



Smart DCC Annual Compliance Report Regulatory Year 24/25

Version: 1.0
Date: July 2025
Classification: DCC Public

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1. Introduction

1.1. Background

This report covers DCC's compliance with Chapter 3 Licence Conditions for the Regulatory Year (RY) ending 31 March 2025. Chapter 3 of the Licence covers arrangements for the Licensee's independence, and includes the following conditions:

- Condition 9. Independence and autonomy of the Licensee
- Condition 10. Protection of Confidential Information
- Condition 11. Duties arising from the Licensee's special position

In addition, Licence Condition 12 Appointment and duties of Compliance Officer requires DCC to appoint a Compliance Officer, who provides an annual report on compliance with the above conditions. Deloitte LLP was appointed as the Independent Compliance Officer for DCC in 2013 and then re-appointed through an open procurement process in 2018, and again in 2021, when a three-year contract with an option to extend for a further two years, was agreed.

1.2. Scope

As per Part D of Licence Condition 12, this report is specifically required to cover DCC's:

- a) compliance during the regulatory year with the Chapter 3 requirements
- b) implementation during the regulatory year of the practices, procedures and systems maintained pursuant to the Compliance Statement that the Licensee is required to have implemented under Part C of Condition 10 (Protection of Confidential Information).

2. Overall Compliance Opinion

In the opinion of the DCC Board, the company has complied with the relevant Licence Conditions under Chapter 3 during the regulatory year ended 31 March 2025. While the independent Compliance Officer issued a qualified conclusion due to 3 disclosed Licence non-compliances, the Board considers that robust remediation action has taken place to return DCC to compliance.

The Board has further undertaken its own activities and enquiries in relation to the operation of DCC to form its opinion. These include:

- reviews of risk management at all levels of the business, conducted throughout the year
- risk review of Licence Conditions
- a systematic review of DCC policies
- actioning of the Compliance Officer recommendations
- the review and update of the Compliance Statement in accordance with Licence Condition 10
- implementation of a business-wide digitised training module on Chapter 3 requirements.

The opinion and activities of the Compliance Officer can be found in Section 3.

The activities in support of the Compliance Statement can be found in Section 4.

3. Report of the Compliance Officer

3.1. Opinion on Compliance with Chapter 3 requirements

The independent Compliance Officer's Annual Report was received by the Board of Smart DCC Limited on 10 June 2025 and included 3 previously disclosed Licence non-compliances. The report included the following statement:

Qualified Conclusion: Our conclusion has been formed on the basis of the matters outlined in this report. Except for the matters described in the Basis for Qualified Conclusion section above Smart DCC, in the performance of its duties under the Licence, has in all material respects, complied with the relevant Licence Conditions as detailed above for the period 1 April 2024 to 31 March 2025.

DCC Board considers that robust remediation action has taken place to return DCC into compliance in relation to the 3 non-compliances outlined in the independent Compliance Officer's report.

3.2. Activities of the Compliance Officer during the reporting period

Compliance reviews were conducted in two phases – interim testing in December 2024 and end of year testing in March 2025. In addition, steering group meetings were held when appropriate to maintain open communications, provide updates of activities and to discuss any issues arising during the intervening periods.

The Compliance Officer was able to assess compliance with the Chapter 3 requirements for RY 24/25, through a combination of:

- interviews in person and via Microsoft Teams with the Board of Directors, all members of DCC's Executive Committee and other key senior managers
- examination of related documentation
- a site visit to Brabazon House, Manchester, and
- non-statistical, judgemental sample testing of selected relevant transactions.

3.3. Investigations by the Compliance Officer

During the Regulatory Year the Compliance Officer did not investigate any formal complaints or other representations related to the Chapter 3 requirements through the Complaints Process.

3.4. DCC conclusions on the Compliance Officer's Report

The Compliance Officer attended the June Board meeting to present the Annual Report including their observations and their opinion of DCC's compliance with Chapter 3.

The DCC Board has reviewed the independent Compliance Officer's Annual Report and has noted their opinion. The Board is confident that any recommendations will be progressed according to a reasonable timeframe.

4. Compliance Statement

4.1. Introduction

Licence Condition 10 requires the Licensee to take appropriate action to detect and prevent disclosure of unauthorised access to Confidential Information. DCC is also obliged to have a Compliance Statement in place describing how the Licensee will comply with that requirement, and to ensure any use of Confidential Information is only for the purposes of its Authorised Business. The Compliance Statement was originally approved by the Authority on 23 December 2013 and was published on the DCC website.

A new version was submitted to Ofgem in March 2024 for review. No comments were received, and a revised version 1.8 was uploaded to the public facing website in May 2024.

A revised Compliance Statement, version 1.9 was reviewed in March 2025 with no changes. This has been uploaded to the public facing website in March 2025.

4.2. Implementation

The Compliance Statement covers management responsibility for Confidential Information and the information management systems in place.

The requirements of each section summarised as, Smart DCC:

Purpose of the Statement (Section 2)

- Safeguarding confidential data for its intended use only
- Operates the smart metering communications infrastructure under the Smart Energy Code and Retail Energy Code, ensuring reliable consumer energy switching
- Governs smart metering, collecting essential operational data to support its operations.
- Actively ensures compliance with this Statement by taking all appropriate measures within its power

Management of Confidential Information (Section 3)

- Defining Confidential Information
- Conditions of the licence, UK General Data Protection Regulation (GDPR) and Data Protection Act 2018
- Responsibilities of Senior Management
- Validating requests for disclosure
- Managing the principles Confidential Information
- Arranging mandatory annual training on Information Security, Cyber, Fraud, Data Privacy and DCC Regulatory obligations for staff, consultants and contractors

Information Management Systems (Section 4)

- Confirming the principle of 'least privilege';
- Separation of DCC IT systems from others used by Capita plc;
- Responsibility for ensuring communication and data system service providers are in compliance with ISO 27001.

4.3. Conclusions on Implementation

The Information Security Management System (ISMS) has continued to run in alignment with the ISO27001 certification together with the Target Operation Model for the DCC Security Function. This ensures that the full range of security measures are in place and remain effective including those that protect confidentiality.

DCC has maintained its ISO27001 certification since it was originally achieved in 2015. The most recent audit found no non-compliances, and no opportunities for improvement were raised. The DCC employs Microsoft Office 365 sensitivity labelling to classify documents. In addition, the DCC has an Information Management Framework and an Information Champions network which represents teams across DCC, to maintain the ecosystem regarding information classification, disclosure, retention and disposal.