its costs effectively, with reduced opportunity for retrospective adjustments.

As we move forward, Ofgem will continue to incentivise DCC based on its performance against specific code performance measures, which are expected to include key metrics such as service availability, prepayment services and the install and commission of smart meters. This links success directly to the quality of services delivered to customers and the overall progress of the smart meter rollout.

To earn customer and regulator confidence, DCC aims to take a transparent and well-defined approach to implementation and measurement and work with customers to find the optimal balance between competing priorities. For example, customers have told us that they want DCC to be cost-efficient, but not at the expense of network stability, security or the timely delivery of new services. Equally, building flexibility into systems design to meet future needs must not compromise timely and cost-effective implementation.

While the primary focus is on core services, DCC also needs to articulate how it will support future readiness. The business plan must demonstrate a clear strategy for evolving towards new technology and delivering value beyond its core services.

A critical part of the new framework is the involvement of the CCG, providing a forum for stakeholders – including energy suppliers, network operators and consumer representatives – to scrutinise DCC's business plan, and evaluate its ongoing delivery. During the business plan period, the CCG will meet at least quarterly to monitor DCC's delivery against its business plan and assess any reopener applications submitted by the Licensee. This will play a key role in ensuring that DCC's measures of success are aligned with the needs and expectations of its customers.

In this chapter, DCC describes how we expect to measure success during the first ex ante business plan cycle both in terms of the overall framework and incentives applicable to the Successor Licensee, and in terms of deliverables and outcomes. Appendix 15 provides specific

details on the range of performance measures that we currently expect to apply in the business plan period.

12.2. Current regulatory incentive framework

Performance measures and indicators

Sections H13.1 and L8.6 of the SEC set out target and minimum operational service levels which DCC needs to meet when providing services to DCC Users. These cover critical aspects of the smart metering system which DCC is solely responsible for such as the uptime of the network (availability), how quickly the system processes messages from Users (response times) and the accuracy of data transferred across the network (data integrity). The code also makes provision for the Panel to establish performance indicators, where measures are not wholly within DCC control.

DCC's contracts with its service providers contain specific measurable performance targets that align with the SEC measures. For example, if the SEC requires 99.9% network availability from DCC, its contracts with the CSPs will have a corresponding and often even more stringent requirement. This ensures that the collective performance of the service providers allows DCC to meet its overarching SEC obligations.

Our Performance Measurement Report sets out the service levels achieved against the Code Performance Measures, Service Provider Performance Measures and selected Performance Indicators. Where performance falls short, the report must explain the reasons and outline mitigating actions to prevent recurrence. Service levels are reported monthly to the Panel, SEC Parties, the Authority and if requested, the Secretary of State for DESNZ. If the service level achieved is below the Target Service Level, service points are accrued by the relevant service provider, and these points are then converted into service credits which are applied as a reduction in service provider charges.

The Operational Performance Regime

The Operational Performance Regime (OPR) provides a clear mechanism for holding DCC accountable for delivery, and in turn it enables DCC to hold its suppliers to account. DCC's performance and financial incentives are assessed by Ofgem through the OPR and its annual price control submission. These track our progress and commitment to delivering reliable, customer-focused, and cost-efficient operations throughout the period. Currently the OPR incentivises DCC performance across three key areas:

- System performance: It evaluates the reliability of DCC systems, which is critical for both the smart meter rollout and ongoing operations.
- Customer engagement: It assesses how well DCC understands and incorporates customer needs into its decision-making.
- Contract management: It reviews how effectively DCC manages its contracts with smart metering service providers, from procurement through to closure.

In addition to the OPR, DESNZ has introduced several bespoke programme-specific incentives linked to successful deployment and operational performance, through the Baseline Margin Project Performance Adjustment (BMPPA) scheme. Other than DSP, we expect all BMPPA schemes to be complete in advance of the business plan period.

Engagement on a revised OPR for DCC2 is underway with Ofgem, with a consultation process expected to conclude in Q2 2026. This work provides an opportunity to build on collaboration between DCC and industry to introduce consumer-outcome measures which demonstrate more clearly the benefit delivered over the end-to-end process. These measures are expected to offer more meaningful insights, although they will require shared responsibility across multiple parties. The central challenge will be maintaining accountability while moving toward metrics that more accurately reflect consumer outcomes.

