Data Communications Company

Executive Summary of DCC's Price Control Submission

Price Control RY25/26

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This document is intended to provide an Executive Summary of DCC's broader Price Control RY25/26 submission. It provides a high-level overview of our costs and the reasons why these have been incurred. More detailed information on each of these areas is provided in our price control submission.

Introduction

As the organisation responsible for operating the digital infrastructure underpinning the smart meter roll-out across Great Britain (GB), the Data Communications Company (DCC) plays an essential role in a fast-evolving energy ecosystem. DCC's network is the source of all smart metering data for homes and small businesses in GB. This requires strong operational performance to meet customer needs, including security and resilience capabilities to ensure reliable connectivity, while ensuring a cost-efficient service to deliver value for money for British bill payers.

DCC currently operates under an ex post price control regime where, each year, we provide an annual submission to Ofgem, which demonstrates how our costs have been incurred economically and efficiently after they have been incurred.

Regulatory Year 2025/26 (RY25/26), covered in this submission, is the last full year of ex post regulation before we transition to a new ex ante regime in November 2026.

Ofgem's scrutiny is a key component of the current regulatory regime, and we recognise the essential role Ofgem plays in protecting consumers, especially during an ongoing affordability challenge across the sector. This submission outlines the rationale for incurring our costs, the robustness of the processes followed, and the customer and stakeholder engagement undertaken.

We look forward to working with Ofgem to deliver the transition from ex post to ex ante regulation as efficiently as possible whilst safeguarding customer outcomes.

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1. Context for RY25/26

Driving value for money for end consumers is one of DCC's strategic priorities. In RY25/26, we delivered a step change in cost efficiency and set out further cost reductions in our first ex ante business plan (covering the period from November 2026 to March 2028). This was achieved while maintaining a very high level of operational performance across our four communication platforms (SMETS1, SMETS 2 cellular and radio, and 4G), and strong track record of programme delivery, alongside the critical work to ensure a seamless transition to new ownership in November 2026.

While the new Government formed in July 2026 has announced measures to alleviate cost of living (including the removal of the 5% of VAT on energy bills), the high cost of energy will continue to impact household finances and put pressure on Clean Power objectives. This has been further exacerbated by the geopolitical situation in the Middle East and associated disruption to oil and gas supplies which has driven higher wholesale costs that are now feeding through to consumer bills.

Driving value for money

We are acutely aware of the impact DCC's costs have on consumer bills, both directly through the costs we incur and indirectly in supporting the wider GB energy transition. As the central delivery body for operating the smart meter network, DCC's costs are, in part, driven by the transition from fragmented, legacy systems – with four separate communications platforms – to a more efficient and modern network (see figure 5 on page 9).

In 2025, under new leadership, DCC's focus on delivering value for money continued to strengthen as one of our three core priorities (together with customer centricity, and the transition to DCC2). We took firm action to address previous feedback, strengthened our governance processes, and terminated many external services contracts. As a result, in RY24/25, we started to report reductions in internal costs, external services and FTE numbers and we were pleased to note this was reflected in a reduction in the level of cost disallowances.

In RY25/26 we went further, and delivered a major efficiency programme in our Design, Build and Run (DBR) function, closed our Ruddington office in June 2025, and delivered material savings in key contracts. These firm actions led to a very significant reduction in both internal costs and external services (-16% and -46% respectively), alongside a reduction of 60 FTE.

Alongside a growing focus on cost efficiency, the smart metering network has continued to expand, and we have achieved major milestones in key programmes, including DSP and 4G. At the end of March 2026, there were more than 37 million meters in 22 million premises connected to the smart metering network, with over 3.3 billion messages sent each month (and at the time of submission c.1.7m 4G communication hubs have been successfully installed).

DCC's role in enabling digitisation

In RY25/26, the energy transition continued to accelerate with increased focus on the digital infrastructure required to underpin these changes. In September 2025, the National Energy System Operator (NESO) published its Sector Digitalisation Plan (SDP), outlining the actions required to ensure digitalisation supports delivery of the Clean Power mission. Within this, smart meters were recognised as critical enablers of a flexible, efficient and data-driven system.

As the source network for smart meter data in GB, DCC is uniquely placed to develop solutions which utilise this data to drive value for our customers and generate a broader public good for GB consumers. Support to fuel poverty is an example of this and working closely with some of our key stakeholders (Ofgem and energy suppliers including Octopus, EDF and E.ON), we published in August 2025 an industry report on 'Tackling Fuel Poverty Through Smart Metering'. This outlined how smart metering, and smart data can help to tackle the growing issue of fuel poverty, for example in leveraging smart meter data to support more accurate and targeted interventions.

In addition, throughout RY25/26, DCC engaged with industry on a proposal to design, build and operate a Smart Meter Energy Data Repository (SMEDR) to allow insights from energy data to drive consumer benefit, while reducing the costs of operating the network (e.g. through reducing network traffic). Working with the Department for Energy Security and New Zero (DESNZ), we have included further costs within our ex ante business plan to continue exploring how a SMEDR can help enable delivery of maximum public benefit from the smart metering network.

Capita's margin

It is particularly important to recognise that the significant drop in margin previously determined by Ofgem came into effect in April 2025, with Baseline Margin Adjustment (BMA) reduced from 15% to 9.5% and Shared Service Charge (SSC) from 9.5% to 4.5%. Combined with the sharp decrease in internal costs outlined above (on which Capita's margin is calculated), this will drive a material reduction in shareholder's return in 2026.

Capita remains fully supportive of DCC's commitments to deliver value for money for end consumers, as evidenced by the cost efficiency activities delivered in RY25/26 and has fully supported the drive for greater cost efficiency despite the impact on Baseline Margin and Overhead contributions. Capita also remains committed to a seamless transition to DCC2 arrangements in November and has worked closely with DCC, DCC's new ownership and Ofgem as part of the Licence Renewal Programme.

Consistency with ex-ante cost assessment

Since the RY24/25 review, we have also submitted our first ex ante business plan (for which the Final Determination is expected by 30 September 2026).

We believe Ofgem should take a consistent approach in assessing the costs incurred in RY25/26 with that taken in the assessment of DCC's ex ante business plan. For example, in its ex ante Draft Determination, Ofgem did not propose to disallow any payroll costs (which, in aggregate, were deemed as economic and efficient), and a very small amount of external services costs. We strongly encourage Ofgem to use the same approach while assessing costs incurred in RY25/26.

2. Cost overview

2.1. RY25/26 expenditure summary

The costs incurred drive the revenue we recover from customers, and ensuring value for money is therefore a critical objective for the business.

