



DCC Price Control RY24/25 – SMETS1 Service

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1. SMETS1 Service

Summary

What is this and why is it important?

In 2019 DCC commenced migration of SMETS1 meters onto the DCC network. Enrolled SMETS1 meters benefit from being interoperable and allow consumers to switch energy suppliers seamlessly without losing smart functionality. Ensuring this interoperability is critical to extending the life of SMETS1 technology and maintaining a positive consumer experience.

At the end of RY24/25, 12.9 million meters had been migrated (up from 12.2 million in RY23/24), enabled by strong DCC performance, with over 99.9% of migrations delivered 'right first time'. We expect all enrolment activities to be concluded by October 2025 and that Energy Suppliers will gradually begin swapping out SMETS1 devices as they come to the end of their technical life.

Given the nature of the legacy technology, maintaining the SMETS1 estate requires continued enhancements, with a significant programme of re-procurement for key contracts currently underway to maximise the asset life of installed meters.

RY24/25 activities and costs

In, RY24/25, DCC incurred costs of £4.6m, £1.1m above the regulatory baseline. The key drivers of this variance relate to resource costs from the Operations and Testing functions, and external services from an independent assurer who conducted a technical audit.

As in previous years, DCC's focus for RY24/25 has been on maintaining strong performance, migration of remaining meters and ongoing system improvements. We have continued in depth and regular engagement with DESNZ, Ofgem, and our customers to ensure all parties are aligned on the best route to delivering our shared objectives on SMETS1.

Operational performance has continued to be very strong, whilst the final migration of FOC meters in autumn 2024 enabled this cohort to be formally closed, enabling interoperability whilst avoiding the need for high SMETS2 replacement costs.

DCC embarked on HM Treasury Green Book Business Cases for two replacement Fundamental Service Provider (FSP) Services – the Dual Control Organisation (DCO) and the Final Operating Capability Application Network Security Operation (FOC ANSO) provider. The DCO agreements were signed with [REDACTED] and [REDACTED] on 23 December 2024, delivering a combined saving of £18.4m over the initial term (until 31 March 2029) compared to the previous agreement. For FOC ANSO, the procurement is underway and was at the evaluation stage in March 2025.

Future activities and costs

Completion of the remaining 0.9m meter enrolments in Middle Operating Capability (MOC) cohort will continue to be a priority for DCC. We are targeting completion of these migrations by late summer 2025, so that the Requesting Party (RP) decommissioning for MOC can take place in autumn 2025, ahead of the deadline set last year by DESNZ.

1.1. SMETS1 – RY24/25 Variances Overview

1.1.1. Internal Costs overview

This section sets out the baseline costs (as determined by Ofgem in previous years' submissions), incurred costs and forecast costs and highlights any material variances to the baseline. In the following sections, we explain the purpose of the SMETS1 service and the associated resource and non-resource costs.

The table below provides a breakdown of incurred and forecast costs in price control format i.e., mapping costs directly against the price control (GLs).

Baseline			Ry24/25	Ry25/26	Ry26/27
Total SMETS1			£m	3.472	0.632
Payroll costs	PR	£m	0.856	0.000	-
External services	ES	£m	2.065	0.632	-
Internal services	IS	£m	0.551	-	-
Incurred			Ry24/25	Ry25/26	Ry26/27
Total SMETS1			£m	4.647	3.143
Payroll costs	PR	£m	1.672	2.498	1.536
External services	ES	£m	2.400	0.065	-
Internal services	IS	£m	0.575	0.580	0.336
Variance			Ry24/25	Ry25/26	Ry26/27
Total SMETS1			£m	1.175	2.511
Payroll costs	PR	£m	0.816	2.498	1.536
External services	ES	£m	0.335	-0.567	-
Internal services	IS	£m	0.024	0.580	0.336

Table 1 – SMETS1 Variance by GL

1.1.2. External Costs Overview

There are 9 fundamental service providers dedicated to our SMETS1 programme. Worksheet 4 of the RIGs Supplementary Schedules provides a further breakdown of the SMETS1 External Costs for RY24/25.

We set out in the table below the level of incurred costs across all the SMETS1 Service Providers was above the baseline. The key variances were with [REDACTED], [REDACTED] and [REDACTED].

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
DCO	[REDACTED]	S1_DCOa	16.22	21.32	-5.10
DCO	[REDACTED]	S1_DCOc	4.86	6.59	-1.73
S1SP	[REDACTED]	S1SP_1	6.08	5.90	0.17
DCO	[REDACTED]	S1_DCOb	4.34	4.06	0.28
S1SP	[REDACTED]	S1SP_3b	21.99	22.06	-0.07
S1SP	[REDACTED]	S1SP_2	37.63	43.97	-6.35
S1SP	[REDACTED]	S1SP_3a	6.32	7.85	-1.53

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
S1CSP		S1_CSP_2	0.89	1.23	-0.34
S1CSP		S1_CSP_1	18.92	28.42	-9.50
Total			117.25	141.40	(24.15)

Table 2 - RY24/25 SMETS1 External Costs

Breaking this down into incurred enduring costs only, presents the following:

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
DCO		S1_DCOa	14.69	14.73	-0.04
DCO		S1_DCOc	4.81	5.28	-0.47
S1SP		S1SP_1	6.05	5.33	0.73
DCO		S1_DCOb	2.79	2.76	-0.03
S1SP		S1SP_3b	21.15	20.95	-0.20
S1SP		S1SP_2	36.74	42.54	-5.80
S1SP		S1SP_3a	5.68	5.60	0.08
S1CSP		S1_CSP_2	0.89	1.23	-0.34
S1CSP		S1_CSP_1	18.91	28.06	-9.15
Total			111.71	126.48	(14.77)

Table 3 - RY24/25 SMETS1 External Costs (enduring)

The above table presents the majority of the overall variance, £16.020m, being accounted for by the enduring costs incurred against (the details of which are set out in Section 1.9).

Breaking this down to show the remaining £9.390m variance in incurred new scope and set-up costs only (covering Change Requests (CRs) and Project Requests (PRs)), presents the following:

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
DCO		S1_DCOa	1.53	6.58	-5.05
DCO		S1_DCOc	0.05	1.31	-1.26
S1SP		S1SP_1	0.02	0.58	-0.55
DCO		S1_DCOb	1.55	1.30	0.25
S1SP		S1SP_3b	0.84	1.11	-0.27
S1SP		S1SP_2	0.89	1.43	-0.54
S1SP		S1SP_3a	0.64	2.25	-1.61
S1CSP		S1_CSP_2	0.00	0.00	0.00
S1CSP		S1_CSP_1	0.01	0.36	-0.35
Total			5.53	14.92	-9.39

Table 4 - RY24/25 SMETS1 External Costs (new scope and set-up)

The above table illustrates that the majority of the £9.390m variance is accounted for by the new scope and set-up costs incurred against (see Section 1.7 and 1.9). There were only two material CRs or PRs for RY24/25, both of which related to Market-wide Half Hour Settlement changes under CR4879 (see Section 1.7.2). We also set out the DCO repurchased contracts in Section 1.8.

1.2. Purpose, Scope, and Structure

1.2.1. Purpose

SMETS1 meters were the first smart meter technology deployed at scale to homes across the UK. SMETS1 meters were initially connected to supplier-run meter networks with no interoperability. The main drawback of this is that when a consumer changes energy supplier, these meters may lose smart functionality. This issue had the potential to prevent customers and suppliers from achieving the benefits of smart metering, and also served as a barrier to switching, and therefore competition.

When the DCC was created, government initiated a programme to integrate SMETS1 meters into the DCC service so that they could be operated in 'smart' mode and maintain their smart functionality when switching supplier.

The technical solution (Initial Enrolment Project Feasibility Report, IEPFR or the "Feasibility Report") was consulted on in 2016 with two key options:

- A Direct to Meter (D2M) solution whereby the DCC effectively communicates with the SMETS1 meter via new software developed specifically for the purpose (IP4).
- A solution that would integrate the existing market framework (Smart Meter Systems Operators (SMSOs)) (IP5b) into the DCC ecosystem.

Option 2 was considered lower risk as the existing market framework was already operational and had been tested. In May 2017, DCC consulted on a delivery plan for option 2 ("LC13" plan), which was approved by the Government in October 2017.

Due to the large number of devices installed across the UK, the SMETS1 Programme was broken down into blocks (cohorts) and managed independently. SMETS1 meters were migrated from supplier networks to the DCC SMETS1 service in three cohorts with each release delivering a capability for a different type of meter installed by energy suppliers: the Initial Operating Cohort (IOC), Middle Operating Cohort (MOC) and Final Operating Cohort (FOC).

1.2.2. Scope

Activities in the SMETS1 cost centre fall into two cost categories:

- Internal DCC costs – the costs of DCC's operational in-life activities. These are a combination of resource and non-resource costs.
- External or Fundamental Service Capability costs – these are the costs of the S1SPs in all three of the cohorts. These are External Costs as set out in sections 1.3 above as well as in Sections 1.7 to 1.9. These costs include mandated business such as migration services on the back of the instruction from Department of Energy, Security and Net Zero (DESNZ) to extend the TMAD end date until the end of 2024, which was subsequently extended for a further 12 months until the end of December 2025.

1.2.3. Work delivered within RY24/25

At the time of writing, migration from IOC and FOC has ended; leaving migration from MOC as ongoing and currently scheduled to close at the end of 2025, with migrations to complete in the summer of 2025. In order to facilitate this, dedicated FTE have been working with Utilita throughout the entire price control period and will continue to do so. This is significant for DCC as it demonstrates our commitment to managing this cohort to ensure they continue to receive the best level of service.

In supporting Utilita and their specific business needs we have collaborated to create an elective service. The Elective Service has allowed Utilita to receive bespoke functionality that other industry members did not feel was essential. This service was funded directly by Utilita.

At industry request, DCC have also spent effort on developing a strategy for how the current SMETS1 service can be supported up to 2033 – an increase from the original proposed end date of 2029. This has involved significant external stakeholder engagement and has been factored into re-procurements taking place throughout 2024 and 2025. The date of 2033 has now been set as the date the UKs 2G networks will be planned to be switched off by (with some parties announcing significantly earlier).

Activities to support the FOC ANSO re-procurement have also been ongoing throughout the year with support by multiple teams as described in more detail later in this chapter. Whilst the majority of the support and preparatory work has been completed in RY24/25, the formal contracting is planned to take place during RY25/26 at which point a full cost write up will be provided. This was a significant and necessary activity to ensure the c.3m active meters could continue to be used until the end of life in 2033. Refer to the following section.

Full certification rotation for SMETS1 meters is required to be completed by October 2025. Work in 2024 has been required to support this ready for release in Q1 2025. This activity is essential to maintaining the high levels of security that DCC is mandated to provide and without certificate rotation devices will likely lose their access to the DCC network.

The re-procurement of the DCO service was completed in December 2024, following receipt of a non-objection to the Full Business Case by DESNZ. This is due to achieve significant savings when compared with the existing service. In parallel, tech refresh activities took place to ensure the high levels of service achieved continued. This was essential as traffic on the network has increased due to more migrations and a change in user behaviours linked to Market Half-Hourly Settlement (MHHS) and other SEC users seeking to enhance the service they offer consumers. Without upgrades and tech refresh activities there was a risk that the service experienced by SMETS1 users would deteriorate potentially impacting the ability to use Smart Meter functionality.

In the lead-up to the Full Business Case (FBC) submission for the DCO re-procurement, DCC undertook a highly collaborative and transparent engagement process with DESNZ. This included a series of joint working group sessions and informal content sharing to ensure early alignment on programme scope, delivery approach, and commercial strategy. In parallel, DCC engaged extensively with SEC sub-committees, including OPSG, SSC, TABASC, and SMKI PMA, to validate the business needs and secure broad industry support for the procurement approach. While customers are generally agnostic to the DCO as it operates as a background system, DCC's engagement focused on ensuring that the transition would be seamless and non-disruptive, which was a key concern for stakeholders. This early and sustained engagement helped shape the procurement strategy and ensured that the final solution reflected the needs of both government and industry stakeholders.

1.2.4. FOC ANSO re-procurement

The Application, Network and Security Operations (ANSO) service is a critical component of the SMETS1 Final Operating Cohort (FOC) infrastructure. It supports the secure and reliable operation of approximately 4.5m smart meters across Great Britain. ANSO enables secure message validation, cryptographic key management, service request processing, and real-time telemetry. Its continued operation is essential to maintaining smart functionality for consumers, including those on prepayment meters and in vulnerable circumstances.