12.3. Improvements to the current incentive framework

Systems performance reporting

DCC is committed to delivering reliable smart metering services and building a customer-focused operation. This means ensuring that the network is consistently available, meters can be installed and remain connected, and customers can complete the journeys they need without disruption. DCC has been performing consistently well and exceeding targets against many code performance measures, particularly service availability, and has continued to focus on delivering the best possible outcomes for consumers, including looking beyond the specified code measures.

However, we recognise that the measures currently reported do not always accurately reflect the customer experience. In January 2024, Ofgem challenged DCC to work with customers to agree a better way to measure performance. This resulted in the establishment of the OPR Working Group to review current measures and find a suitable way of measuring systems performance in a way that reflects customer outcomes, supports accountability and provides actionable insight to drive improvement. Working closely with customers through this forum, we have taken forward improvements through SECMOD 242, which looks to move from a focus on 'raw SRV performance' to measure the overall success of seven key business processes selected by customers: Install & Commission, Pre-pay top Up, Pre-pay management, Firmware, Meter reads, Tariff updates and Change of Supplier.

Customer feedback to date suggests that these actionable insights are leading to practical process changes that are delivering improvements across the end-to-end process, from DCC's network performance through to customer processes, and resulting in better outcomes for consumers.

Building on this success, four additional journeys were reviewed under SECMOD 300 in November 2025 and will move into assessment in early 2026.

Over the course of 2026, DCC will establish a baseline and propose targets for these business process KPIs for evaluation by customers and consideration by Ofgem for inclusion in the future incentive scheme. DCC is reporting on MP242 development as part of the progress reports submitted to Ofgem every six months.

Customer engagement

Historically, DCC has measured customer satisfaction through the Customer Effort Score, which captures customers' experience of the service management process when DCC receives an inbound contact. While this provides useful insight on process improvements and upskilling opportunities, it does not offer an indicator of satisfaction on the wider topics that matter to our customers.

To address this, DCC has created a Customer Satisfaction Survey based on key themes from customer feedback and interactions, and developed targeted satisfaction questions aligned to these areas. We invited customers to take part in a pilot to provide feedback on the questions, as well as the layout, frequency and process. The survey includes an overall satisfaction question on how satisfied customers are with the DCC, followed by six targeted questions which are described in Appendix 15 These cover network coverage and availability, customer engagement, service and support, value for money, and confidence in DCC for the future.

DCC launched its official Customer Satisfaction Survey on 17 October. The results will guide existing customer-focused projects within the Customer First programme and provide insights to drive continuous improvement in our processes and approach. This ensures that DCC's priorities remain aligned with those of our customers, and that we can demonstrate how we are turning insights into action. We continue to keep Ofgem engaged in this work to help shape the future incentive scheme.

12.4. Future regulatory incentive framework

DCC is working closely with Ofgem as it finalises the new licence structure for the Successor Licensee. Throughout 2024 and 2025, a series of consultations have explored what success looks like for DCC and how it should be measured. We understand that the incentive framework that will be put in place over the first business plan period will be subject to further consultation by Ofgem in advance of the business handover.

In its consultation conclusions on the future ex ante framework earlier this year[107], Ofgem confirmed that four performance measures (customer satisfaction, performance and delivery, business planning and cost management) must be reflected in a remuneration policy developed by an independent Remuneration Committee of the Board and submitted to Ofgem for approval. Ofgem is further considering whether the remuneration policy should also include a focus on the implementation of change programmes, similar to the BMPPA schemes that apply to DCC1.

12.5. Measuring success within service families

Each service family has identified service priorities for the business plan period. These priorities reflect both ongoing operational requirements and forward-looking improvements. DCC also sets out the planned deliverables, qualitative outcomes such as customer confidence and programme readiness, and where appropriate, the performance indicators to which the service family aligns for example service levels, transaction success rates, and system availability.