In line with the forecasts regularly shared with our customers through the publication of our Charging Statement, RY25/26 total costs[1] were 10% below RY24/25 (in real terms), with both internal costs and external costs decreasing by 19% and 7% respectively (in real terms), as shown in table 1 below.

£m	DCC actual RY24/25	DCC actual RY25/26	Change		
			£m	*% nominal*	*% real[2]*
Annual costs	**609.3**	**569.8**	*-39.5*	**-6%**	**-10%**
SMETS Internal Costs	151.8	127.7	*-24.1*	*-16%*	-19%
SMETS External Costs	443.2	429.1	*-14.1*	*-3%*	-7%
Switching costs[3]	14.3	13.0	*-1.3*	*-9%*	-12%

Table 1 - Spend summary RY25/26 compared to RY24/25

[1] Excluding 'Other' costs and costs of Comms Hubs which are ordered by our customers and passed through to them at cost
[2] ONS, March CPIH 2025 is 3.5%
[3] Switching costs include both internal and external costs.

Internal Costs

Internal costs have reduced by £24.1m (-16%) in RY25/26 versus RY24/25, reflecting our strong commitment to driving costs down where we can as internal costs are typically more controllable within the regulatory year (as opposed to longer term fundamental service provider contracts that make a large part of our external costs).

As shown in figure 1 below, in RY25/26, we delivered savings in both in-house resources and external services. This is a significant achievement given the simultaneous challenges of maintaining a high-level of operational performance, the transition to a new regulatory framework and work underway to ensure a seamless transition to DCC2.

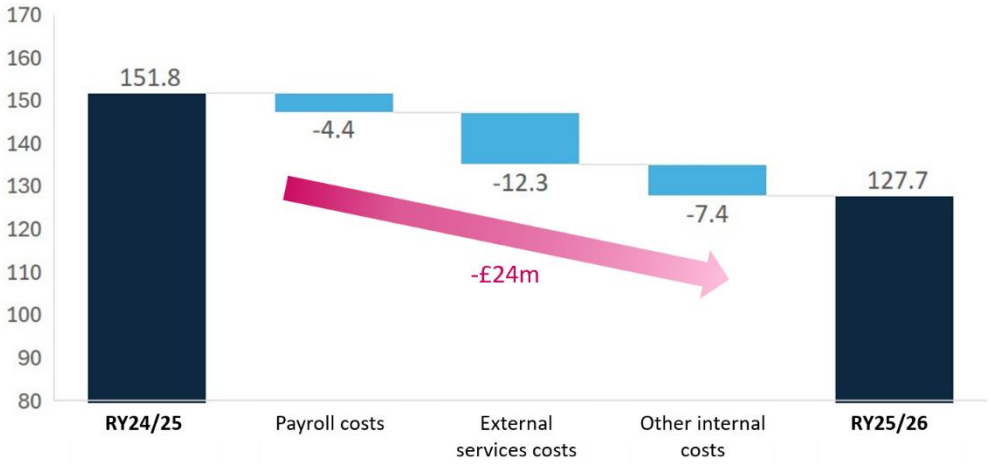


Figure 1: Key movements in internal costs in RY25/26 vs RY24/25 (£m)

A strong focus on controlling the use of external services (through terminating contracts and in-housing of roles) delivered a reduction of £12.3m (-46%) in RY25/26. This is in addition to the £13.0m in RY24/25, a cumulative cost reduction over the past two years of £25.3m.

We have also taken firm action to reduce payroll and other internal costs, for example through 'Project Jupiter' (DBR headcount reduction), the closure of our Ruddington office, and a focus on reducing the use of contractors. In RY25/26, we have prioritised permanent hires and managed a significant reduction in the number of contactors. As a result, our total FTE numbers reduced by 60 (-8%) vs. RY24/25.

External Costs

The majority of external costs relate to multi-year contracts and programmes determined by actions taken in prior years with the support and/or direction of the Department (often several years ago), with the £14.1m decrease vs RY24/25 in line with expectations (and DCC's forecast provided to Ofgem).

As shown on figure 2 below, there is short-term cost pressure from the growth in volumes of meters and use of the system by a broader range of customers, coupled with work required to transition to a more efficient and modern network which will deliver long-term cost reductions (as outlined in section 2.2 below). Key to unlocking these savings is delivery of key programmes such as Data Service Provider (DSP), Future Service Management (FSM), and the successful soft launch of the vWAN solution.

To mitigate these near-term cost pressures, DCC has focused on identifying opportunities to reduce costs. In addition to the material efficiencies described elsewhere, we delivered a significant reduction in financing costs following completion of the repayments for the initial SMETS2 set-up costs which were refinanced in 2018. This has more than offset the in-year increases in external costs.

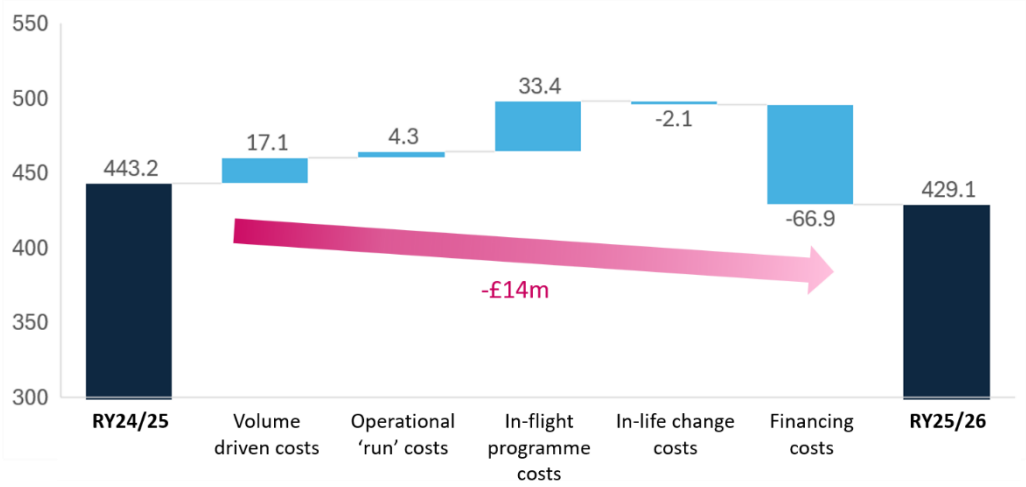


Figure 2: Key movements in external costs from RY24/25 to RY25/26 (£m)

Switching Costs

While maintaining a very high-level of performance (including 100% service availability), we have taken positive action to successfully reduce the total switching costs for RY25/26 by 12% in real terms (in comparison to RY24/25), with the £13.0m incurred being in line with the budget agreed with RECCo.