To ensure the long-term continuity and resilience of this essential service, Smart DCC has undertaken a comprehensive and strategically phased re-procurement of the ANSO service. The current contract, delivered by [REDACTED], is due to conclude in July 2025. In preparation, DCC launched a multi-stage procurement process that included early market engagement, detailed requirements gathering, and rigorous evaluation of supplier proposals. This process was designed to ensure value for money, service continuity, and alignment with DCC's long-term SMETS1 strategy.

Procurement Process and Value for Money

The procurement process was structured to drive competitive tension and deliver measurable consumer benefits. DCC engaged with 25 suppliers during early market warming sessions in June 2024 and subsequently issued a competitive tender. Three options were considered during the Outline Business Case (OBC) phase: extending the existing service, procuring a fixed-capacity solution, and procuring a flexible solution. Option C, a flexible solution, was selected based on its ability to scale with declining service request volumes and avoid stranded infrastructure costs.

CGI was selected as the preferred bidder following a rigorous evaluation process. Their proposal scored highest across technical and commercial criteria and was validated through three rounds of pricing submissions. CGI's final offer reflected a £9.600m reduction from their initial proposal, supported by enhanced commercial terms including capped operational charges, consumption-based pricing, and milestone-based incentives. Independent benchmarking by ISG confirmed that CGI's pricing was within the top quartile for both development and operational services.

The total investment for the programme is capped at £93.200m over 8 years and 5 months. This includes:

- £32.800m for the new CGI solution
- £43.700m for the interim [REDACTED] extension
- £2.600m for internal DCC resources
- £2.500m for ecosystem integration
- £11.600m for risk and optimism bias

The interim extension with [REDACTED] is based on commercially available options within the existing contract. It ensures continuity of service during the 16-month development and transition period. DCC retains the right to terminate the [REDACTED] contract early, reducing costs if the new solution is delivered ahead of schedule.

Internal Resourcing and Risk Management

The £2.600m internal resource cost covers mobilisation of existing DCC teams to manage the transition, including programme, legal, commercial, design, build, test, and assurance functions. This equates to approximately 2,600 person-days of effort, costed at a blended rate of £8.5k/month per FTE. No incremental headcount is required.

The £11.600m risk and optimism bias provision are based on a detailed risk register and includes contingencies for variable infrastructure costs, migration risks, and potential delays. For example, £0.780m is allocated to mitigate infrastructure sizing risks, and £1m is reserved for potential TUPE-related costs. These provisions are consistent with HM Treasury Green Book guidance and will be closely monitored throughout delivery.

Stakeholder Engagement and Regulatory Assurance

Stakeholder engagement has been a central pillar of the programme. DCC has worked closely with Ofgem, DESNZ, and energy suppliers throughout the process. Engagement began in June 2024 and continued through structured forums including the SEC Panel, OPSG, TABASC, and SSC. Customers

were consulted on both high-level and detailed-level requirements, and their feedback directly informed the procurement strategy.

In October 2024, DCC presented the OBC to customer forums, receiving broad support. DESNZ issued a non-objection in December 2024. Ofgem was formally briefed in March 2025, including on the rationale for the interim extension and the expected consumer benefits. A follow-up letter was submitted at Ofgem's request. DCC has maintained regular dialogue with DESNZ, providing updates on key milestones and responding to queries to support the FBC, which is expected to receive non-objection in August 2025.

Consumer Benefits and Transition Planning

The re-procurement is expected to deliver over £100m in consumer benefits, primarily through a reduction in operational costs from £20.800m per year under [REDACTED] to £3.700m per year under [REDACTED]. This figure is based on a full-term comparison to 2033 and excludes indexation. Additional benefits include improved service flexibility, enhanced governance, and reduced exposure to stranded costs.

CGI's delivery plan targets a 16-month transition, with go-live expected by November 2026. DCC has implemented milestone-based incentives and a robust governance framework to manage delivery risk. The interim [REDACTED] contract includes provisions for early termination, ensuring cost control if the transition is completed ahead of schedule.

This programme is a key enabler of DCC's long-term SMETS1 strategy, ensuring that the FOC service remains secure, compliant, and operational through to the end of life of the SMETS1 estate. The re-procurement reflects DCC's commitment to delivering resilient infrastructure, protecting consumer outcomes, and maintaining confidence in the smart metering ecosystem.

DCC is planning to provide Ofgem with a further update on the outcome of the procurement once contract negotiations are concluded.

1.2.5. Migrations completed

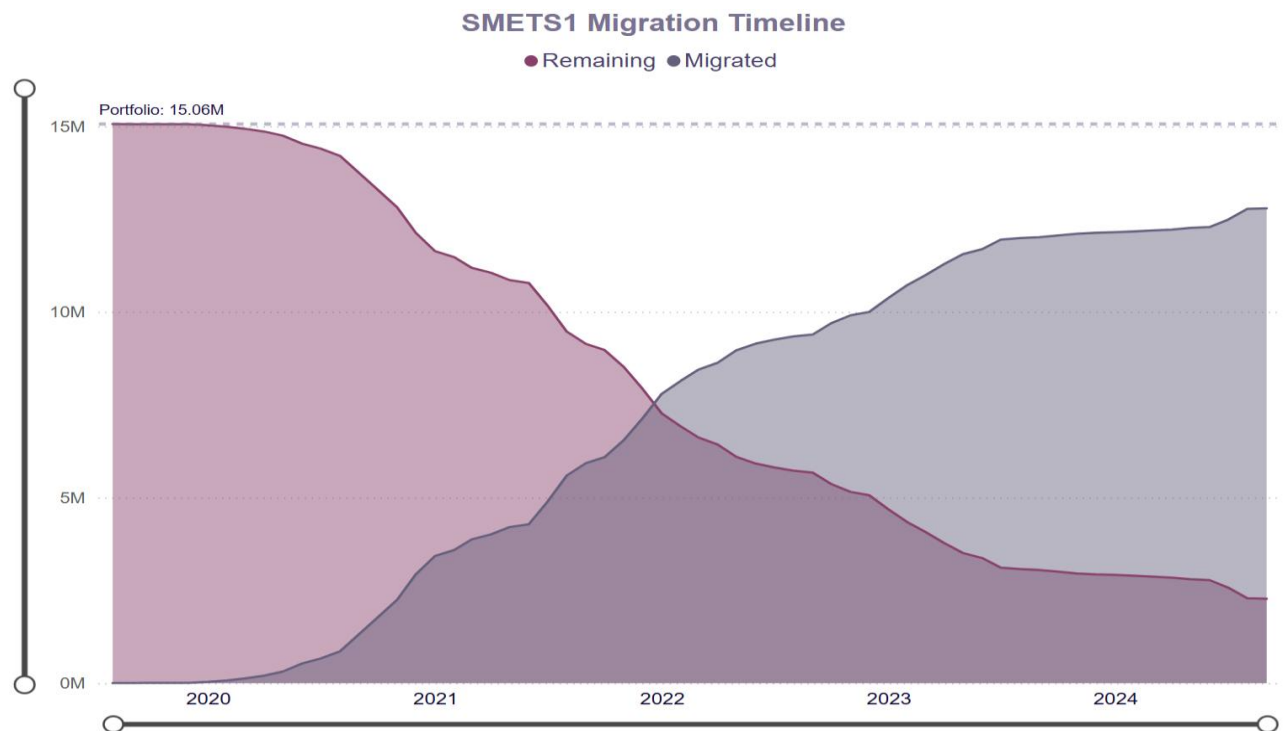


Figure 1 – SMETS1 Migration Timeline

The below table sets out the volume of meters migrated to date within each cohort

Cohort	Active	Dormant	Total
IOC	2,312,259	1,060,997	3,373,256
MOC (still in progress)	3,663,193	1,525,946	5,189,139
FOC	2,988,662	1,574,177	4,562,839
Total	8,964,114	4,161,120	13,125,234

Table 5 - Volume of SMETS1 meters migrated to date

1.2.6. Contract State Post Migration

Once the final meters in the MOC cohort are migrated in the late summer of 2025, some of the existing agreements will have non-term services removed (such as for Commissioning Party services) and some of the supporting agreements for items such as FDP, S1MRS with [REDACTED] are presumed to no longer be needed.

DCC has been working through the various re-procurement activities to provide a contractual landscape which will allow a smoother set of extension options than the "jagged edge", which was there in 2024. The figures below depict how this smoother set of extension options are planned to align with 2G sunset end date and provide energy suppliers with the certainty of service provision needed to allow for the managed swap-out of SMETS1 meter estate to the one able to support customers into 2040 and onwards.

The table below depicts the roles each of the suppliers plays in supporting the future SMETS1 service:

Supplier	Role Description	Role	SMETS1 Cohorts Supporting
██████	Application, Network and Security Operations services for the Dual Control Organisation and Root Commissioning Authority	ANSO	IOC, MOC & FOC
██████	Data Service Provider and System Integration Services	DSP / SI	IOC, MOC & FOC
New Providers	Data Service Provider and supporting services (x 4)	DSP	IOC, MOC & FOC
██████	Software Provider and Application, Network and Security Operations	S1SP	IOC & MOC
██████	Software Provider for the Dual Control Organisation	S1SP	IOC, MOC & FOC
██████ FOC ANSO*	Application, Network and Security Operations services for the Trilliant application	ANSO	FOC
██████	Software Provider, Application, Network and Security Operations and Communication Services Provider	S1SP	MOC
██████	Communication Services Provider	CSP	MOC
██████	Software Provider	S1SP	FOC
██████	Communication Services	CSP	IOC & FOC
Note: # Until the new DSP services / suppliers go-live in * The re-procurement of the FOC ANSO service is in its final stages at this moment.			

Table 6 – Role of SMETS1 suppliers

1.2.7. Our Programme Structure



Figure 4 - SMETS1 Service Structure

The figure below shows how the service was organised during RY23/24, and the key roles within each sub-team.

It should be noted that the sub-team structure above reflects the core resources of the in-life operational team. These resources are supported across DCC by a range of sub-teams who are deployed across the service as below.

RY23/24 Sub-teams	Description
Commercial and Regulation	<u>Commercial and In-Life Contract Management</u> The purpose of these two teams are threefold: (i) to drive better supplier performance and accommodate changes to the Service Providers' contracts for any of the capability releases, (ii) to drive and lead on procurements and negotiations with current and new Service Providers for any of the capability releases, and (iii) to complete and review contract signatures for Service Providers' contracts for any of the capability releases. <u>Regulation</u> The purpose of this team is threefold: (i) to provide support to the team on any regulatory matters, (ii) to run consultations as required for other SEC designated documents and (iii) to identify requirements and dependencies for go-live governance including internal DCC governance and external governance.
Design & Assurance (CTO)	The SMETS1 CTO team's primary focus is to continue to deliver an ongoing high-level technical design and provide assurance of supplier detailed technical design.
Finance	Budgets, forecasts, and tracks actual spend, as well as support on business cases. As for the rest of the business, the SMETS1 service is also benefiting from the finance transformation programme (including the work on business accuracy).
Operations	To manage the SMETS1 Service on an ongoing basis, the SMETS1 Operations team's primary focus is to support the migration activity, manage supplier relations (particularly for FOC stabilisation), and establish an Early Life Support in time for the first capability release. This will involve business acceptance and operational acceptance testing to ensure that the service can be handed over to operational teams within the DCC and remaining non-functional processes and activities have been verified as fit-for-purpose.
Security	The primary purpose of the SMETS1 Security team is to produce and finalise the Security Architecture and Risk Assessment for each of the service's capability releases. This includes security assessing and assuring the integration of all SMETS1 service providers and components.
Service Delivery	The overall purpose of this team is to deliver the system changes for SMETS1 on behalf of DCC operations in accordance with DCC's Licence Conditions, liaising with internal and external stakeholders to ensure all end-to-end components are in place to enable the safe and efficient migration of meters. The SMETS1 service introduced new components to DCC's core infrastructure. While this is designed to be 'seamless' to end-customers there is greater complexity in terms of data flow, security, and physical Device Model combinations.
Testing	The SMETS1 Test Services and Assurance Team will oversee multiple testing stages for the three different capability releases, including: Pre-integration Test (PIT), System Integration Testing (SIT), Migration SIT, and User Integration Testing (UIT).

Table 7 – Description of SMETS1 Functional Sub-Teams

1.3. Drivers of Internal Cost variance – Payroll

The table below shows the payroll variance by sub-team within the MHHS cost centre.