In response to feedback from our customers in Summer 2025, DCC engaged with both the wider customer base and the CCG to reaffirm DCC's commitment to developing outcome-based customer and consumer metrics that will enable improved collaboration and therefore outcomes, for example 4G coverage and VWAN measures. Whether these are included in or sit alongside the future performance regime, in developing these service family metrics further, DCC intends to build customer confidence in DCC's commitment to be held to account for performance.

DCC also engaged with SEC Chairs in December 2025 as a starting point for wider engagement with SEC governance on the collaborative development of these measures, with a shift in focus from network coverage to connectivity and a stronger emphasis on accountability and visibility

[107] DCC Review Phase 2: Determination of Allowed Revenue - conclusions | Ofgem

across the customer journey. This includes outcomes not only within DCC's control, but also those influenced by industry.

Ofgem's consultation on GSOP[108] and DESNZ's consultation on the Smart Metering Policy Framework Post 2025[109] are yet to conclude, but it is recognised that the performance measurement framework should support the outcome of those consultations.

Strategic industry planning on the transition away from sunsetting technologies is required, and while customers will lead the physical swap out activity, DCC will provide insight and work with customers to develop metrics that ensure joint accountability for critical milestones such as retiring the 2G network and completing SMETS1 replacements before end of life. These metrics will create a clear link between activity, outcomes and associated costs.

In August 2025, Ofgem published its consultation on new GSOP requirements for smart meters not operating in smart mode, which are proposed for go live in early 2026. A decision is expected from Ofgem in early 2026. The consultation proposes to implement guaranteed standards of performance around smart metering, and provide compensation for consumers should those standards not be met.

The collaborative work to develop new measures of success will continue in early 2026 and will ensure that service families remain aligned with DCC's broader performance targets while delivering measurable value to customers.

12.6. Organisational alignment

Defining what success looks like is essential, but just as importantly, every team and individual must understand how their work contributes to the organisation's overall performance so that there is clarity on desired outcomes and a collective sense of ownership. We are focused on ensuring alignment through clear, measurable and aligned objectives, against which individuals and teams will be held to account and appropriately rewarded. As it does today, DCC will continue to communicate openly on performance measures and use the results to drive change, identifying where course correction is required and adapting to changing external factors.

Following Ofgem's decision on the ex ante framework[110] and subsequent decision on the RIGS guidance[111], DCC has continued to work through the practical application of Ofgem's decisions. This has included defining the roles and responsibilities, processes, procedures and governance required to support key ex ante obligations such as business plan preparation, quarterly reporting, ongoing engagement with the CCG, and the submission of reopener applications.

The transition to an ex ante regulatory regime and not-for-profit status represents a significant change for DCC. It provides an opportunity to place greater focus on consumer and customer needs, enhance our engagement and transparency and develop longer term strategic planning. It also means altering behaviours and mindsets, and we will continue to embed the principles underpinning effective ex ante management in the run up to the business plan period.

It will be important for DCC to work with its customers and Ofgem to quickly learn lessons from this first ex ante business planning process, particularly as preparation for DCC's second

[108] Statutory consultation on smart meter guaranteed standards of performance | Ofgem
[109] Smart Metering Policy Framework – Post 2025: consultation
[110] DCC Review: Phase 2 – Process for determination of Allowed Revenue (conclusions)
[111] Regulatory Instructions and Guidance (Successor Licensee) | Ofgem

ex ante business plan will begin in the first half of 2026. This is especially important as DCC is entering a sustained period of change, during which we will continue to operate under an ex post price control regime in parallel and prepare for the transition to the Successor Licensee in November 2026.

12.7. Engagement with the Customer Challenge Group

DCC will be responsible for providing at least quarterly updates to the CCG on its delivery against the final business plan approved by Ofgem. These updates will enable the CCG to scrutinise DCC's performance and ensure it aligns with customer interests and regulatory expectations.

These updates will cover a combination of financial performance against plan, operational metrics, progress against project milestones and service family deliverables, procurement activity, customer engagement performance, and any decisions necessary to maintain successful delivery of the plan. This will be set in the context of a revised performance framework, which we expect to be put in place by the start of the business plan period.