Forecast accuracy

DCC's charging statement, together with the switching budget agreed with RECCo, provides the best and most complete forecast of expected costs. These include DCC's best view of the costs we expect to incur and include all types of expenditure. These are developed through the year and shared with our customers and key stakeholders for their feedback via Quarterly Finance Forums (QFFs), and RECCo forums.

In RY25/26, total incurred costs of c.£570m were within 1.5% (£9m) of our charging statement[4] and switching services budget[5], reflecting a further improvement in forecast accuracy (vs 3.2% in RY24/25 and 4% in RY23/24).

2.2. Delivering material and sustained cost efficiencies for our customers

As outlined in figure 3 below, DCC's total reported costs can be broken down into:

- Pass-through and switching costs (c. 25-30%) which include costs of the new 4G Communication Hubs and charges related to industry code governance bodies.
- Internal costs (c. 15-20%), incurred by DCC for managing its own operations (including staff, corporate and external services).
- External costs (c.55%), incurred through multi-year contracts with external service providers delivering Fundamental Service Capability (FSC) where, increasingly, DCC is required to carry the cost on behalf of industry of extending legacy technology such as SMETS1/2G. This in effect necessitates DCC operating four communication networks, based on technology specified almost 15 years ago. As outlined to Ofgem and discussed with the industry, sitting these costs with DCC may have reduced the overall system cost (and the end consumer bill), but it has also resulted in DCC bearing the risk of running and maintaining legacy technology which DCC is addressing through the successful roll-out of 4G communications hubs.

[4] SMETS budget of £565.8m - DCC Charging Statement for RY25/26
[5] Switching budget agreed with RECCo was £13.0m for RY25/26,

In October 2025 we made a public commitment to deliver a further £30m in cost efficiency in RY25/26 and as a result of the firm actions taken (and outlined in section 2.1), we significantly exceeded this, delivering £36.2m.

This is a positive result and looking at the cost trajectory over a five-year period (excluding the pass-through elements), it is important to add that DCC will be delivering a material 20% reduction in the cost per meter between RY23/24 and RY27/28 (from £20.4 to £16.5).

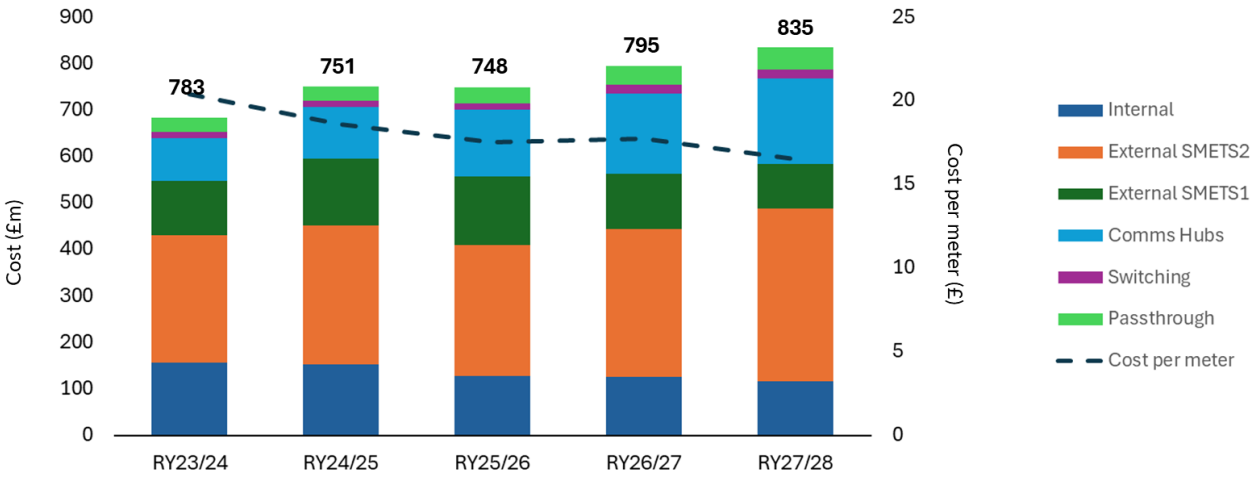


Figure 3: Evolution of DCC costs and cost per meter

Internal Costs

Between RY23/24 to RY27/28, we will deliver cumulative reductions in internal costs of 25% (£40m), with external services costs down 83% (£33m) and a total reduction in FTE of 133 (see figure 4 below).

In RY24/25, we reported a reduction of internal costs for the first time (down 3%), with significant savings in external services (down 32%) as the impact of the tighter cost controls and stronger governance were realised. In RY25/26, this trend accelerated as we delivered a further 16% reduction whilst maintaining strong network performance and programme delivery.

In RY26/27 and RY27/28, our ex ante business plan forecasts a further reduction in internal costs with the material efficiencies achieved over this period more than offsetting the impact of inflation and the short-term increase in activity associated with the Licence Renewal programme, separation from Capita, and transition to DCC2 (for which we incurred £4.7m in RY25/26, which is c.£2m below the regulatory baseline set last year).



Figure 4: Evolution of DCC Internal costs and FTE between RY23/24 to RY27/28

Investing in structural savings for the long-term

Looking further ahead, as outlined above, DCC is driving a long-term transition to a more efficient and modern network.

The delivery of the new DSP and 4G programmes are key to unlocking material future savings. For example, in addition to achieving continued connectivity following the sunsetting of 2G and 3G technology, the new 4G communication hub is materially less expensive per unit than a new SMETS1 or SMETS2 meter unit, delivering better value money for our customers and end consumers. Following the lengthy process to achieve approval from DESNZ to progress this programme (taking c.2 years), DCC accelerated the roll out of these devices and, to date, has successfully installed c.1.7 million hubs.

More details on these programmes are provided in our submission and as outlined in figure 5 below, the near-term investment in these programmes is essential to driving long-term benefits for DCC customers and end consumers.



Figure 5: Illustrative future shape of DCC cost base

2.3. Approach to cost assessment and forecasting

Assessment of RY25/26 incurred costs

In RY24/25, the movement between draft and final positions (a 64% reduction from £30.5m to £11.0m) suggests the Draft Determination was unreasonably high, with such a large movement not in Ofgem, DCC or customer interests.