SMETS1 variance by Sub-Team

The overall Payroll Costs variance in RY24/25 is £0.816m, with incurred costs of £1.672m relative to a baseline of £0.856m.

Baseline			RY24/25	RY25/26	RY26/27
SMETS1 Payroll Costs	£m		0.856	-	-
Commercial and Regulation	£m		0.190	-	-
Design and Assurance	£m		0.044	-	-
Finance	£m		-	-	-
Operations	£m		0.111	-	-
Security	£m		0.148	-	-
Service Delivery	£m		0.350	-	-
Testing	£m		0.013	-	-
Incurred			RY24/25	RY25/26	RY26/27
SMETS1 Payroll Costs	£m		1.672	2.498	1.536
Commercial and Regulation	£m		0.163	0.167	0.039
Design and Assurance	£m		0.206	0.427	0.322
Finance	£m		0.001	0.065	0.067
Operations	£m		0.495	0.288	0.171
Security	£m		0.128	0.573	0.251
Service Delivery	£m		0.451	0.604	0.287
Testing	£m		0.228	0.374	0.399
Variance		1.672	2.498	1.536	RY26/27
SMETS1 Payroll Costs	£m		0.816	2.498	1.536
Commercial and Regulation	£m		-0.027	0.167	0.039
Design and Assurance	£m		0.161	0.427	0.322
Finance	£m		0.001	0.065	0.067
Operations	£m		0.384	0.288	0.171
Security	£m		-0.020	0.573	0.251
Service Delivery	£m		0.102	0.604	0.287
Testing	£m		0.215	0.374	0.399

Table 8 – RY24/25 SMETS1 payroll cost variance

Within RY24/25 the main variance can be attributed to teams who support the overall SMETS1 service to customers, namely, Design & Assurance (CTO), Operations and Testing.

The two main factors shaping this variance to baseline were down work to support the ongoing maintenance / support of the SMETS1 solution and the existing solutions from the seven service providers (including ensuring continuity of service), along with work on two key re-procurement exercises for the DCO and FOC ANSO. The variances in RY25/26 and RY26/27 reflect that the baselines for both years are zero, as set by Ofgem. Justification for the forecast spend in each payroll cost area of variance is provided below.

1.3.1. Commercial and Regulation

Commercial and Regulation Team activities reflect the work to support the HM Treasury Green Book Business Case and Re-Procurement activities for the DCO and FOC ANSO services that have taken place over RY24/25 and RY25/26. The new DCO services plans to go live in October 2025 and the go-live date for the FOC ANSO will be confirmed once the Final Business Case has been through the agreed process and a non-objection has been received from the Department, this is expected in summer 2025.

We forecast 1.7 FTE from the Commercial and Regulation team being deployed in RY25/26 on the SMETS1 programme. This will predominantly come from the Regulatory Design and Delivery sub-teams to support on the Maximising Migrations and SHC CentLog Migration. Further FTE support will be utilised from the Customer Experience team to support on DCO Re-Procurement and SMETS1 squad.

The costs for RY25/26 are consistent with RY24/25, with the variance being due to a zero-baseline due to forecast disallowances in Ofgem's RY23/24 price control decision.

1.3.2. Design and Assurance

Overview of variance

Design and Assurance contributed to the projects through the provision of experienced and competent technical personnel who supported the project delivery to provide technical design and assurance activities. Overall, this was to ensure maintenance of the SMETS1 solution and ensure continuity of service, including two key re-procurement activities.

In RY24/25, most of the effort was on SMETS1 DCO Re-procurement and SMETS1 FOC ANSO Re-procurement as shown below.

Programme	Correct WBS code	Sum of Charge £
SMETS1 Device Swap-Out	E1-0005891-001-01	146
Tech Refresh DCO (2.0)	E1-0005889-006-01	7,157
FOC Stabilisation	E1-0005904-004-01	849
Maximising Migrations	E1-0005904-005-01	16,762
SMETS1 DCO Re-procurement	E1-0008882-001-01	114,492
SMETS1 FOC ANSO Re-procurement	E1-0012615-001-01	48,536
ILC FOC	E1-0011654-001-01	3,445
Enduring Certificate Rotation	E1-0011654-002-01	12,759
SHC CentLog Migration	E1-0012810-001-01	1,365
Total		205,511

Table 9 – Design and Assurance cost against Projects

In RY25/26, the variance reflects the whole team cost due to a zero baseline. We increased our headcount to internally deliver on the same activities, with a focus on the FOC ANSO re-procurement and closing out the MOC migrations.

Scope of variance and key challenges

In total, the SMETS1 programme drew on 3.3 FTEs from the Design and Assurance function throughout RY24/25 across the seven activities in table 7 for RY24/25. This is compared to a baseline of 0.4 FTE for some DCO and FOC ANSO support. Our RY24/25 FTEs can be broken down to the sub-team level as follows: 0.8 FTE from Engineering, 1.1 FTE from Business Analysis, and 1.4 FTE from Architecture.

Although end of contract and extensions were anticipated, DCC was required to undergo a full competitive process and therefore scope of the procurement effort (i.e. full service) and overall timescales were higher than originally anticipated:

- Baseline was £0.034m for Design and Assurance, with total FTE expectation of 0.3 for architecture support.
- Actual spend for DCO Design and Assurance was total spend of £0.114m against total FTE of 0.9 across architecture, business analysis and engineering skills.

Looking forward to RY25/26, Design and Assurance activities in the future for SMETS1 are to support technical refresh items and system upgrades to maintain service and systems and also continue to support final SMETS1 migration as a key obligation for the industry. There is also the continuation of re-procurement activities including implementation. It should be noted that DCC are obligated to keep the SMETS1 service operational and performant until end of life (EOL) which is planned to be no sooner than 2029 and is not anticipated to be later than 2033. Therefore, it is anticipated that there will also be work required to prepare to future sunseting of 2G and 3G services and maintain overall performance as industry changes such as MHHS come onstream.

Securing Value for Money

The key focuses of the team have been DCO re-procurement, FOC ANSO re-procurement and migrating customers in the FOC and MOC cohorts.

DCO: Full detail on the re-procurement in section 1.9. The DCO programme is further advanced having progressed through the Treasury Green book process, a full competitive procurement activity and is now in implementation phase. Failure to re-procure these services would have directly impacted the stability and operation of SMETS1 meters affecting both DCC's energy customers and individual energy users, including pre-pay users. DCC have been able to demonstrate value for money from this procurement, the finally agreed charging was further validated through a benchmarking exercise.

The specific work completed by the Design and Assurance resources was to provide technical expertise and validation of the procurement activity including support of Business Case development, development of technical solution requirements, full bidder response validation and scoring, and support of contract negotiations. This included several collaborative supplier workshops to support design integrity (reducing the risk of rework at later stage) and ensure fully competitive proposals were submitted to DCC. This extra collaborative solutioning phase supported cost reductions in contract negotiations.

Following contract signature, the work required included review of design documentation to ensure solution integrity and completeness (specifically sixteen High Level Design documents) i.e. that the delivered solution meets DCC requirements and will provide the services and performance DCC has contracted for. The same design and assurance team also supports internal and external governance work, including solution validation across the SMETS1 service.

FOC ANSO: We are currently undertaking a competitive procurement activity at the time of writing. FOC ANSO re-procurement is receiving the same design and assurance support as the DCO re-procurement in RY24/25, but has not yet reached down selection and final bidder selection. This is expected to be completed shortly, with a full write-up to be included in the RY25/26 Price Control Submission. The procurement process has been supported by external benchmarking, customer engagement through SEC governance forums, and early regulatory engagement with Ofgem and DESNZ. The proposed solution is expected to deliver significant consumer value and maintain compliance with SEC and licence obligations.

We acknowledge Ofgem's position that re-procurements should be completed in time to avoid reliance on direct award extensions. In this case, however, the use of extension options within the existing DXC contract was a proportionate and risk-managed decision. It enables continuity of service while the newly procured solution is developed and transitioned and remains within the original contract's compliant extension rights. The extension also allows DCC to avoid stranded costs and ensures a smooth migration to a more flexible and cost-efficient solution, expected to go live by November 2026.

Other items planned for the year included provision for various technical refresh items and system upgrades to maintain service and systems and also continue to support SMETS1 migration as a key obligation for the industry.

During RY24/25, we supported the successful closed out the FOC cohort, providing technical and assurance advice. We are currently supporting our work with Utilita to complete the migration of the MOC cohort during RY25/26.

Future Considerations

A further consideration is that data volumes carried by the service are forecast to increase in the short to medium term and that peak volumes are expected to occur circa 2027, hence the continuing need for a focused programme of refresh and uplift to maintain the service.

Our forecast cost levels for 2026/27 reflect the above technical assurance activities and ensuring continuity of service and commercial optimisation in re-procurement.

1.3.3. Operations

Overview of variance

The Operations cost centres have multiple functions within the SMETS1 service. The service operations team provides incident, problem and change management expertise to ensuring that the live service remains stable, and data analysis support. Other teams such as in life change and lifecycle management have provided support across all the SMETS1 projects detailed in table 7 below.

A total of 7.5 FTEs were deployed on the SMETS1 programme from the Operations team. This can be broken down to the sub-team level as follows: Contract Management (1.6 FTE), Core Operations (0.5 FTE), Demand & Logistics (0.3 FTE), In-life Change (3.2 FTE), In Life Supplier Management (0.5 FTE), Lifecycle Management (0.6 FTE), and Service Assurance (0.8 FTE).

The two main teams contributing to the Operations resource costs within the SMETS1 service family are:

- Contract Management –just under 2 FTE across RY24/25 worked on SMETS1 contracts. These were primarily across the DCO re-procurement space, which was included in our baseline forecast, but also in maintaining existing contracts across 7 main suppliers.

- In-Life Change and Service Assurance – these teams manage the implementation of in life changes to services, providing project management expertise, service architecture and design, and transition and testing activities to ensure changes have a minimal impact to live services, and recharged just over 4 FTE to SMETS1 in RY24/25.

Scope of variance and key challenges

As mentioned in section 1.7, and 1.4.3 - there were various drivers to change including DCO re-procurement and the FOC ANSO project.

There were also some underlying SMETS1 migration assumptions which impacted operations resources, especially those in our migration control centre: the baseline assumed that, as per the DEZNZ direction in December 2023, the SMETS1 TMAD expiry date was 31 December 2024, with the different cohorts being completed during RY24/25. During October 2024, those assumptions were changed, with TMAD extended to December 2025 and additional migrations occurring in RY25/26.

Securing Value for Money

Operations provides support across the contract lifecycle. The teams also provide additional in-life activity including project managing in-life changes, liaising with, and performance managing our suppliers and ensuring the network is available.

The In Life Change team drives value for money through three primary mechanisms:

- Forward planning of SMETS1 changes – wherever possible combining individual changes into joint releases / test phases.
- Scrutiny of and challenge to individual change contracts (CR/PRs) with Service Providers. Coordinating cross functional reviews and eventual approvals once all parties are satisfied.
- Strong delivery management and governance, ensuring changes are delivered in the most efficient way, on time and without incident – demonstrated by the 93% right first-time metric across 24/25 in In Life Change – and a period of 0 incidents from June 2024 onwards.

Future Considerations

Operational activities in the future for SMETS1 are to support ongoing technical refresh items and system upgrades to maintain service and systems and also continue to support final SMETS1 migration as a key obligation for the industry.

It is anticipated that there will also be work required to prepare to future sunseting of 2G and 3G services and maintain overall performance as industry changes such as MHHS come onstream.

Overall, we forecast a fall in FTE utilised from the Operations team on the SMETS1 programme, falling to 2.27 FTE in our forecast for RY25/26 and 1.12 in RY26/27.

1.3.4. Security

Overview of variance

Security provides several roles to the SMETS1 programmes using internal and external resources:

- **Governance representatives:** Security provides resources at the programme/project governance level in forums such as PGBs.

- **Security architects:** They provided pre-contract and negotiation security support to align legal and security framework; they also provide security inputs during the implementation phase. Security architects also liaise with major security stakeholders outside DCC to align expectations and risks to the governing bodies.
- **Security Assurance:** They assure the implementation of the project align with the framework and security risk posture agreed by security architects and governing bodies
- **Security BCDR:** Business Continuity and Disaster Recovery provide oversight in the contract phase and during the implementation phase to ensure the platform conform with DCC expected availability SLAs.
- **Security Operations:** During the project implementation phases Security Operations focus on integration activities, they also provide technical support for certificate management and custom logging and monitoring setups.