While the broad requirements for these updates are defined in the ex ante framework decision document and the CCG Terms of Reference, DCC expects to work with the CCG and Ofgem to ensure the reporting templates it develops support the provision of the required information. Our aim is to provide a clear, transparent and accessible basis for evaluating whether DCC is successfully meeting the commitments set out in this plan.

13. Impact of the Customer Challenge Group

Summary

The Customer Challenge Group (CCG) has played a pivotal role in shaping our final business plan. Ofgem required DCC to submit the plan by 29 August 2025 and to engage with the CCG to enable effective scrutiny. This engagement has been intensive but highly valuable, prompting us to strengthen our strategic narrative, sharpen our consumer focus, and improve transparency across risk, change, and efficiency. The process has not only influenced the structure and content of the plan but also deepened relationships that will support delivery in the years ahead.

13.1. Supporting the CCG to fulfil its role

Ofgem set out a clear expectation on DCC to submit the draft business plan to the CCG by 29 August 2025, followed by meaningful engagement with the CCG to enable it to provide informed and constructive challenge. The Group, chaired by Mark Bygraves, was stood up in August and brings together representatives from suppliers, DNOs, wider system users, a consumer advocate, and relevant subject matter experts.

Since September, we have met regularly with the CCG with engagement sessions covering a range of issues including the strategic context, consumer priorities, programme delivery, organisational efficiency, and risk. In support of the CCG's work we have also provided extensive presentations and responded to numerous clarifications. In addition to the draft business plan, DCC shared all appendices over the course of the engagement period, and provided full transparency on costs.

We also held a dedicated session with the Group's consumer representative [redacted] in November, which was very helpful for us in ensuring we focus on consumer outcomes. We will aim to continue this engagement in the future.

We have purposefully sought to engage the whole organisation in this effort. Our belief is that it is not only important to ensure the CCG has access to the right experts, but equally to ensure that the concerns the Group raises are taken on board by those addressing the issues at hand. As a result, our engagement has extended beyond our regulatory team to include ExCo members and a range of subject matter experts.

This breadth of involvement reflects the importance we place on the process. Participation has reached almost every part of the organisation, with colleagues from all areas playing a role. This engagement has been underpinned throughout by regular direct dialogue between our CEO and Chief Strategy and Regulation Officer with the CCG Chair.

Although the timetable was demanding, the engagement has been constructive and invaluable. It enabled us to test the clarity of our strategic ambition and the strength of our narrative. We have welcomed the challenge and the insight provided by the CCG, which has helped us refine our plan and strengthen its alignment with customer and consumer priorities. This process has reinforced our commitment to transparency and collaboration, and has demonstrated the value

we derive from customer engagement. We are grateful for the time, rigour and thoughtful feedback that CCG members have invested throughout this process, and we look forward to continuing constructive dialogue as we move into the next phase of our planning and delivery.

Table 14.1 – DCC and CCG meetings

Session	Topics
9 Sep	Ex ante framework; DCC's customer engagement; an introduction to service families; DCC's cost structure; ways of working with the CCG.
23 Sep	Cost overview walkthrough; proposed appendices.
7 Oct	Business plan ambition; volume-sensitive cost forecasting; approach to risk; assumptions; incorporating feedback in the final business plan.
21 Oct	Internal costs; continuous improvement; DCC2 transition and cost risk.
4 Nov	Measuring success; meter data management (DSP); organisational structure feedback.
18 Nov	Long-range forecasting including cost-per-meter analysis; organisation structure & benchmarking.
2 Dec	Strategic narrative – Executive Summary; Licence Renewal programme.

13.2. The value of CCG feedback

The CCG's feedback has had a substantive impact on the structure and content of the final business plan. Key areas of change include:

- Strategic narrative and consumer focus – Has led to DCC focusing on strengthening the overall vision (Executive Summary) and making the consumer impact more explicit with a new dedicated chapter (Chapter 3).
- Clarity on change and value for money – Restructuring of the plan between draft and final plan to ensure we are presenting the change portfolio coherently (Chapter 6) and more clearly explaining how value for money will be delivered (Chapter 8).
- Programme specifics and assurance – We have added detail to provide a clearer cost-benefit narrative for DSP2 and to clarify how contingency funding will be managed (Chapter 6 and Appendix 7).
- Risk and opportunities – We have strengthened the level of information around corporate risks, more clearly highlight risks and opportunities, and clarified costs which are not included in the plan.
- Organisation and capability – Following feedback we have outlined progress made on reshaping the organisation including proposed work to review spans and layers, and confirmed our capacity to manage complex contracts.