Through the consultation process, DCC raised concerns over the cost assessment process that had been followed. Given that the Draft Determination for RY25/26 is likely to be published by Ofgem at the same time as Business Handover in early November 2026, a similar approach this year will create material risk to delivering a seamless transition to DCC2.

One specific concern relates to Ofgem's approach in using the material savings delivered by DCC to retrospectively justify a cost disallowance. For example, on ANSO, DCC acted in customers' interests to manage the implementation of the original solution in 2021 and decided at the time to proactively prioritise stabilisation of the SMETS1 platform in 2022 and 2023, before commencing a re-procurement in 2024 which delivered a low-cost cloud-based solution achieving material cost savings for customers of c.£18m per year.

As outlined below (and in greater detail in the rest of our submission), our customers have clearly stated that, based on the information available at the time, the decision from DCC was correct, and necessary to protect their interests and those of end-consumers.

DCC strongly believes that Ofgem's stated position that, with the benefit of hindsight, savings could have been delivered earlier is unjustified and sets a perverse incentive for future commercial activity – and we have added below two clear examples of support from the industry:

- SEC Panel: "The SEC Panel is concerned that significant retrospective disallowances create uncertainty, making it harder for the DCC to take timely and confident decisions. This approach risks driving risk-averse behaviours, such as delaying decisions, adding layers of approval, or the DCC prioritising short-term defensibility over long-term value. Over time, these behaviours could slow delivery and reduce efficiency, ultimately to the detriment of consumers and market participants."
- Octopus: "We are concerned that Ofgem's presented arguments for some of these disallowances that do not take account of the realities of dealing with third parties and the details of associated contracts, alongside contemporary uncertainties of system stability, system usage and developing technologies. In our view a hindsight perspective of what did (or did not) happen versus what could have happened is notoriously unreliable. We believe that the calculation methodologies [...] will lead to non-optimal outcomes in future renegotiations to the detriment of SEC users in both operational and financial outcomes."

It is essential that any assessment of costs reflects the realities and constraints present at the time decisions were made, and that the rationale for any adjustments is proportionate to the circumstances and reflects the outcomes delivered for customers. This ensures the process remains robust and fair.

In areas where Ofgem set out a position for RY25/26 expenditure in its RY24/25 Final Determination (such as ANSO), we have provided further detailed analysis and evidence on page 16 and in the SMETS1 chapter of this submission. We have already shared this with Ofgem, and we are keen to work with Ofgem ahead of the publication of the Draft Determination to address any potential concerns or challenges earlier in the process.

Assessment of RY26/27 forecast costs

As outlined in section 1, since last year's ex post price control process, DCC has submitted its first ex ante business plan (covering the period November 2026 to March 2028). The cost forecasts for RY26/27 provided throughout this submission are consistent with DCC's ex ante business plan (but presented on a cash basis in line with ex post reporting requirements, while the ex ante business plan is prepared on an accruals basis).

In developing the ex ante business plan, we undertook significant customer engagement and Ofgem is conducting a full review of DCC's forecast costs ahead of reaching a final decision by the end of September 2026. The outcome of the ex ante process will be a budget for the final five months of RY26/27 and the full year RY27/28, which Ofgem deems economic and efficient.

To support an efficient and outcomes-led delivery of the final ex post price control processes (covering RY25/26 and RY26/27), we have proposed to Ofgem to leverage the significant work already undertaken in scrutinising the ex ante business plan. This provides a basis for both assessing the RY25/26 spend and setting the regulatory baseline for RY26/27. This would simplify the final ex post price control processes (reducing costs incurred by both Ofgem and DCC) while continuing to safeguard customers from excess costs being passed through.

3. Meeting the needs of customers and end consumers

3.1. Delivering exceptional system performance

The smart metering network is integral to energy suppliers' daily operations, for example in providing accurate and timely usage and billing services to their customers. The data sent across our network is also used to inform grid optimisation and support the development of new initiatives, such as, how to improve our energy usage and identify support for vulnerable customers. In doing so, it has a material impact on end

consumers, empowering them to take control of their energy usage, access the most appropriate tariff and receive the most efficient support during power outages.

Overall, we have maintained an industry leading, high-quality service for customers during RY25/26, where we achieved 100% against our smart metering system performance targets set through the Operational Performance Regime (OPR). This was achieved alongside delivering service upgrades, improved connectivity and enhanced security monitoring.

Under the Operational Performance Regime (OPR), we record our system performance against three weighted performance measures, along with some unweighted measures:

	Target	Result RY25/26	*Result RY24/25*
Service availability	99.50%	99.95%	*99.97%*
Install & Commission[6]	99.00%	99.75%	*99.73%*
Prepayment[7]	99.00%	99.89%	*99.83%*

Table 2: RY25/26 performance summary

Switching Service

Overall, our cost and performance for the switching service remain excellent, including:

- Costs incurred in line with budget
- No unplanned outages or major incidents, and 100% system availability

This service helps consumers switch energy suppliers swiftly and seamlessly, and we have enabled over 50 million energy switches since Go Live in July 2022.

Working in close collaboration with RECCo, we have focused on delivering enhancements that maintain the high standards of performance demonstrated since Go Live, whilst ensuring we continue to deliver value for money for our customers.

3.2. Maintaining and upgrading the network

We have continued to deliver a broad portfolio of in-life change to maintain and enhance system capability. This includes capacity upgrades, infrastructure improvements and implementation of key industry changes. All in-life change activities have been delivered within agreed budgets, reinforcing our focus on disciplined delivery and value for money.

We have supported the introduction of the Market-wide Half Hourly Settlement (MHHS), a significant cross-sector transformation programme, ensuring our services were operationally ready for October 2025 go live. This needed targeted capacity enhancements with several Service Providers (SP) to implement or upgrade data caching solutions to avoid repeated requests to a meter for the same information.

MHHS is a key enabler of the move to a smarter, more flexible energy system and has a fundamental role in delivering the smart systems and flexibility plan. The MHHS solution means that the energy usage of consumers is broken down into half hourly segments (collected daily) to more accurately show the time of day energy was used. This provides material benefits to consumers with a greater choice of energy tariffs and better insight on demand for Distribution Network Operators (DNOs).

We have delivered critical security activities including certificate rotations to 14 million devices this year, to ensure continuity of safe and secure communication with those devices and the DCC network. A

[6] Simple average of North: Central: and South
[7] Average of mechanisms A and B (North, Central, and South)

significant amount of activity was untaken to ensure we maintained service levels and customer experience during the closure of 3G services. This included the introduction of a new traffic management gateway for smart metering requests within VMO2's network, to control the flow of messages to each cell tower.