Scope of variance and key challenges

During RY24/25 the security team mostly worked on three key programmes:

- DCO re-procurement
- FOC ANSO Re-procurement
- Tech refresh (albeit the impact of this work was minimal)

In FTE terms, we forecast 4.79 FTE was deployed on the SMETS1 programme from the Security function. Support is forecast to be provided on the range of SMETS1 sub-programmes from the Service Assurance team and Security Architecture and Assurance team. This forecast is an increased on the FTE utilised in RY24/25 of 1.6. This increase is due to the expectation of additional workload in RY25/26 relating to DCO re-platforming, and FOC ANSO renegotiation and other contract related activities.

The two main re-procurement engagements have seen a fundamental technology change that has required a constant security engagement during the procurement, design and implementation phases.

Procurement and negotiation mostly see the involvement of the security architecture team and some security assurance and BCDR involvement to evaluate proposals and ensure that all legal aspects include specific security requirements. Design and deployment see a wider engagement, always driven by security architecture, that extend to all aspect of security (assurance, BCDR, data protection, operations).

Due to the competitive nature of these re-procurement in some cases security also support contract negotiations aimed at specifically extending existing agreements. In these cases, security focuses on maintaining a good security posture in the late lifecycle stages of a technical solution/architecture.

Securing value for money

Security provides SEC Section G and Section F mandated activities via internal resources, only security testing and CIO (as per SEC) are outsourced. Internal resources interface with the programme and the security governance bodies to proactively align the design and build phases with DCC compliance obligations and to actively identify and suggest mitigation for security risks.

Future considerations

DCO plans to complete updates and re-platforming in RY25/26, the bulk of design and deployment activities should be completed in the first half of the year with security engagements reducing in the second half.

FOC ANSO plans to see the bulk of the negotiation and contract related activities in RY25/26. It is expected that the project will run into RY26/27 with constant and stable security engagement during most of the year, a specific detailed plan is not available at the time of writing.

1.3.5. Service Delivery

Overview of variance

The Service Delivery team play a critical role in ensuring the successful delivery of the SMETS1 portfolio providing structure, oversight, and accountability for projects from concept through to design and build and into operations. Service Delivery are responsible for defining project scope, developing detailed plans, involved managing budgets and timelines, coordinating cross-functional teams, identifying and mitigating risks, and ensuring alignment with business goals.

The cost variances relate to the following workstreams:

DCO: As part of the DCC commitment to delivering the highest quality outcomes for our customers, a strategic decision was made to adjust the project timeline for DCO. This allowed DCC to deliver a solution offering greater long-term value and reinforced the DCC focus on delivering impactful and sustainable results. Using contract FTE resource in this instance was decided to be the correct and most cost-effective solution as the resource could be hired for the specific duration of the project avoiding long term employment costs. The service delivery contract resources for DCO plans to be off boarded once the project is delivered in October 2025.

ANSO: As the ANSO project progressed a detailed understanding of the scope and complexity was uncovered. This dynamic process allowed DCC to highlight where additional Service Delivery resources would allow the project to maintain its momentum, safeguard quality and efficiently meet objectives to provide value for money for the consumer. Maintaining expert delivery support ensured that DCC were able to deliver a robust and effective outcome. In this instance it was decided that a combination of specialised contract resource coupled with permanent FTE resource was the best option to provide the optimal quality outcome combined with a lower annual cost which would ensure the most expedient solution while investing in internal capability which provided efficiencies during the lifetime of this project to date.

Scope of variance and key challenges

The RY25/26 variance of Service Delivery costs on SMETS1 is in the context of a zero Ofgem baseline, ensuring expert Service Delivery support for SMETS1 has enabled agile and well governed projects ultimately providing best value for DCC customers.

- 1 additional contract FTE resource was onboarded to support delivery of the DCO programme.
- 1 additional contract FTE resource was onboarded to support delivery of the ANSO programme.

Securing value for money

Service Delivery expertise brings structured planning, clear objectives, ordered governance and effective risk mitigation to all projects. By prioritising tasks and resources, project management reduces duplication of effort and ensures quality and timely delivery driving value for DCC customers.

Delivery resources were managed to be cost efficient using the following methodologies:

- Alignment of resources with key objectives to avoid unnecessary spend.

- Forecast demand and adjusted continually to prevent over-allocation.
- Shared resources and knowledge across teams and projects wherever possible.
- Benchmarking and use of KPIs to ensure a high level of skill to cost for delivery personnel.

Future considerations

The forecasted 3.92 FTE in RY25/26 to be utilised by the SMETS1 programme from the Service Delivery team falls to 2.00 FTE in RY26/27 once the DCO project is delivered and live and resource is no longer required.

1.3.6. Testing

Overview of variance

Testing resource variance is driven by the allocation of test assurance resources to SMETS1 projects. Test Assurance resources have supported the DCO Re-Procurement and FOC ANSO projects through procurement activities, actively participating in developing business cases, supporting the definition and review of functional and non-functional requirements, and providing testing SME input into define testing related RFP content and assess bidder responses in order to support the selection of a preferred bidder.

Across all other SMETS1 workstreams throughout RY24/25 test assurance resource has been allocated to support our required testing and assurance activities for the Pre-Integration Testing (PIT), Systems Integration Testing (SIT) and System Capacity Testing (SCT) Test Phases.

Scope of variance and key challenges

Test Assurance resources have been allocated to SMETS1 workstreams throughout RY24/25 in order to support the delivery of required assurance activities, including:

- the definition and review of functional and non-functional requirements
- the definition and agreement of mandated testing artefacts
- the definition of the test approach and scope of testing to be conducted by service providers
- agreeing the testing approach with the Testing Advisory Group sub-committee of the SEC Panel
- assuring that service provider testing artefacts such as test plans, test specifications, and test traceability matrices align with the agreed approach and discharge the required scope
- monitoring and assuring service provider test execution through a risk-based sampling of test witnessing and test evidence review
- supporting testing issue (defect) resolution
- managing changes to testing approach and scope
- assuring the results of testing by assessing against test phase completion criteria as defined in the associated governing regulatory testing approach artefact
- agreeing test phase completion for PIT, SIT and SCT phases through the mandated governing bodies – the Test Assurance Board (TAB) and the Testing Advisory Group (TAG).

In FTE terms, 2.0 FTE from the Testing Services function were deployed on the SMETS1 programme. The Testing Services team provided support across a range of sub-programmes – most materially FOC Stabilisation and Maximising Migrations.

Securing value for money

Test Assurance has assigned experienced resources to the SMETS1 workstreams, leveraging experiences from earlier implementations. This has allowed that the test assurance activities to be conducted effectively with a smaller headcount than would normally be expected, with a commensurate reduction in resource costs.

Future considerations

Test assurance resources are essential throughout the project lifecycle, ensuring the quality of test basis artefacts, defining and agreeing testing approaches, and securing governance approvals from internal and external stakeholders. DCC's Test Assurance team will continue to drive resourcing efficiency by leveraging experience from previous implementations.

Looking forward, we forecast an increase in FTE employed from Testing Services function to 4.83 FTE in RY25/26 and to 5.10 FTE in RY26/27.

Testing Services

Following a SMETS 1 consultation last year for the closure of MDUST which allowed parties to test the interactions between their own system solution and the systems and processes used by the DCC to migrate SMETS1 installations. This service for the FOC cohort was agreed to be closed in November 2024 as part of the wider Device and User System Testing (DUST) service. DMCT however, will continue to remain open as a service once the final users have migrated their devices in the production network.

Eligibility Testing as a testing service will continue to remain open for new users who are onboarding with DCC and BAU resources will continue to support these services.

1.4. Drivers for Internal Cost variance – Payroll RY26/27 only

There are no sub teams with material variances in this year.

1.5. Drivers for Internal Cost variance – Non-Resource

The area that accounts for the majority of the non-resource variances across the three years shown in the table below is the continuation of the migration support work from [REDACTED] covering the following services - S1MRS & SDMR and a Critical Software Technical Audit.

Variance	GL		RY24/25	RY25/26	RY26/27
S1MRS & SDMR	IS	£m	0.024	0.580	0.336
Critical Software Technical Audit	ES	£m	0.314	-	-

Table 10 – RY24/25 SMETS1 non-resource variance

1.5.1. S1MRS & SDMR

Drivers for Change

The requirement for an extension of the [REDACTED] is intrinsically linked to the SMETS1 Migration Programme. Under this Contract, the following critical migration services are hosted in the [REDACTED] and provided to DCC by [REDACTED] as managed services:

The SMETS1 Reporting Services (S1MRS) - created for the monitoring and reporting of all SMETS1 Migrations in accordance with regulatory requirements.

SMETS1 Dormant Repository Tool (SDMR) - also created for monitoring and reporting SMETS1 Migrations in relation to Dormant Meters in accordance with regulatory requirements.

The enduring agreement was due to expire on 30 April 2024, with industry consultation (TMAD) dictating that SMETS1 migration activity would continue through to the end of 2023 before completing by 31 March 2024. However, it became apparent that the SMETS1 Migration Programme would not complete prior to expiry. Upon further consultation, these Services were then required until the end of the SMETS1 Migration Programme. This was projected to be in September 2024 and was CAN065.

An additional review was undertaken in October 2024, with a view to amending the TMAD further. It soon became apparent that these services were required beyond that expiry date; the SMETS1 Migration Programme is now scheduled to complete mid-2025.

DCC utilised an 'interim' extension of the SMETS1 Services which was subsequently extended twice through CAN068, CAN069 and CAN070. This was to ensure the availability and quality of the services, continuing the support for the SMETS1 Migration Programme, whilst enabling flexibility as DCC worked with Utilita/MOC and DESNZ to ensure to only extend services required on the revised migration timeline.

Scope of Change

The Service Scope and T&Cs were sustained throughout the period and did not differ materially from the enduring contract. The pre-existing Service Components were therefore extended, those being the SMETS1 Reporting Services (S1MRS) and the SMETS1 Dormant Repository Tool (SDMR) exclusively. The Scope was merely to extend the provision of these Services and deliver upon DCC's obligation to continue to provide it.

DCC had considered outsourcing to a new third-party organisation, however due to the relatively short remaining life required (with the SMETS1 Migration Programme having not been expected to endure for this period) of these services and the need to procure, establish and test new systems, it represents less risk to the migration progress and is more cost effective to continue these services with Capita.

In the case of S1MRS and SDMR respectively, it is a regulatory requirement that DCC produces this reporting for SMETS1 meters; failure to do so could actively jeopardise the SMETS1 Migration Programme and result in industry-wide delays, incurring greater external costs across the whole ecosystem.

Securing Value for Money

The Contract Management Team, along with the wider Design, Build, Run (DBR) business functions have sought to maximise the value for money DCC receives for the enrolment/migrations services received through all respective Service Providers. DCC has avoided the potential for cost increases and secured the continuation of these Services as dictated by the stipulations of the TMAD. Given the criticality of these services to the ongoing SMETS1 Migration Programme, it was of paramount importance that DCC ensured the availability and quality of the Solution; it is a success that DCC has been able to negotiate an extension on the same terms from this bargaining position.

Future Considerations

As discussed in the previous sections of this submission, the requirement for this Service is wholly driven by consultations with industry, which dictate the timeline for the Test and Migration Approach

Document (TMAD). The Contract Term is strategically and fundamentally aligned with the roadmap for the SMETS1 Migration Programme, therefore S1MRS and SDMR will no longer be needed once that workstream completes.

DCC shall continue to work collaboratively with industry to monitor the progress of SMETS1 Migrations and consult key stakeholders as appropriate. There is no future approval anticipated for the 'Apps & Hosting' Contract.

1.5.2. Critical Software Technical Audit

DCC embarked on a programme of work to explore the compliance of one of our FSPs [REDACTED] in regard to their compliance with their contracted obligations. This work was triggered by their late submission of their statutory financial accounts back in 2023. DCC conducted this work under a newly created programme under the title of Sapphire.

DCC sought to verify the compliance of the supplier against their contractual obligation by invoking two remedies available in the supplier's agreement – these being the right to conduct an Audit and a Software Verification exercise.