A full record of feedback and our responses is provided in Appendix 16: CCG Challenge and Feedback Log.

Overall we have reshaped our plan significantly since the draft business plan. The Executive Summary now includes a stronger strategic narrative that sets out our long-term ambition and the outcomes we aim to deliver. It explains how the plan supports a smarter, cleaner and fairer energy future, and how our choices align with customer and consumer priorities.

We have introduced a dedicated Consumer-Focused Delivery chapter (Chapter 3) to reflect the enhanced consumer duty in the proposed licence and to explain how structured engagement informs decisions and translates into tangible outcomes for households.

We have created a new Managing Change chapter (Chapter 6) that consolidates all change activities into one place, providing clear rationale, engagement context, and cost transparency around change. It explains what is changing and why, covering in-flight change, change pipeline projects, in-life change, and the transition to the Successor Licensee.

We have updated the How We Organise to Deliver chapter (Chapter 7) to show progress on spans and layers, [redacted] and describe how we will maintain capability to manage complex contracts while reducing costs. This includes strengthening governance, building skills, and embedding continuous improvement and cultural transformation to drive performance and accountability.

We have added a new Delivering Value for Money chapter (Chapter 8) to articulate how we will drive efficiency through procurement, supplier performance, and contract management. This chapter sets out how we are reducing the cost per meter through a focus on better commercial arrangements with our suppliers and a drive for internal cost efficiency. It also sets out how we will aim to work will customers to drive better value outcomes that can only be achieved through collaboration and a longer term view of how we will deliver cost efficiency.

We have improved transparency on risk and scope in Chapter 11: Managing Risk and Uncertainty, setting out risks, opportunities to outperform, and making clear which costs are in and out of scope. We have also included an additional appendix to provide supporting detail around our risks.

We have also strengthened our narratives around our services and programmes, particularly for DSP2 where we now provide a clearer view of costs and benefits and explain the governance of contingency. More detail on this can be found in Appendix 7: Meter Data Management.

These changes demonstrate how CCG feedback has shaped the plan and improved its clarity and overall quality.

13.3. Scope for process optimisation

While the engagement has been intensive, it has been highly valuable. It has enabled us to refine our narrative, strengthen transparency, and provide clearer insight into how decisions are made. Throughout the process, we have engaged actively with the CCG and responded directly to its feedback, and we are confident that this is reflected in the quality and consistency of our engagement.

Following submission of our plan, and once the CCG has itself submitted its report to Ofgem, we propose to hold a joint review with the CCG Chair to capture lessons and agree improvements for future planning cycles. It will be important also to begin to establish required ways of working for the CCG's other important role in assessing DCC's performance once the business plan period commences.

While both DCC and the CCG will clearly benefit in the next planning cycle from the fact that engagement will build on the previous one, we would encourage Ofgem to review the timetable for the draft to final business plan phase which was extremely tight for both parties. Understandably the CCG was still providing feedback as we entered December, and the condensed timetable has made it very challenging for both DCC and the CCG to deliver required outputs. For future cycles, we propose a more balanced process: potentially allowing for four months of structured engagement followed by at least two months dedicated to integrating the CCG's feedback into a settled plan, ensuring clarity and quality before submission.

Overall, the CCG process has strengthened both our plan and our relationship with customers and consumer representatives. It has helped us sharpen our ambition, improve transparency, and embed a stronger consumer lens. We are committed to building on this foundation, ensuring that our engagement with the CCG remains meaningful and that the insights we gain continue to shape how we deliver for customers and consumers.

Board Assurance Statement

Signed declaration by DCC's Chair of Recused Board

DCC is committed to being a responsible, transparent business with the highest standards of governance.