Alongside the re-procurement of our DSP contracts, we have continued to build on our strong track record of excellence in programme delivery. During RY25/26, of the fifty programmes delivered, all but one were delivered on time (or early). The one exception to this (FSM) experienced a small overrun in order to ensure the solution was ready to release to customers following complex integration and testing – and we have provided more detail and evidence in the FSM chapter.

Alongside the re-procurement of our DSP contracts, we have successfully delivered several major programmes that underpin the resilience, capability and future evolution of the DCC service. These include delivery on time and within budget of the Dual Control Organisation (DCO) programme in October 2025, transitioning elements of the SMETS1 platform to a new technology solution and service provider. We have also completed our Future Service Management (FSM) programme, moving to 'ServiceNow' in May 2026, enhancing our operational and service management capability.

In addition, we have maintained strong performance against regulatory obligations, including returning 100% of SEC modification impact assessments within SLA for a second consecutive year—an important Operational Performance Regime (OPR) metric—supporting reduced industry delivery cycle times.

3.3. Driving improvements in network connectivity

We continue to deliver targeted programmes to address connectivity challenges and ensure customers can fully benefit from smart metering services. Many of the consumer benefits associated with the energy transition, such as the ability to deploy low carbon technologies (e.g. electric vehicles, domestic solar and battery solutions), optimise home energy consumption, and access innovative energy propositions (e.g. time of use tariffs), rely on digitisation of the energy system enabled by having a fully functioning smart meter.

Completion of SMETS1 migrations

Since 2015, we have worked closely with DESNZ and industry to migrate SMETS1 meters onto the network. Migration enables suppliers to extend the usability of their SMETS1 devices at a much lower cost than replacing these meters before end of life. It also allows customers to maintain the benefits of smart metering functionality and ensure meters are interoperable between suppliers, facilitating switching in the market.

In RY25/26, we completed the final cohort of SMETS1 migrations, with over 99.8% of migrations delivered 'right first time'. This represents a major industry milestone and means that by 31 March 2026, we had migrated a total of 13.7 million SMETS1 meters onto our network, an important and significant achievement.

No-WAN and Non-Communicating Meters

Given the need to drive greater penetration of smart meters in support of clean power, we are working closely with DESNZ and industry to connect consumers who want a smart meter but are in areas without cellular or radio coverage.

There are approximately 328,000 premises where there is no WAN connection available, and where smart metering devices are therefore not able to communicate via the DCC network (referred as "No WAN premises"). DCC has been working closely with DESNZ to deliver the Virtual WAN (vWAN) Solution as an alternative to the traditional Smart Metering WAN. Delivered on schedule in January 2026 and within agreed funding, vWAN enables customers to connect via home internet services, materially expanding access to smart metering where it was previously not feasible, supporting increased smart meter penetration and enabling more consumers to realise the benefits of smart services.

We have also made significant progress in addressing the issue of non-communicating meters. Continued operational performance of existing smart meters is critical in delivering the enduring benefits for consumers and our customers. During RY25/26, we reduced the volumes of non-communicating meters

on the DCC network[8] from 2.45% of the estate to 2.01% and are continuing to work closely with suppliers to drive further improvements in identifying and connecting these meters. However, not all non-communicating meters are visible to DCC (e.g. some SMETS2 meters were not properly connected to the DCC network when installed, and others are registering a 'blank' read which DCC cannot validate) and we are collaborating with industry to develop solutions to address these in support of an improved consumer experience.

4G Comms Hubs & Network (CH&N)

Our 4G CH&N programme is essential to ensuring continued connectivity as 2G and 3G networks sunset. The new communications hub is materially less expensive per unit than a new SMETS1 or SMETS2, delivering better value money for our customers and end consumers.

In RY25/26, we accelerated the rollout capability for 4G communications hubs in the North, delivering this four months ahead of plan. This is a significant step forward in improving resilience and reducing non-communicating meters through targeted technology upgrades.

By the end of RY25/26, we had a total of 780,000 4G Comms Hubs installed (with 99.9% of installed communicating successfully). We passed the significant milestone of 1 million 4G Comms Hubs installed early in RY26/27 and at the time of submission c.1.7m had been installed.

3.4. Strengthening engagement with customers

Customer First

RY25/26 saw a further step-up in DCC's approach to engagement with our customers, building on the work started in RY24/25 under the Customer First programme.

The Customer First programme, initiated in Autumn 2024, is aligned with our overarching goal of becoming a truly customer-focused organisation, spans all teams across DCC and is structured around 11 distinct workstreams.

These workstreams combine tangible outcomes, like measurable service improvements, digital innovation, and process redesign, with the cultural foundations needed for lasting impact. By embedding mindset shifts, sharing enhanced performance and data insights and fostering cross-functional collaboration, we're not just delivering change; we are cultivating the conditions for it to thrive sustainably across the organisation.

A key element of the programme is to better understand our customers' priorities and measure how DCC is helping them succeed. To support this, following a successful proof of concept in RY24/25, DCC launched its first Customer Satisfaction Survey in October 2025 to run every 6 months, with a second survey conducted in March 2026. The feedback from this is invaluable and has helped shape the four action themes shown in figure 6 below.

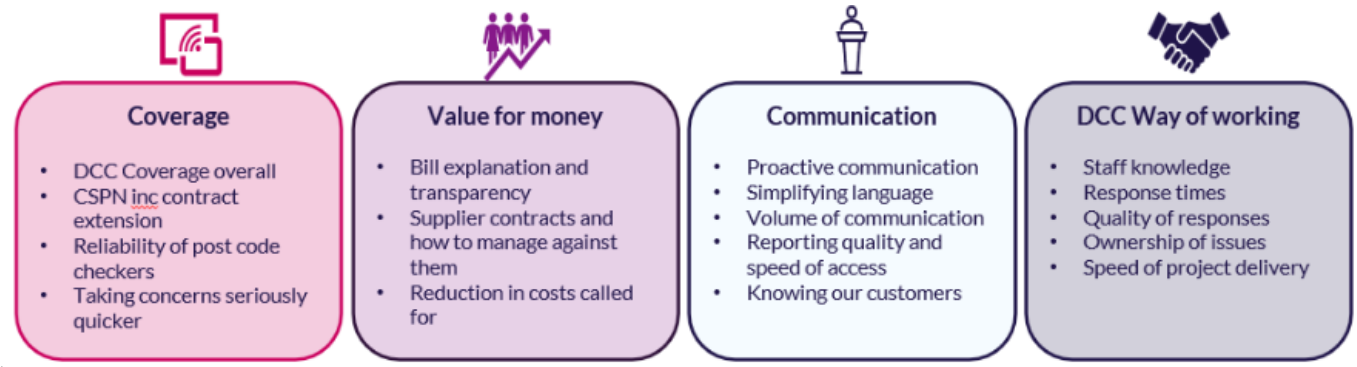


Figure 6: Key themes from customer engagement survey

[8] Non-communicating meters are those where DCC can validate the meter has not communicated with DCC's network for 35 days

Between October 2025 and March 2026, overall satisfaction with DCC rose from 64.7% to 74.2%, with response rates also increasing significantly (from 52 customers in October to 103 in March).