DCC has the right to conduct an Audit as set out in Part A paragraph 1.1.2 of Schedule 8.4 (Records and Audit). DCC sought to focus in on the technical and contractual compliance aspects. The largest element of this being the technical investigations. Furthermore, as part of the supplier making deposits into an escrow account DCC has access to from NCC Group (formerly National Computing Centre), DCC has the right to conduct a software Verification Exercise, as set out in Schedule 5.3 (Escrow) paragraphs 3.¹ This exercise seeks to verify, analyse and test the source code materials deposited into escrow.

To ensure this work was conducted economically and efficiently, DCC sought to follow an approved procurement route via a Competitive Procurement Process via Request for Proposal (RFP) issued to three pre-existing suppliers, given the need to for insight and expertise of suppliers who are already extremely familiar with smart metering in the UK and the responsibilities on DCC through their licence and more generally the Smart Energy Code (SEC).

Due to the criticality and time sensitivity of these requirement, the procurement process was condensed into two stages:

- Stage 1 – The RFP was issued to Bidders. Clarification questions were received and responded to by the evaluation team. The submitted proposals were evaluated and scored against the scoring criteria outlined below. Bidders were requested to submit the Best and Final Offer (BAFO) as part of the initial bid.
- Stage 2 – Following the evaluation of the submissions, DCC will award to the highest scoring Bidder once the necessary approvals have been obtained.

The received bids were evaluated on both commercial and quality basis, with Critical Software (CSW) being selected as the bidder to carry out the technical audit and the software verification exercise.

The work resulted in a series of findings being recommended back to DCC, none of which highlighted any material non-compliance. DCC is working with [REDACTED] to ensure the agreed priority recommendations are addressed fully before the end of Q3 2025.

¹ An escrow account is part of a contractual arrangement where a third party (the escrow) holds and manages funds on behalf of transaction parties.

1.6. Drivers for Internal Cost variance – Non-Resource RY26/27 only

This section is not applicable due to no cost variances in RY26/27.

1.7. Drivers for External Costs – CRs and PRs

There are two main areas of external change spend that we are focusing in for this section:

- The testing and change support with [REDACTED] – various PRs
- Market-wide Half Hourly Settlement programme costs with [REDACTED] – CR4879

The rest of this section provides the details on each of these.

1.7.1. [REDACTED]

Overview of variance

The activity with [REDACTED] comprises primarily of two avenues: test support for major projects (SEC Releases, MHHS) and delivery of 3 key pieces of new functionality.

Scope of variance and key challenges

We set out the smaller value project requests in the following table, followed by more information on our larger change and project requests.

Scope of variance & key challenges	Securing value for money	Future considerations
PR7810 SIT preparation for June 25 SEC Release	£0.012m spend, Time and materials PR to provide only necessary supporting activity for the SEC Release testing	There will be continued need for all service providers (including trilliant) to support SEC Release testing.
PR7660 SIT preparation for the MHHS MDR Role release	£0.012m spend, covered by the MHHS Programme budget	One off activity to support a major project release
PR7811 MHHS MDR Role Build and PIT testing	£0.110m fixed price spend to deliver key MHHS programme functionality	One off activity to support a major project release
PR7883 November 2024 SEC Release SIT Preparation cover	£0.017m spend, Time and materials PR to provide only necessary supporting activity for the SEC Release testing	There will be continued need for all service providers (including trilliant) to support SEC Release testing.
PR8022 Testing support for August Maintenance Release	£0.005m spend to ensure successful testing of the contents of the Maintenance Release	There will be continued need for service providers (including trilliant) to support maintenance releases (contents depending)
PR8021 – Support DXC to upgrade their PKI	£0.012m to support DXC in upgrading their SIT-B environments private key infrastructure	One off required support activity to support a change

Table 11 – Scope of SMETS1 external costs variances and key challenges

PR7457 - £0.415m for FOC Migration Failure Remediation (INC000000866938)). Recovering 'bricked (non-communicating) devices. During the migration of FOC devices to DCC's eco-system a small but still significant number of devices resulted in a default exception error. Circa 3,000 devices were identified as effectively being left in a limbo state, having failed to complete migration, but also not managing to roll back correctly to their previous SMSO state with their Supplier. If a solution was

not identified, the smart functionality of these meters could not be used including meter top ups for pre-payment customers.

One solution would have been to swap these devices for new devices at a cost of c. £700 each (industry standard used at the time), resulting in a potential £2.100m cost to any impacted Suppliers. Working together with Trilliant and DXC, DCC delivered a script to the Production environment capable of interrogating each device, and combined with past log information, and was able to re-establish contact with the device, before successfully completing its migration to DCC. This work was essential to ensure we could close out the FOC migrations.

CR4879 - £0.466m (in this FY) to deliver various changes in support of the MHHS programme and the required enhancements to enable it. The details of which cover architectural changes to support scheduling of one of the consumption related Service Requests (SRVs) and the creation of the data caching solution. This has been agreed under the Ofgem direction to uplift capacity to support MHHS and was commercially agreed with DCC and Trilliant. This activity plans to continue through RY25/26, concluding in October 2025

PR7835 - £0.199m Alignment to MI Spec v70.4 to support the work required to deliver the MDR role in time for Elexon Programme testing in UIT-B, March 2024. Due to the introduction of the new MDR role as part of the MHHS Programme, there was a need to uplift the Management Interface Specification to v70.4 from the previous version of v70.3. Without this uplift, the required testing by external Industry parties under the Elexon lead MHHS Programme, would not have been able to include SMETS1 meters within FOC. The estimated costs for this work were reviewed within the bounds of the overall Ofgem Business Case for MHHS and were within budget.

1.7.2. MHHS Change Requests

We describe the material Change Requests (CR) and Project Requests (PR) that incurred costs of more than £1.000m in RY24/25 in the SMETS1 cost centre. The two material changes relate to the MHHS programme of work, please refer to the MHHS chapter of this submission for the detail.

Unique ID	Programme chapter	Title
CR4879	MHHS	Capacity Uplift Associated with MHHS
CR4879	MHHS	Capacity Uplift Associated with MHHS

Table 12 – SMETS1 MHHS CRs and PRs that had material variances in RY24/25

1.8. Drivers for External Cost - Dual Control Organisation (DCO) – Re-procurement

1.8.1. Introduction

What is the DCO?

The SMETS1 Dual Control Organisation (DCO) is an application that sits at the heart of SMETS1 security and is fundamental to providing a stable and secure platform for the 11.7m SMETS1 meters on DCC's network. It is designed to help detect if a SMETS1 Service Provider (S1SP) is compromised and to prevent mass meter attack, using anomaly monitoring and cryptography. It provides Key Management and a 'Detect and Prevent' mirroring service to remove the SMETS1 Service Provider (S1SP) as a single point of compromise for SMETS1 smart meters, enabling a stable and secure platform for the SMETS1 service. The DCO services are classified as Fundamental Service Capability (FSC).

Background

As stated in prior Price Control submissions, following the work to transition the hosting services from [REDACTED] to [REDACTED] in late summer of 2022, activities in RY23/24 were then focussed on finalising a number of CRs to introduce changes which were not possible to include at the time of the initial transition. The move from [REDACTED] to [REDACTED] given the urgency and nature of the service continuity risk present at the time, meant the change was largely a “lift and shift” approach, maintaining as much as possible of the previous solution, but recognising that there were some limitations in making the move.

Furthermore, DCC sought to re-baseline the contracts with [REDACTED] and [REDACTED] given the need for both service providers to work together in order to deliver the service outcomes DCC required for both DCO Hosting and Service Management.

At the end of 2022, following industry consultation, the expected end date for SMETS1 migrations and the resulting decommissioning of the Requesting Party Services the DCC, sought to make changes to the service, both contractual and resource-related, from the three Service Providers and manage them in our standard manner.

As Ofgem will know we also initiated work in RY23/24 to competitively re-procure the DCO services.

The move from [REDACTED]'s on-premises hosting solution to the new hybrid cloud hosting solution as set out below, will preserve the original technical scope of the solution that would have materialised, if we had moved directly from the [REDACTED] hosting solution to the new hybrid cloud solution

The DCO service was supported by three contracts (see table below). All three were coming to the end of their term and needed to be re-procured.

Supplier	Service Description	Contract Expiry Date	Termination Assistance Period
[REDACTED]	providing the Hosting Platform and Data Centre Operations for the DCO and CP applications	31 March 2024	Maximum of 16 months
[REDACTED]	providing Service Management and Integration (Managing Agent), as the Application Network and Security Operations provider (ANSO) for the DCO and CP applications	31 October 2024	Maximum of 24 months
[REDACTED]	providing Application Support and Maintenance for the DCO and CP applications and Representative Test Environment (RTE) for DCO	31 October 2024	Maximum of 24 months

Table 13 – SMETS1 DCO contracts

1.8.2. Contract re-procurement

Drivers for Project

The main objective was to maintain service continuity, stability and cost-effective operations of the SMETS1 DCO service through to the end-of-life point projected to be during the window of 2029-2033. The DCO comprises three service contracts which include: Hosting; Management Services and Application Support (as set out in 1.7). Following the collapse of a [REDACTED] provider in 2022, a direct award was made to [REDACTED] for the provision of emergency hosting services to ensure there was no interruption in the service. Ofgem has since instructed DCC to re-procure these services as a priority.

Failure to re-procure these services would have directly impacted the stability of operations of SMETS1 meters affecting both DCC's energy customers and individual energy users, including pre-

pay users. Given the FSC classification, DCC is required under its Licence to competitively procure replacement contracts.

Scope of Project

The scope of the project was to re-procure the three contracts that were due to expire in 2024. Due to both the anticipated contract value and FSC classification, the project was subject to the HM Treasury Green Book Business Case process.

The preferred option set out in the OBC was to conduct a restricted competitive procurement, using the current infrastructure but with flexibility to scale the capacity up or down. The restricted nature of the procurement would minimise risks to customer operations and achieve the fastest possible operational service commencement date. This option was supported by DCC customers who indicated that they are content with the existing DCO provision and would not want to see significant changes to a stable service but would welcome a design with improved flexibility/scalability.

A Requests for Proposal (RfP) was issued to nine suppliers currently involved in the delivery of live services to DCC. The term of the agreement was structured to align with SMETS1 End of Life, comprising an initial term of circa four years (expiring March 2029 to align with [REDACTED] SMETS1 agreement) with optional extensions to December 2033 (the maximum envisaged term for SMETS1). The services were offered to the market in three lots, as set out in the table below.

Lot	Service	Description
Lot 1:	Application Hosting	Secure hosting of the DCO system on a scalable, cost-effective platform.
Lot 2:	Secure hosting of the DCO system on a scalable, cost-effective platform	Operational management of the DCO, including monitoring and issue resolution
Lot 3:	Application Maintenance	Support & maintenance for bespoke DCO software.

Table 14 – SMETS1 DCO procurement lots

A total of two proposals were received for each Lot. Following evaluation, scoring and moderations, a Collaborative Solutioning stage was undertaken to enable bidders to work together and further refine their proposals, improve value-for-money and provide greater confidence in each of the bid responses. This exercise reduced the cost for the eventual preferred bidders' solution by £2.700m (3.5%) in aggregate.

After scoring and moderation of the proposals, [REDACTED] was selected as the preferred bidder for Lots 1 and 2 (application hosting and management services), and [REDACTED] was selected as the preferred bidder for Lot 3 (application maintenance). Following this there were parallel activities to:

- Undertake a series of workshops with the preferred bidders to ensure that solutions and implementation plans were fully aligned across all Lots and to negotiate contracts that offered value for money and were capable of signature. As the two preferred bidders were incumbent suppliers for DCO, DCC took the opportunity to streamline the contracts by consolidating the maintenance of the existing solution (up to the point of go-live of the new solution) and the development and operation of the new solution under a single agreement.
- Draft and obtain non-objection to the FBC from DESNZ.

In support of the procurement strategy, DCC commissioned an independent benchmarking exercise with Information Services Group (ISG) to validate the competitiveness of the preferred bidders' proposals. This analysis compared the operational charges and labour rates against a representative cross-section of industry data points, confirming that the selected solutions were priced below market averages across all three lots.

The benchmarking results provided further assurance to DESNZ and Ofgem that the procurement outcome represented strong value for money for consumers. This exercise, combined with collaborative solutioning and commercial negotiation, contributed to a total operational cost saving of £17m over the initial contract term.

DESNZ provided non-objection to the FBC on 19 December 2024, and contract signature followed on 23 December 2024.