As part of this we, the Recused[3] Board, recognise that we have a duty to confirm that our Ex Ante Business Plan is robust, accurate and assured to ensure the legitimacy of the plan and maintain transparency and openness (taking into account the assumptions made in preparing the plan, as set out below).

This Ex Ante Assurance Statement sets out the assurance processes that have been undertaken by the Data Communications Company (DCC) in the development of the Ex Ante Business Plan – namely internal 1st, 2nd and 3rd Line of Assurance.

To support the plan we, the Recused Board have:

- Engaged with the Executive team in the design and development of the plan, keeping informed on progress and updated on feedback provided throughout the process, including from the Customer Challenge Group (CCG).
- Challenged proposed costs and assumptions to optimise accuracy, efficiency, ambition, and alignment with customer interests.
- Reviewed the governance and assurance approach to optimise consistency, reliability, and transparency across the plan.
- Signed this formal Assurance Statement, demonstrating accountability and confidence in the integrity of the plan.

The business planning process is one of prediction and is based on numerous assumptions. There are significant uncertainties that will need to be managed through the business plan period and it is important that the ex ante price control framework provides sufficient flexibility to address these uncertainties.

However, the Recused Board has challenged the thinking and logic behind the planning assumptions and forecast costs and consider these to be robust and well considered.

We are satisfied that this business plan has been subject to rigorous challenge to ensure accuracy, ambition, efficiency and alignment with customer interests as required by Ofgem.

In giving this statement, we are acting as one Recused Board, including the Sufficiently Independent Directors.

Ian McCaig (Dec 19, 2025 14:20:51 GMT)

Signed by Ian McCaig on behalf of the Recused Board

Glossary of acronyms and abbreviations

Abbreviation / acronym	Description
50P10	10% Above the 50th Percentile
AAR	Automatic Asset Registration
ABP	Annual Business Plan
AI	Artificial Intelligence
ALT HAN	Alternative Home Area Network
AM	Address Management
ANSO	Application Network Security & Operations
API	Application Programming Interfaces
ASR	Annual Supplier Report
AWEI	Annual Weekly Earnings Index
AWS	Amazon Web Services
BAU	Business-As-Usual
BMPPA	Baseline Margin Project Performance Adjustment
BPM	Business Process Management
BSTR	Business Strategy and Technology Roadmap
CAR	Central Asset Register
CCG	Customer Challenge Group
CH	Communications Hub
CH&N	Communications Hubs and Networks programme
CIPS	Chartered Institute of Procurement and Supply
CNI	Critical National Infrastructure
CoS	Change of Supplier
CPI	Consumer Price Index
CPIH	Consumer Price Index with Housing

CPM	Code Performance Measure
CR	Change Request
CRS	Centralised Registration Service
CSP	Communications Service Provider
CSPC	Communications Service Provider Central
CSPN	Communications Service Provider North
CSPS	Communications Service Provider South
CSS	Central Switching Service
CTG	Communications Transition Group
DBR	Design Build Run
DC	Defined Capacity
DCC	Data Communications Company
DCC1	Incumbent Data Communications Company Licensee
DCC2	Successor Data Communications Company Licensee
DCM	Demand and Capacity Management
DCO	Dual Control Organisation
DESNZ	Department for Energy Security and Net Zero
DFS	Demand Flexibility Service
DM	Device Manager
DNO	Distribution Network Operator
DSO	Direct Service Organisation
DSP	Data Service Provider
DSR	Demand-Side Response
DUIS	DCC User Interface Specification
ECoS	Enduring Change of Supplier
EDBP	Energy Data Best Practice
EIC	Energy Innovation Centre

EIT	Enterprise IT
EPC	Energy Performance Certificate
ESG	Environmental, Social, and Governance
ESNR	External Services (Non-Resource)
ESR	External Services (Resource)
ESSI	Enterprise System and Service Integrator
ETAG	Enduring Testing Advisory Group
EV	Electrical vehicle
EVP	Employee Value Proposition
FBC	Full Business Case
FOC	Final Operating Capability
FSC	Fundamental Service Capability
FSM	Future Service Management
FTE	Full Time Equivalent
FX	Foreign Exchange
FY	Financial Year
GBCS	Great Britain Companion Specification
GDN	Gas Distribution Network
GDPR	General Data Protection Regulation
GLA	Greater London Authority
GMCA	Greater Manchester Combined Authority
GSOP	Guaranteed Standards of Performance
GW	Gigawatt
HAN	Home Area Network
HEMS	Home Energy Management Sector
IDNO	Independent Distribution Network Operator
ISFT	Industry Scenario and Forecasting Tool