This new customer satisfaction measure is more representative of the overall customer experience than the Customer Effort Score (CES) previously reported on (which only covers Service Centre journeys). As such, this metric will become a DCC scorecard measure helping to embed a more customer centricity culture across the whole company. However, we continue to measure the CES and, in RY25/26, this increased from 6.1 to 6.2 out of 7.

Providing data-driven solutions for customers and end consumers

As the source network for smart meter data, DCC has seen demand for smart metering data continue to rise. In March 2021 we published our first Data for Good report, and since then we have continued to champion access to smart meter data for public benefit (e.g. Fuel Poverty system data access), and upgrades to our onboarding process to enable faster market entry for Other Users.

Since its inception in 2022, DCC has supported DESNZ's Smart Meter Energy Data Repository (SMEDR) innovation programme in helping identify how a SMEDR could be designed. This has demonstrated that c.£1bn worth of benefits could be unlocked by a data store, while also delivering cost efficiencies for the live smart metering network and realising scale efficiencies from DCC's wider capabilities (e.g. DCC's security, data science, service desk and technology functions).

Through RY25/26, DCC has continued to work with DESNZ to provide additional analysis on how a SMEDR could materially reduce the cost of, and time taken to, access smart meter datasets. This will facilitate innovation across the energy value chain through supporting key elements of the energy transition including access to low carbon generation and storage solution, efficient management of distribution networks, and new energy propositions and tariffs for consumers.

In line with the principles outlined in the Energy Digitalisation Framework (EDF), we are committed to delivering maximum value from a unique national asset both from the evolution of existing services and from the development of new ones to be explored as part of ringfenced innovation funding. We look forward to continuing our engagement with DESNZ, Ofgem and our customers as this further develops.

Customer scrutiny of key activities and costs

During RY25/26, we continued to engage extensively with our customers across our SMETS services and programmes through a wide range of formal and informal channels.

These include SEC and REC forums, the Quarterly Finance Forum (QFF), regular targeted and tailored engagements (including bilateral meetings with energy suppliers and DNOs), and regular engagement with Energy Network Association (ENA) and Energy UK, representing the interests of DNOs and energy suppliers respectively.

RY25/26 also saw the creation of the Customer Challenge Group (CCG), designed to scrutinise our ex ante Business Plan (which was submitted to Ofgem in December 2025). In addition to this, we have continued to follow the Treasury Green Book Business Case process with DESNZ on our major programmes, which provides an additional level of scrutiny of DCC's plans and activities.

Through this significant volume of engagements, DCC is focused on ensuring high quality discussions on the key topics to shape and support our decisions, with a clear goal of driving the greatest benefit for end consumers. We believe the scale of engagement is significantly greater than comparable organisations and should provide Ofgem (and other stakeholders) that DCC activities and costs are subject to regular and appropriate scrutiny.

Building on the positive comments from customers during Ofgem's RY24/25 Stakeholder Events in December 2025, we have included feedback on specific areas of cost in the relevant chapters of the RY25/26 submission.

Operational Performance Regime (OPR) – customer satisfaction

Under the OPR measures for customer engagement, we have self-assessed our performance at 2.75 out of 3 (an improvement vs last year's outcome of 2.08). This reflects the timing and frequency of engagement, quality of information provided and how customer views have been taken into account. In particular, tailored communication on improving connectivity underpinned the launch of the vWAN solution, and dedicated working groups for the Future Connectivity in the North and Long-Range Radio programmes supported the significant progress in those areas.

We have provided in our submission the evidence underpinning our assessment and we look forward to receiving Ofgem's confirmation as part of the price control consultation document in November.

4. Delivering value for money

4.1. Strengthening internal governance and cost controls

As reported in previous price control processes, we have made significant steps in strengthening our internal governance and are committed to driving further efficiency for our customers.

These efforts intensified in late 2023 with the creation of an Executive-level Price Control Risk Committee which in June 2025 evolved into an Investment Committee (chaired by the CFO) to govern expenditure decisions.

These, coupled with process improvements around resourcing (such as comprehensive benchmarking of contractors and tighter controls over engagement of third parties) have addressed previous areas of feedback from Ofgem, including:

- ***Clear reduction in external services spend:*** As outlined above, we are significantly reducing our expenditure on external services by 83% between RY23/24 and RY27/28 through (i) the completion and roll-off of consultants supporting organisational improvements, (ii) in-house recruitment to reduce reliance on external resource, and (iii) a new procurement strategy. Overall, DCC's spend on external services is now significantly lower than most of the companies operating in a similar sector.
- ***Targeted use of contractors:*** We further tightened the governance around our recruitment process for contractor roles, with a greater focus on using permanent resources and improvements in data quality (e.g. through standardisation of job titles). These actions resulted in a reduction in the total number of contractors in RY25/26. Similarly, we have seen an improvement in our reporting with the number of roles excluded from the analysis on the basis of 'no suitable benchmarks' down from 15 in RY24/25 to just 1 this year.

  DCC continues to disagree with Ofgem's approach to assessing contractor payroll costs (through which it disallows costs where salaries are above benchmark, but ignores the savings from salaries below benchmark), which is also inconsistent with its approach to reviewing DCC's ex ante business plan (which takes account of the net position). In RY25/26, DCC delivered a net saving across our contractor portfolio of £874k, within which the element related to salaries above benchmark was down from £450k in RY24/25 to £128k in RY25/26.
- ***Tight document control and contract management:*** In response to previous Ofgem feedback, we have strengthened our document control environment through a combination of enhanced tools, standardised processes, and clearer governance. The implementation of [redacted] has materially improved the end-to-end management of contract documentation by enabling centralised storage, version control, and structured approval workflows, ensuring greater transparency and auditability.