Securing Value for Money

Value for money was a key consideration throughout the project. The procurement process was designed to ensure that competitive tension was maintained and to provide bidders the opportunity to present cost efficient options. The primary mechanisms for this were:

- Ability for bidders to offer a price for combined lots. This strategy was designed to ensure that bidders could select to bid for the elements of the service that they are able to deliver, whilst also enabling DCC to benefit from lower pricing that they may be able to offer due to either mutualised resources or discounts.

Collaborative solutioning prior to selecting preferred bidders for each lot. This resulted in:

- An additional savings of £2.700m for the preferred bidders' solutions.
- Resolution and understanding of technical clarifications which in turn provided greater assurance in the preferred bidder's ability to deliver.
- Agreement of a high-level delivery plan that was not contingent on the preferred bidder ordering hardware prior to contract signature.
- Addressed concerns with bidders' solutions which provided greater confidence in delivering a high-quality technical solution.

Collaborative solutioning post selection of preferred bidders for each lot. This resulted in:

- Further mitigation of risks totalling £5.000m.
- Confidence that the preferred bidders' solutions and implementation plans were complimentary and would not result in issues during the development or operational phases.

Results of re-procurement process:

Lot	Service	Successful bidder
Lot 1:	Application Hosting	[REDACTED]
Lot 2:	Secure hosting of the DCO system on a scalable, cost-effective platform	[REDACTED]
Lot 3:	Application Maintenance	[REDACTED]

Table 15 – Results of DCO re-procurement process

The list below sets out how procurement outcome demonstrated value for money:

- An external benchmark of the bidder's proposals by ISG determined that the Lots 1, 2 and 3 combined pricing is 11.2% below mean and represented good value for money compared to the market. Furthermore, each lot in isolation was below the mean, with Lot 1 at 9.8%, Lot 2 at

11.4% and Lot 3 at 13.5% below market mean, respectively. We secured operational charges saving of £17m over the initial term compared to the existing solution.

- The consolidation of Lot 1 and Lot 2 services under a single service provider () simplified the service design which created operational and commercial efficiencies. The costs had been modelled on 1.6bn Service Requests, and DCC negotiated a cost-effective scaling mechanism by:
 - Obtaining a 23% discount for additional AWS outpost services and 9% discount for AWS regional services. These components represent 68% of the Lot 1 operational charges.
 - () mark-up on third party services is capped at 10%
 - () labour charges for Lot 2 (representing 76% of the Lot 2 charges) will not increase by more than 10%, no matter how significantly volumes increase.
- DCC has negotiated the following protections for price increases for the Optional Extension Periods:
 - Where () has recovered the costs for third party services within the initial term, but the term of those services extends beyond the initial term (e.g. AWS infrastructure), () will provide these services free of charge for the remaining period during the first optional extension year.
 - () charges will not increase by more than CPI for the first two optional extension years, and for the third year, they will be benchmarked and only subject to an increase of 10% below the market mean average.
 - () Charges will not increase by more than CPI for the optional extension years, subject to volumes being like-for-like and excluding technology refresh.
- Infrastructure sizing - hosting infrastructure has been sized to meet 1.6bn SRVs, and based on a 5-year commitment, unlocking a further 17% discount than could be achieved based on a 3-year commitment. This is on a no-regrets basis as service requests are not anticipated to fall below 1.6bn during the initial term.
- Price Protection: c79% of the combined Lot 1 and 2 Operational Charges are fixed if SRVs do not exceed 1.6bn, subject to:
 - Abnormal Service Users behaviour e.g. changing the mix of SRV, as each has a different message size.
 - Abnormal Service Provider behaviour e.g. sending excessive loads over a short period of time.

The impact of changes in volumes for all variable costs' items other than AppDynamics is anticipated to be low.

The table below sets out the total charges for the Initial Term (December 2024 – March 2029) for (). The values are based on an assumed volume of 1.6bn SRVs for the new DCO solution. Lot 3 is fixed price and not impacted by changes in volumes.

Lot	Phase	Total Charges for the Initial Term (£m)	FY 24/25 Charges (£m)
1	Existing Solution – Operation		
1	New Solution – Development		
1	New Solution – Operation		
Total			
2	Existing Solution – Operation		
2	New Solution – Development		
2	New Solution – Operation		
Total			
3	Existing Solution – Operation		
3	New Solution – Development		
3	New Solution – Operation		
Total			
Grand Total			
Note: +/-0.1m due to rounding.			
*Includes Lot 2 development charges. Capgemini won both lots, therefore the contract has a milestone payment regime that consolidated the development charges into a single set of milestones			

Table 16 – DCO price breakdown by Lot

Future Considerations

As set out in the value for money section above, DCC has secured favourable commercial terms for scaling the solution and optional extension periods. Quarterly volume forecasts will be provided to the DCO Service Providers by DCC to enable timely impact assessment and mitigate any service degradation/continuity issues.

Furthermore, the contract term has been structured to align with the SMETS1 end of life strategy. This minimises regrettable spend and ensure that flexibility is maintained (via optional extension periods) to ensure service continuity.

1.9. Drivers for External Costs

1.9.1. DCO overview

As set out above, the SMETS1 DCO went through a re-procurement exercise during RY24/25. During this time the existing service providers needed to continue to provide their contracted services.

The table below sets out the incurred operating or enduring costs for each of the Service Providers, as compared to the baseline costs.

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
DCO		S1_DCOa	14.693	14.733	(0.039)
DCO		S1_DCOc	4.810	5.276	(0.466)
DCO		S1_DCOb	2.787	2.757	0.031
Total			22.290	22.766	(0.476)

Table 17 – RY24/25 DCO operational costs

As per the table above, the level of incurred costs across all the SMETS1 DCO Service Providers was above the baseline, by £0.480m. The key variances were with Capita. The rest of this section sets out the evidence as to why such costs were economic and efficient.

1.9.2. S1_DCOc - [REDACTED]

Overview

There were several critical changes which increased the incurred costs for the provision of the hosting solution for DCO (S1_DCOc), with [REDACTED] which were as follows:

MHHS programme:

- CR4879
- PR7854

Thorntail/Quarkus upgrade (testing, resource support, reporting, additional servers):

- PR7913
- PR8034
- PR8120

Entrust support for Hardware Security Modules (HSMs):

- PR7945
- PR7995

Technology Refresh (disk sizes, additional servers, decommissioning, mounting):

- PR8053

Securing Value for Money

Throughout the Regulatory Year, DCC became aware of further operational requirements which were needed to augment and future-proof the DCO Service. As is standard practice, DCC observed these requirements in real time, identifying the need to adapt or enhance the solution ad-hoc. The motivation for changes in the period can broadly be attributed to three items; supporting industry-wide programmes as mandated, facilitating vendor support for the Managing Agent – [REDACTED] and ‘tuning’ the service to ensure that capacity thresholds are relative to [REDACTED]’s operational SLAs.

CR4879 and PR7854 - MHHS is an industry first, and a collaborative programme which is mandated by Ofgem. The outcome of MHHS plans to be faster, more accurate settlement process for all market participants, introducing site-specific reconciliation using half-hourly meter readings. This will be a key enabler to a smarter, more flexible energy system and is vital in aiding the nation’s transition to Net Zero. As part of this Programme, OFGEM have identified the need for significant capacity uplifts to ensure the smooth implementation of the service. [REDACTED] approached [REDACTED] the Hosting Provider for the DCO Service, to provide the infrastructure support required to enact the work package. Specifically, several servers were built, deployed and handed over to [REDACTED]

PR7913, PR8034 and PR8120 – There is an ongoing Thorntail Replacement project, whereby the application server software is being replaced by Quarkus. The support package for Thorntail had diminished and was considered End of Life; it is a DCC requirement for Open-Source Software to have an active and robust support community, mitigating the risk around the suitability and robustness of the support model. As such, [REDACTED] were engaged to perform a variety of work items to enable this upgrade. Configuring and installing Virtual Machines (VMs) with increased storage prior to decommissioning those that were replaced, [REDACTED] resources were also engaged to be on hand to support [REDACTED] during the cutover period and testing windows.

PR7945 and PR7995 – The [REDACTED] workstream for the Thorntail Replacement project required vendor support and license files for Hardware Security Modules (HSMs) prior to their deployment in the User Integration Testing (UIT) and Production (PROD) environments. The support for these items was set to expire and so this would place their functionality at risk. [REDACTED] were therefore utilised to procure support from the established third-party vendor: Entrust. This was a continuation of the support agreement already in place, prompted by [REDACTED] sequencing and timescales for the overall project.

PR8053 – [REDACTED] were required to work with [REDACTED] to upgrade the technical infrastructure which was due to be out of service. This would put the live DCO service at risk, as well as preventing service providers from identifying and avoiding security vulnerabilities. [REDACTED] deliverables were to increase disk space for impacted servers, build additional servers to support the implementation of a new cybersecurity software, decommissioning superfluous servers that were no longer needed and starting the installation process for a new operating system. Without [REDACTED] engagement in provisioning these additional service enhancements, the service quality and availability would have been at risk.

Future Considerations

Following Ofgem's ruling that the DCO service is considered a Fundamental Service Capability, DCC were not authorised to extend the agreement after 31 March 2024. Nevertheless, it was paramount that this piece of critical national infrastructure was not compromised. To mitigate the risk to the security of the Smart Metering Network, which the implementation of the DCO Service protects, DCC invoked Termination Assistance for this Service Component exclusively. The incumbent provider has an obligation to continue to provide the service, with no material impact on service performance whatsoever, whilst ensuring the run costs remain at the stable, pre-agreed rate. Moreover, the period of Termination Assistance allowed DCC to undertake a comprehensive, economical re-procurement of the DCO Service.

As discussed above, the procurement process is now complete. The new agreement has been signed with the incoming DCO Hosting Service supplier: [REDACTED]. Throughout the transitional period [REDACTED] continues to safeguard the quality and stability of the service, working collaboratively with [REDACTED] and DCC to ensure the exit/implementation period runs smoothly. Above all else, it is important that the service is maintained for the full duration. Thus, the volume of change has decreased significantly in relation to the DCO Service; amendments to the solution are only made when absolutely necessary, for instance the capacity modifications mandated by the MHHS Programme. It is anticipated that no similar upgrade costs will be incurred in the coming Regulatory Year; the DCO Service is scheduled to fully transition to [REDACTED] in Q3 of RY25/26, at this point the engagement and subsequent costs with [REDACTED] will halt completely. It is important to note that we have taken action as soon as possible in response to Ofgem's price control decision in February 2025 on this area (by which time most spend in RY24/25 had already been incurred). We have made efforts to move away from [REDACTED] as quickly as we could.

1.9.3. S1_CSP_1 – Vodafone

Overview

The contract that DCC has with [REDACTED] for Communication Service Provision (CSP), was signed back in May 2019 and has a commitment through to 31 March 2029, supporting 7.5m devices across the IOC and FOC estates.

Total External Costs incurred for Vodafone for RY24/25 was as follows:

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
S1CSP		S1_CSP_1	18.918	28.424	(9.506)

Table 18 – RY24/25 SMETS1 Vodafone costs (total)

The table below sets out the incurred operational costs for [REDACTED], as compared to the baseline costs.

Category	Baseline (£m)	Incurred (£m)	Variance (£m)
CR5205 (testing charge)	-	0.095	(0.095)
Enduring	-	0.278	(0.278)
Overage	-	9.500	(9.500)
SIM Charges	18.146	17.622	0.524
MPLS	0.400	0.233	0.167
CR4933	0.361	-	0.361
CR5205 (ongoing operational charge)	-	0.431	(0.431)
PR7272	-	0.190	(0.190)
PR7752	-	0.023	(0.023)
PR7937	-	0.045	(0.045)
PR7974	-	0.007	(0.007)
PR4879	0.011	-	0.011
Total	18.918	28.424	(9.506)

Table 19 – RY24/25 SMETS1 Vodafone costs (operational costs)

As per the table above the material items accounting for the variance to baseline were overage and SIM charges (these are explained below). Three of the PRs/CRs also added to the enduring costs – those being CR5205, PR7272 and PR7752. Although PRs are not usually reported under enduring costs, the associated enduring element of the PR has been reported to the related PR than as new CR.

There were four items under new scope, none of which were material.