ILC	In Life Change
IOC	Initial Operating Capability
IoT	Internet of Things
IPR	Intellectual Property Rights
ISO	International Organisation for Standardisation
ITIL	Information Technology Infrastructure Library
JIP	Joint Industry Plan
KPI	Key Performance Indicator
LC	Licence Condition
LCT	Low-Carbon Technologies
LRR	Long-Range Radio
LRR	Long-Range Radio Committed Term
LTIP	Long-Term Incentive Plan
MDM	Meter Data Management
MDR	Meter Data Retriever
MHHS	Market-Wide Half-Hourly Settlement
MOC	Middle Operating Capacity
MP	Member of Parliament
MSA	Master Service Agreement
MSR	Monthly Service Review
MTTR	Mean Time to Resolve
NAO	National Audit Office
NCSC	National Cyber Security Centre
NDS	National Data Strategy
NEA	National Energy Action
NEEDS	National Energy System Data and Standards
NESO	National Energy System Operator

NIA	Network Innovation Allowance
NIST	National Institute of Standards and Technology
OBC	Outline Business Case
Ofgem	Office of Gas and Electricity Markets
ONS	Office of National Statistics
OPR	Operational Performance Regime
OPSG	Operations Group
P&C	Parse & Correlate
PAB	Performance Assurance Board
PC	Purchased Capacity
PIF	Procurement Initiation Form
PKI-E	Public Key Infrastructure- Enduring Services
PMA	Policy Management Authority
PQC	Post Quantum Cryptography
PQR	Post Quantum Readiness
QFF	Quarterly Finance Forum
Quango	Quasi-autonomous non-governmental organisations
REC	Retail Energy Code
RECCo	Retail Energy Code Company
REMA	Review of Electricity Market Arrangements
RFP	Request for Proposal
ROI	Return On Investment
RPA	Regulatory Performance Assurance
RPI	Retail Price Index
RSC	Relevant Service Capability
S1SP	SMETS1 Service Providers
S2C	Source to Contract

S2P	Source to Pay
S2SP	SMETS2 Service Providers
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat
SECCO	Smart Energy Code Company
SECMOD	Smart Energy Code Modification
SI	System Integration
SIF	Strategic Innovation Fund
SIR	Switching Incentive Regime
SIT	Systems Integration Testing
SLA	Service Level Agreement
SLT	Senior Leadership Team
SME	Subject Matter Expert
SMEDR	Smart Meter Energy Data Repository
SMETS	Smart Metering Equipment Technical Specifications
SMETS1 meter	First-Generation Smart Meters
SMETS2 meter	Second-Generation Smart Meters
SMIoT	Smart Meter-based Internet of Things
SMIP	Smart Metering Implementation Programme
SMKI	Smart Metering Key Infrastructure
SMS	Short Message Service
SMT	Service Management Tools
SOC	Strategic Outline Case
SoW	Statement of Work
SPS	Secure Publish and Subscribe
SRG	Smart Routing Gateway
SRN	Shared Rural Network

SRV	Service Request Variant
SSC	Security Sub-Committee
SSEN	Scottish and Southern Electricity Networks
TABASC	Technical Architecture & Business Architecture Sub-Committee
TAF	Test Automation Framework
TAG	Testing Advisory Group
TDEG	Testing Design Execution Group
TLO	Test Lab Operator
TNUoS	Transmission Network Use of System
TO	Technology Office
TPRM	Third Party Risk Management
TPS	Transations Per Second
TSP	Trusted Service Provider
TUPE	Transfer of Undertakings (Protection of Employment)
UC	Unit Cost
UIT	User Integration Testing
VWAN	Virtual Wide Area Network
WAN	Wide Area Network
WCC	World Commerce and Contracting