  These systems are embedded as core BAU tools, supporting consistent application of controls across procurement and contract management activities. Alongside this, we have introduced more robust governance through defined ownership, periodic reviews, and compliance checks.

Collectively, these improvements have increased confidence in data integrity, streamlined access to accurate contract information, and contributed to more efficient and controlled decision-making.

4.2. Driving value through strong contract management and procurement

Commercial excellence is fundamental to DCC, both in ensuring high quality services and delivering value for money for end consumers. Over the past year, we have continued to mature our commercial capabilities and made structural changes to hold our commercial suppliers to account. We recognise this is particularly important during a critical period of re-contracting as legacy technologies approach end of life.

Through key procurement activities, such as 4G CH&N and DSP, we have demonstrated that our approach to 'contract disaggregation' has driven greater competition into our supply chain, providing us with better levers to manage performance and drive greater value for money.

DSP re-procurement

The DSP programme represents a fundamental transformation of the underlying platform supporting smart metering services. In RY25/26, we delivered strong performance across all major milestones, including contractor mobilisation (May 2025) and completion of key design assurance phases across Modular DUIS, DCC Connect and Blueprint.

Blueprint exit was successfully achieved in November 2025 through formal governance, providing a robust foundation for the build and test phases. This has been underpinned by strong programme and commercial control driven by disciplined negotiation and early cost challenge. Overall, the re-procurement is expected to drive annual savings of circa £20 million from 2029 once the new solution and migrations are completed.

Critically, this progress has translated into early delivery of customer value, with the successful go-live of DCC Connect in April 2026 and initial customer orders now being processed, ensuring continued system stability and reducing future performance risk as we transition to a more flexible and scalable platform. As we move into build and test, enhanced quality assurance arrangements are in place to ensure effective conversion of design into live service and continued control of delivery risk.

ANSO contract

In early 2024, we began the re-procurement of the SMETS1 ANSO contract. During 2022 and 2023, it was critical for DCC to prioritise stability and continuity of service due to the uncertainty over the volume and timings of customer-driven migrations and network traffic. Our customers supported DCC's position that starting a major re-procurement earlier than 2024 (when the scope and requirements of a new solution could be defined with sufficient certainty) was not appropriate.

The re-procurement process focused on delivering material savings to customers through migrating to a cloud-based solution. Such a solution was not sufficiently mature before 2024 to adopt for a critical element of our network security (a view endorsed by the National Cyber Security Centre). The new solution remains on track to go live in November 2026, delivering annual savings to customers of c.£18m per year.

Through the RY24/25 and RY25/26 price control processes, DCC has engaged with customers on the actions taken in the re-procurement of the ANSO contract and customers have provided the following feedback which we expect Ofgem to give appropriate consideration to, in its cost assessment process:

- EON indicated: "As an energy supplier enrolling SMETS1 FOC meters, E.ON expected DCC to focus on maintaining the stability and availability of critical FOC services during the 2020 – 2024 enrolment period. This was a position that E.ON regularly communicated in SMETS1-focussed workshops and discussions with DCC over the period from 2020 to the point we concluded our enrolment activities. Given the criticality of the FOC ANSO services, we simply would not have supported DCC had it proposed implementing changes to underlying systems or platforms in the same timeframe."
- British Gas indicated: "We believe this proposal [to disallow costs related to the ANSO contract] sets the wrong incentives for DCC" and "Whilst we were not asked whether the ANSO should be

reprocured earlier, we did actively pursue stability in the SMETS1 solution to ensure we could safely enrol our SMETS1 devices, especially for prepayment customers."

- Octopus indicated: "The industry avoided a complete collapse in service, which appears to have been a genuine and realistic concern for DCC and some of the energy suppliers with large FOC cohorts."

Further detail (and supporting evidence) on the re-procurement of the ANSO contract is provided in the SMETS1 chapter of our submission.

SMETS1 Overage Charges

DCC has contracts with Vodafone and Secure for the provision of network services. We set out in detail in the RY24/25 price control process the proactive steps DCC had taken to drive material savings for customers under these contracts, both through contract management activity and the design and implementation of technical solutions to manage the volumes of customer-driven messages on our network. As discussed with Ofgem previously, strong and proactive management of these contracts has delivered material savings in variable SMS charges.

Investment in process improvements and automation

As part of DCC's focus on driving cost efficiency we are continuing to invest in process improvements and tooling, along with a wider use of AI to generate efficiencies and support relevant activities. We note that, historically, efforts to invest in these types of improvements (e.g. the eProcurement tool, contract management system, and data reporting platform) have been subject to cost disallowances.

As discussed recently with Ofgem, it is our view that penalising DCC through disallowing short-term investment (for example in enabling technology) comes at the expense of longer-term benefits and sets the wrong incentive for DCC to deliver ongoing improvements and cost efficiencies.

Operational Performance Regime (OPR) – contract management

As part of the external assurance of DCC's commercial performance (under the OPR), an independent auditor reviews DCC's contract management activities on Ofgem's behalf. For RY25/26, Ofgem's Auditor (PwC) has awarded DCC a total score of 2.29 out of 3 (an increase on the final outcome in RY24/25).

In its report, PwC said our supplier relationships are improving, and we have demonstrated active performance management through SLAs, KPIs, service credits and remediation activity, and that DCC is showing a clear focus on value for money. The Auditor acknowledges that we have demonstrated a proactive and structured approach to re-procurement and procurement activity and delivered 100% of all Preliminary Impact Assessments and Final Impact Assessments within the applicable SLAs.

We have provided in our submission the evidence underpinning our assessment and we look forward to receiving Ofgem's confirmation as part of the price control consultation document in November.

5. Transitioning to DCC2

As mentioned in the introduction section, we are also focused on getting DCC ready for Business Handover in November 2026 and are collaborating closely with Ofgem to ensure the process is managed smoothly with no interruption for our customers and minimise disruption for our employees.

From the outset, we strongly supported Ofgem's decision to transition to a not-for-profit framework (including the move to an ex-ante regulatory framework). Our absolute priority, supported by Capita, has been to ensure a seamless transition to our new licence arrangements in November 2026, and RY25/26 saw significant activity internally within DCC and as part of wider collaboration with Ofgem and subsequently DCC2 Ltd to ensure continued progress against plan.

5.1. Preparing for Business Handover in November 2026

Several activities must occur to ensure a smooth transition of the business to a new licensee and mitigate any disruption to services for customers. In late RY23/24, we set up a small team dedicated to supporting

Ofgem with its consultations on the design of the Successor Licence, the format of the new regulatory framework and the development of a detailed Business Handover Plan which sets out how we will separate from the current shareholder Capita and transition to a Successor Licensee.