CR/PR ref	Baseline (£m)	Incurred (£m)	Difference (£m)
CR4879	0.011	-	0.011
CR5205 (testing charge)	-	0.095	(0.095)
PR7937	-	0.045	(0.045)
PR7974	-	0.007	(0.007)
Total	0.011	0.147	(0.136)

Table 20 – RY24/25 SMETS1 Vodafone costs (new scope)

Driver for change

DCC pays a Subscriber Identity Module (SIM) access charge per SIM per calendar month (pcm). DCC sends customer SRVs across the cellular network as either Short Message Service (SMS) text messages or as data messages. Each SIM has an allocated amount of SMS and data traffic included in the monthly charge. When the original contract was agreed in 2019, analysis was conducted to establish the volume of message traffic being generated by each comms hub in the IOC and FOC cohorts. Historical data was used to determine that on average a Comms Hub would generate 92 messages per month therefore the agreed figure of 150 messages per month was deemed as sufficient as it provided headroom of 63%.

Overage is charged when the amount of usage exceeds the monthly permitted SIM threshold. Since the contract signature the volume of SMS traffic has increased by over 40% and we are predicting an increase of over 200% by 2027. This increase in SMS traffic was due to a change in behaviour of service users. Over the time period the following behaviours have been observed:

- Users making increased requests for meter readings
- Users offering new services that utilise Smart Meter data such as those offered N3rgy
- Distribution Network Operators (DNOs) increasing their use of the SMETS1 network
- In addition to this, changes to the SEC have also driven increased traffic since the contract signature. These changes to the SEC were not known at the time.

Securing Value for Money

DCC first started to incur overage charges in October 2022 and due to the low absolute value of these the total cost was within forecasted levels. In October 2024 [REDACTED] highlighted to DCC a clerical error in the rate they had been invoicing, meaning they had undercharged for overage since it was first incurred by a factor of 100 - charging £0.0001 instead of £0.01 - as set out in the contract. [REDACTED] corrected this error and issued an invoice to DCC for the historic under billing for the period 1 October 2022 to 31 January 2025 totalling £86.800m. From February 2025 the ongoing cost of overage, based on the existing contract rate and the expected volumes of traffic, was forecast to be £3m pcm - these figures were not factored into DCC's annual business plan. We had forecast £0.030m pcm which was in line with the historic invoices received from [REDACTED].

DCC swiftly entered negotiations with [REDACTED] to challenge the value of the historic overage charges and the contractual rate for overage. This negotiation achieved several positive outcomes:

- [REDACTED] accepted that the value DCC will pay against their legacy claim of £69.300m (charges relating to period prior to 31 September 2024) is £0.
- [REDACTED] accepted the DCC position of a cure period and proposed charges of £9.500m for the period 1 October 2024 – 31 March 2025. If [REDACTED] were to bill as per the contract the value for this period would be £23.600m (noting that this value includes a projected cost for c.£3.000m pcm for February and March 2025).
- A reduction in the price per SMS for SMS overage of 70% from 1p per SMS to 0.3p per SMS. This is fully variable based on volumes
- An increase of 8p per SIM to the monthly access fee (37p total). This is to reflect the introduction of an aggregated tariff (SMS and data). This is variable based on the number of smart meters on the network.
- An introduction of network services charge. This is a fixed charge.

By opening up the existing contract DCC has achieved a significant saving on the previously under invoiced rates and future charges. It should be noted that although the newly agreed position has increased the overall cost of charges for the period 2025 – 2029 when compared with DCC's annual business plan, if DCC had not re-negotiated the contract with [REDACTED] and had paid the original contract rates, the total cost for the same period would have been significantly more as illustrated in the below table.

£m	25/26	26/27	27/28	28/29	Total
DCC's annual business plan	19	18	18	18	74
Forecast at contract rate	83	99	94	78	355
Forecast at new rate	37	48	48	42	175

Table 21 – SMETS1 [REDACTED] overage contract rates versus new rates

DCC has also implemented some technical changes to reduce overall traffic on the network. These are outlined below

- FOC retry optimisation - delivered 27% reduction in SMS volume.
- IOC short retry optimisation - delivered 23% reduction in SMS volume.
- IOC long retry optimisation - expected to be delivered April 2025 (Maintenance Release) - estimated to deliver a further 25% reduction
- MOC 4.10 optimisation - reduced SMS on 4.10s from 3 to 2 per 4.10.

In addition to technical changes, DCC is actively engaging with customers and DNOs to reduce their interactions that drive traffic across the network. It should be noted though that DCC cannot mandate customer changes in behaviour. Therefore it is only through engagement and consultation that customers may change some practices over time.

Future Considerations

As outlined above DCC has secured a significant reduction in the charges to Vodafone moving forward, agreed how the messages are aggregated and have reduced future overage charge rate, so in the event overage is breached in the future the charge will be significantly lower than the charges experienced prior to the agreed change.

Alongside this DCC continue to review technical plans and engage with service users to manage future traffic growth on the network.

1.9.4. S1Sp_2 - [REDACTED]

Overview

The contract that DCC has with [REDACTED] for SMETS1 Service Provision (S1SP), was signed back in October 2018 and has a commitment through to August 2032, this contract is supporting the 6.1m devices across the MOC estate.

As per section 1.3 above, the level of external spend for Secure Meters for RY24/25 was as follows:

Service	Supplier	Ref	Baseline	Incurred	Variance
S1SP	[REDACTED]	S1SP_2	37.625	43.975	(6.350)

Table 22 - RY24/25 SMETS1 [REDACTED] costs (total)

The table below sets out the incurred operating costs for [REDACTED] as compared to the baseline costs.

Category	Baseline	Incurred	Delta
CR1214	0.244	0.224	0.000
CR1353	0.163	0.174	(0.011)
CR4567		0.053	(0.053)
CR4879	0.775	1.194	(0.419)
Other Immaterial CRs & PRs	0.111	0.237	(0.126)
FOCs	33.414	38.103	(4.689)
Overage	2.918	3.990	(1.072)
Total	37.625	43.975	(6.350)

Table 23 - RY24/25 SMETS1 [REDACTED] costs (operational)

As per the table above the main items accounting for the variance to baseline were the Fixed Operational Charges (FOCs) and the charges for overage, which are further described below.

Securing Value for Money

As the number of enrolled meters has increased from the initial go-live date back in August 2020, to the current amount of 4.95m as of the end of March 2025, the level of SMS messages has increased.

The increase to the fixed operational charges was due to

- the increase in enrolled meters;
- a higher amount of on-demand reads instead of scheduled reads; and
- an increase in the number of customers using the service such as DNOs.

Back in July 2022 the level of SMS messages was equivalent to 6 per Communications Hub (CH) to the current level of 62 – this translates to a rise of SMS message per month of just over 12m to the 154m level reached at the end of March 2025. This increase in SMS traffic was mainly due to increase in customer demand where certain SRVs were receiving a higher amount of on-demand requests instead of scheduled read requests. One of the reasons the overage charges were higher than expected was due to the way SRVs (Service Reference Variants) were being presented by the likes of [REDACTED], where large numbers of On-Demand SRVs were being sent across the network which was the biggest contributing factor resulting in higher overage charges.

As with other CSP contracts, DCC pays a Subscriber Identity Module (SIM) access charge per SIM per calendar month (pcm). DCC sends customer SRVs across the cellular network as either Short Message Service (SMS) text messages or as data messages. Each SIM has an allocated amount of SMS and data traffic included in the monthly charge. Overage is charged when the amount of usage exceeds the monthly permitted SIM threshold. With the level of SMS messages increasing due to the level of enrolled meters and new customer demand, especially one which is SMS heavy per SRV. The variance of £1.070m was due to this.

There were 17 items under new scope, none of which require any additional narrative.

Category	Baseline (£m)	Incurred (£m)	Difference (£m)
CR4879	0.775	1.194	(0.419)
TBC	0.111		0.111
Sundry IA		0.003	(0.003)
CR4396		(0.039)	(0.039)
CR4647		(0.002)	(0.002)
CR5449		0.101	0.101
PR7272		0.013	0.013
PR7345		(0.005)	(0.005)
PR7407		0.002	0.002
PR7651		0.003	0.003
PR7744		(0.018)	(0.018)
PR7826		0.003	0.003
PR7883		0.006	0.006
PR7899		0.002	0.002
PR7905		0.049	0.049

Category	Baseline (£m)	Incurred (£m)	Difference (£m)
PR7913		0.012	0.012
PR7937		0.031	0.031
PR7970		0.080	0.080
Total	0.886	1.431	(0.545)

Table 24 – RY24/25 SMETS1 [REDACTED] costs (new scope)

Future Considerations

The DCC has engaged with [REDACTED] and has secured an increased SMS threshold per month along with a discount of the resulting charges, which is expected to be effective for RY25/26. These increased thresholds and discounts should provide a significant reduction to the overage costs and represents a considerable saving overall. To further ensure overage costs are kept at a manageable position, we will seek to renegotiate overage charges to further reduce (or possibly remove) them going forward.



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1. Centralised Registration Service (Switching Programme)

Summary

What is this and why is it important?

The Switching service is a fundamental enabler in the transformation of the retail energy market and continues to be a critical component in allowing customers to seamlessly change supplier.

DCC was a key partner to Ofgem in the design and delivery of the Central Switching Service (CSS), which successfully went live in July 2022. DCC managed the consolidation of 28 systems and the integration of c.200 licensed parties.

RY24/25 saw the potential re-licencing of the switching service and, following an extensive consultation period, DCC was proud to retain responsibility for delivery of the service. This is a clear testament to the outstanding service DCC has provided.

By the end of RY24/25, we had facilitated over 38 million switches. Switching service availability throughout RY24/25 has been 100%, demonstrating a highly resilient, reliable and stable service.

RY24/25 activities and costs

In RY24/25, we incurred £3.0m of Internal Costs against a zero regulatory baseline. This was £1.5m below the forecast in our RY23/24 price control submission. Every year, we agree a switching budget with RECCo in advance of the regulatory year and, for RY24/25, we delivered a total saving of c.£2m across both Internal and External Costs.

The drivers of spend in RY24/25 continued to be the resources required for the enduring operation of the switching service and managing change through REC releases. In addition, we repocured our Service Desk provider that manages the first line of support for our customers. [REDACTED] was appointed to provide this service, replacing [REDACTED] during RY24/25. We also retained our encryption and authentication provider, and repocured our System Integrator service, which was awarded to [REDACTED]. This will deliver External Cost savings of up to £6m over the potential five-year term. We also materially reduced the use of other external service providers (with costs falling from £0.9m in RY23/24 to £0.1m in RY24/25).

DCC has continued to improve its service by increasing its address matching capabilities in RY24/25, enabling c.56.3 million matched addresses resulting in a match rate percentage of 95.7%, the highest it's been since Switching go-live.

Future activities and costs

A key focus in RY25/26 will be on the delivery of the REC releases in June 2025 and November 2025 which will include major change programmes such as Market Wide Half Hourly Settlement (MHHS).

DCC is working collaboratively with RECCo, and industry to deliver a Centralised Registration Service (CRS) improvement plan, improving incident management, change management, engagement & communications, reporting and addressing data quality.

1.1. Switching –RY24/25 Cost Variances Overview

We summarise our relevant Internal and External Costs in this section and explain the material cost variances (greater than £150k) in further detail throughout the document, grouped based on general ledger codes (GLs).

1.1.1. Internal Costs

We set out the baseline set by Ofgem from our previous year's submission, our costs incurred and forecasts and highlight the material cost variances. In the following sections, we explain the programme purpose and our resource and non-resource costs.

Baseline			RY24/25	RY25/26	RY26/27
Total Centralised Registration Service		£m	-	-	-
Payroll costs	PR	£m	-	-	-
External services	ES	£m	-	-	-
Service management	SM	£m	-	-	-
Incurred			RY24/25	RY25/26	RY26/27
Total Centralised Registration Service		£m	3.029	3.482	3.354
Payroll costs	PR	£m	2.191	2.322	2.308
External services	ES	£m	0.068	0.191	0.195
Service management	SM	£m	0.770	0.969	0.851
Variance			RY24/25	RY25/26	RY26/27
Total Centralised Registration Service		£m	3.029	3.482	3.354
Payroll costs	PR	£m	2.191	2.322	2.308
External services	ES	£m	0.068	0.191	0.195
Service management	SM	£m	0.770	0.969	0.851

Table 1 – Cost Centre Variance by GL

1.1.2. External Costs

Annex 4 of the RIGs sets out incurred and forecast costs for our dedicated switching service providers.

Section 1.5 explains the new contract signed during RY24/25 for our System Integrator service.

1.2. Purpose, Scope and Structure

1.2.1. Purpose and scope

DCC successfully delivered the Central Switching Service (CSS) in July 2022 and is responsible for the management of its external service providers who provide the service infrastructure and system interfaces. DCC also acts as the Switching Operator and provides the switching service desk, switching portal and switching service management system.