This activity intensified during RY25/26 and will continue to be a significant priority for the business through RY26/27, with £4.1m incurred on the Licence Renewal programme in RY25/26 (c.£2m below the regulatory baseline) and a further £8.0m in RY26/27 (April to October) as we approach Business Handover.

DCC has worked collaboratively with Ofgem to agree the scope, approach and costs of Licence renewal activities to ensure this is delivered as efficiently as possible. In RY25/26, a number of key milestones were achieved, including:

- completion and submission of the Business Handover Plan to Ofgem for approval.
- completion of the 180-day plan to support the Ofgem Successor Licensee appointment phase.
- starting the procurement process to replace corporate services provided by Capita and selecting the preferred bidder ahead of successful contract signature in May 2026.
- convening the Joint Handover Steering Group (JHSG) to provide governance.
- mobilisation of the Transition Management Office to ensure a seamless handover of the Authorised Business from DCC1 to DCC2.

We remain committed to work with Ofgem to ensuring our obligations to close-out DCC1 and transition the business to DCC2 are delivered seamlessly for our customers and employees.

5.2. Transitioning to a new regulatory regime

As outlined above, during RY25/26 we delivered our first ex ante business plan covering the period from Business Handover (in November 2026) to March 2028 and began work on the second plan covering April 2028 to March 2031.

The significant work involved in developing these plans, engaging with the Customer Challenge Group (CCG) and working with Ofgem on its formal review is being done alongside the ongoing requirements of the backward-looking ex post processes.

As shown in figure 7 below, mid-2026 to mid-2027 will see a material spike in regulatory activity as Ofgem conducts two overlapping ex post price control processes (covering RY25/26 and the period of RY26/27 until Handover) alongside work on two ex ante planning periods.

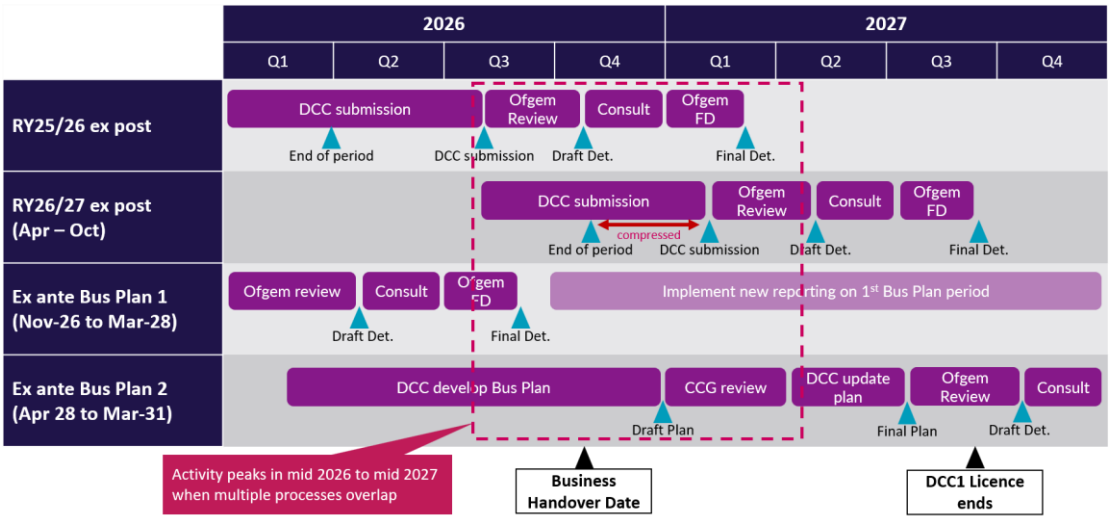


Figure 7: Price control activity in 2026 and 2027

This will need to be managed very carefully to mitigate impact for customers or conflicting demand placing excess strain on our employees. Given that the Draft Determination for RY25/26 will be published very close to the Business Handover Date, it will be critical for DCC and Ofgem to work together closely to identify and focus on high priority issues and jointly address these early in the process (and ahead of publication of the Draft Determination).

In addition to development of our first ex ante plans, the change in regulatory regime also has a significant impact on our wider business processes. We are further strengthening our planning and coordination activities (building on the portfolio management processes developed by the EPMO), enhancing our financial reporting and risk management, and re-organising our operations around Service Families.

This transition represents a significant undertaking, which began in RY24/25 and will continue until Business Handover in late 2026 and into the early period of DCC2.

6. Conclusion

The ex-post price control is an essential component of our current regulatory regime, offering DCC the opportunity to outline the rationale for incurring costs, the robustness of the processes followed and the customer and stakeholder support for our activity. We take these obligations very seriously and seek to undertake them in a transparent and collaborative manner with the regulator.

We recognise the essential role Ofgem plays in protecting consumers, especially during an ongoing affordability challenge across the sector, with DCC's price control a small, but important, part of that role.

This year's assessment comes as DCC approaches the end of its current licence and we are focused on a smooth transition to 'DCC2', with a new Licence, new ownership and a new not-for-profit ex ante price control regime.

As outlined in our submission, we have further reduced spend on internal costs and strengthened internal governance and controls, a notable achievement especially at a time of significant change. The firm actions taken in RY25/26, which build on those delivered in RY24/25, mean the organisation is well placed to move towards DCC2 and ready to play our part in the future energy system.

Data assurance

Consistent with our approach to last year's submission, we have prioritised the quality and robustness of our data. We have conducted a thorough assurance exercise across three lines of defence, with Baringa providing an independent assessment of our modelling and RIGs submission as third line of defence. This assurance complements the governance processes we have put in place throughout the year, including monthly cost controls, risk management activities (including price control-specific risks), and stronger expenditure approval processes.

An independent 'Data Assurance Report' is provided to Ofgem alongside this submission. Key conclusions from Baringa are that 'models and data flows are well-structured', that 'governance and sign-off processes were effectively implemented' by DCC and that 'DCC employs a number of standard internal assurance processes alongside our external review', which Baringa has assessed to 'provide a clear three lines of defence assurance model.'

Finally, it is important for all parties to ensure a robust process is followed as we close out the final two ex post processes (covering RY25/26 and RY26/27 to Handover), balancing the need to safeguard customer outcomes against the resources and costs required to deliver these backward-looking processes whilst DCC and Ofgem transition to a new ex ante regime. We look forward to working closely with Ofgem to achieve this.