DCC is pleased to report the following achievements in RY24/25:

- the successful completion of 38 million switch requests

- system availability of 100%
- no unplanned outages
- no major incidents

DCC is obligated to submit a switching service budget to RECCo by the end of November¹ each year, as per the REC requirements. RECCo will then challenge any costs it considers not to be economical or efficient and the final budget is consulted on within the consolidated REC Budget in January² each year. The budget is then finalised and published in February³. RECCo and DCC have adopted a transparent approach to budget setting which has proven positive and has strengthened relations between the two organisations. For RY24/25 an overall RECCo budget of £16.4m was agreed with actual costs at the end of the year of c.£15m. The internal cost budget for RY24/25 for price control purposes was £4.5m and the actual costs were £3.3m.

We are pleased Ofgem recognised the benefits of retaining the service with DCC during its recent licence review⁴. Since this decision, we have been working closely with RECCo to ensure any potential improvements and cost savings can be investigated and implemented as part of a CRS improvement plan. DCC has also been working collaboratively with the REC Performance Assurance Board (REC PAB) to develop how to track and report on these system improvements. DCC will continue to develop these improvements and proposals into RY25/26, and beyond, paying consideration to the move to a not-for-profit model in late 2026.

In keeping with DCC's commitment to seek and implement cost efficiencies DCC confirmed in January 2025 a budget rebate of £2.985m for RY23/24 would be delivered. These cost savings were achieved by DCC reducing its internal costs in resourcing, via contract efficiencies with CGI, in Market Wide Half Hourly Settlement testing and in the reduction of costs for REC change proposal R0070 'Provision of Enduring Test Environments'⁵.

1.2.2. Cost Centre Structure

Teams across DCC support switching activities and these costs are recharged into the SDRC cost centre alongside any external, contractual, or pass through charges.

Similarly to RY23/24, the key activities which take place as business as usual (BAU) are within the Service Operations Team (SDOC) – primarily in Change and Release, and Service Ownership. A large amount of work is still undertaken in the Customer Relationship Management teams (SDIN) which focuses on the relationship between the CSS provider and DCC as well as the management of the Operational Performance Regime (OPR) and address management activities. The DCC Data Science team (SDTO cost centre) develop reports to meet REC requirements, the annual OPR submission and ad-hoc requests.

1.3. Cost centre variance overview

The switching service has a zero baseline, and all costs must be justified through price control. The remainder of this section and the following sections therefore describe some of the main drivers for the activities within the switching service.

¹ REC Main Body clause 9.27

² REC Main Body clause 9.1

³ REC Main Body clause 9.5

⁴ [DCC Review Phase 2: Centralised Registration Service arrangements - decision | Ofgem](#)

⁵ R0070 'Provision of Enduring Test Environments': [Provision of Enduring Test Environments - REC Portal](#)

DCC utilises an integrated team who work across the Smart and Switching functions to maximise efficiency and to provide added resilience. The switching service desk has reduced in cost compared to RY23/24 following a re-procurement and a change to the charging mechanism. Additionally, we have seen a slight reduction in the volume of incidents and service requests resulting in less costs.

The below table shows the payroll variance by sub-team. Our costs remain stable for the majority of the teams involved and will generally only increase to react to developments required in the service.

Programme Variance by Sub-Team

The table below shows the payroll variance by sub-team within the Switching cost centre.

Baseline			RY24/25	RY25/26	RY26/27
Centralised Registration Service Payroll Costs		£m	-	-	-
Commercial and Regulation		£m	-	-	-
Design and Assurance		£m	-	-	-
Finance		£m	-	-	-
Operations		£m	-	-	-
Security		£m	-	-	-
Service Delivery		£m	-	-	-
Testing		£m	-	-	-
REC Releases Programme Resource		£m	-	-	-
Switching SI Reprocurement Project Resource		£m	-	-	-
Switching Squad Resource		£m	-	-	-
Incurred			RY24/25	RY25/26	RY26/27
Centralised Registration Service Payroll Costs		£m	2.191	2.322	2.308
Commercial and Regulation		£m	0.094	0.098	0.098
Operations		£m	1.379	1.718	1.718
Security		£m	0.230	0.196	0.196
Testing		£m	0.039	-	-
REC Releases Programme Resource		£m	0.412	0.087	-
Switching SI Reprocurement Project Resource		£m	0.036	-	-
Switching Squad Resource		£m	-	0.222	0.295
Variance			RY24/25	RY25/26	RY26/27
Centralised Registration Service Payroll Costs		£m	2.191	2.322	2.308
Commercial and Regulation		£m	0.094	0.098	0.098
Operations		£m	1.379	1.718	1.718
Security		£m	0.230	0.196	0.196
Testing		£m	0.039	-	-
REC Releases Programme Resource		£m	0.412	0.087	-
Switching SI Reprocurement Project Resource		£m	0.036	-	-

Switching Squad Resource	£m	-	0.222	0.295
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Table 2 – Programme Variance by sub-team

1.3.1. Operations

Overview of variance

The Operations team has been accountable for the BAU running of the switching service since the successful delivery of the service in July 2022. Individuals working across the Operational functions ensure resiliency of the system, provide customer and supplier engagement, and system reporting. The equivalent of 14.5 FTE has been involved in switching from across the Operations cost centres, a slight reduction to RY23/24 of 15 FTE, which has been recharged via the REC budget.

Scope of variance and key challenges

- Service Ownership Team (two FTE) – this team work towards improving customer journeys through providing insights and support to customers to drive improved performance of end-to-end processes. The team has provided significant support in analysing and resolving customer issues, whilst monitoring Switching performance trends and reporting this to industry, RECCo and the REC Manager.
- Technical Operations Analyst (one FTE) – the equivalent of one FTE across all team members who monitor the DCC networks 24 hours a day, 7 days a week, 365 days a year. They ensure all traffic is flowing as expected and investigates any variations so that incidents are identified and raised at the earliest point.
- Capacity Management (one FTE) – the Demand and Capacity management team are accountable for ensuring DCC has the right capacity, in the right place, at the right time to meet the service demand agreed with customers.
- ITIL Functions (2.5 FTE) – these employees' control and schedule all internal changes across the entire service provider ecosystem to ensure they are successfully deployed through release management without causing unplanned outages. They also offer second line support through a dedicated Incident Management team, which acts as the primary escalation point for restoring service during a major incident. They mitigate repeat occurrences of incidents by performing robust Information Technology Infrastructure Library (ITIL) problem management processes and ensure all major incidents root causes have been identified and understood.
- Service Architecture (one FTE) – working within Operational Change and Transition, this team manages service architecture and architectural governance, creating artifacts such as service designs, system data, plans, and ways of working.
- Supplier Relationship Managers (two FTE) – the team is accountable for ensuring suppliers operate and perform in line with their contractual obligations, including: operational performance management governance routines, performance recovery plans (where required), supplier service delivery risk management and risk mitigation, change management oversight for any supplier impacting change, both process and contractual (not commercial or procurement).
- Customer Relationship Manager (one FTE) – this team plays a crucial role at the forefront of all operational customer engagements, effectively being the voice of the customer, as well as being the voice of DCC. They are accountable for improving customer experience, advocacy, and engagement. This team also owns the Address Quality Plan, leads and manages all Address Matching engagements with Distribution Network Operators (DNOs), Independent Distribution Network Operators (iDNOs), and other stakeholders across industry. The team chair the Switching Operations Forum (SOF), which acts as a collaboration platform between DCC, industry and RECCo. This team also lead the relationships and strategic plans with RECCo and the Performance Assurance Board (PAB)

- Data Science and Analytics (DS&A) (four FTE) - DS&A produce and provide industry with the mandated reporting and commentary. They produce and provide industry with non-mandated reporting and analytical capabilities. The team also underpin data requirements for DCC and wider industry issues to support incident and problem management and build and deploy capabilities to support the services provided by DCC to manage licence obligations and any OPR.

Securing value for money

As described above, each of the roles is necessary to operate the switching service and managing how we work with our customers and suppliers.

In addition, Address Matching remains one of the key focus areas for DCC in RY24/25 with c.629,258 address matches achieved. The annual Address Quality Plan (demonstrating how DCC will work with industry to improve Address Quality during RY25/26) was consulted on for six weeks and was delivered on time with feedback from respondents directly shaping the final plan.

The SOF continues to be held but on a less frequent basis than in RY23/24. The switching service is operating well and there have been no major incidents to resolve. Additionally, there was no unplanned outages in RY24/25, and so attendees felt the forum did not need to be as frequent. The forum now serves more as an opportunity for industry to flag any immediate questions or issues and to receive updates on system performance.

Future considerations

The operational teams resourcing requirements will depend on any developments to which they need to respond to. We have forecast additional operational resource of 0.40 FTE for RY25/26 and 0.30 FTE for RY26/27. DCC is aware of a potential risk associated with the MHHS programme, as this programme of work has the potential to increase demand on the service and the service desk during the MHHS migration. Should there be any issues during the MHHS migration then the switching service desk could see an increase of incidents and, potentially, failed switches. This increased demand on the service may also challenge the capacity of the system and put pressure which could lead to further failures. To mitigate this risk DCC would need to ramp up the service, which could incur cost, but it is currently too early to confirm whether this risk will occur.

1.3.2. Security

Overview of variance

The CRS requires support from the functions across its systems and supplier, both from a cyber and risk management perspective.

In FY24/25 there were three FTE supporting the CRS and who are forecast to continue to provide support in the coming years at a slightly reduced level.

Scope of variance and key challenges

The DCC Security team, made up of three FTE, are primarily responsible for the following activities:

- Information Governance and Data Protection
- Business Continuity Disaster Recovery (BCDR); and
- Private Key Infrastructure (PKI).

Securing value for money

Business Continuity Disaster Recovery (BCDR)

The security team is responsible for the BCDR function of the switching arrangements which includes the following obligations¹:

- Ensuring a BCDR Manager is appointed whose role is to manage any BCDR event. This role can also be managed by the Major Incident Management team.
- Ensuring a robust BCDR recovery plan is in place that has been developed in conjunction with other REC service providers and REC Technical Services (RTS).
- Ensuring any BCDR recovery plans of REC service providers is aligned to that of the DCC's.
- Co-ordination of an annual BCDR exercise.

In RY24/25 the security team led on the annual BCDR exercise as per the REC requirements². The main aim of this exercise is to ensure that, should there be an event that impacts the switching arrangements, then the impact is minimised and controlled. To date there has been no unplanned BCDR events to report since the switching arrangements went live.

Private Key Infrastructure (PKI)

The PKI service is provided by Entrust and the responsibility for the PKI service was transferred to the security team in RY23/24. Further information on the PKI service is detailed in section 1.6.1.

Ad-hoc security activities

RY24/25 required input from across the business to support the retention bid of the switching arrangements during the Ofgem consultation³ in May 2024. The security team fed into the DCC's position to retain the switching service and were involved in the knowledge sharing of the security arrangements that underpin the system. One of the most significant risks in transferring the service from DCC to RECCo was around the potential negative impact to the operational security mechanisms that protect the end-to-end smart metering services. As such, the security team were heavily leant on to explain and present on the various security measures that exist from security and information policies and procedures to activities led by the Technical Operations Centre (TOC), SOC and the PKI solution.

The DCC security team was also required to support the collation of evidence to fulfil an information request submitted to DCC from the REC PAB. This included approximately 11 in-depth questions to be answered at short notice that could only be answered by colleagues with specific security knowledge.

Future considerations

An assurance project has been initiated by RECCo and DCC security will be responsible for this piece of work in RY25/26. This project was initiated in RY24/25, and it is expected for any procurement activity to take place in RY25/26. DCC also received a request to carry out penetration testing of the switching service and this activity will also be led by the security team in RY25/26. These activities further contribute to the cost forecasts for RY25/26 and RY26/27. Finally, REC change proposals such as R0096⁴ will also require input from the security team to help develop the solution in addition to any other security related REC change proposals that may arise.

¹ Switching Service Management Schedule paragraph 9.3.

² Switching Service Management Schedule paragraph 9.2d.

³ [DCC Review Phase 2: Governance and Centralised Registration Service arrangements | Ofgem](#)

⁴ R0096 [CSS Message Regeneration Functionality - REC Portal](#)

1.3.3. REC Releases Programme Resource & Switching Squad Resource

Overview of variance

This team is accountable for the delivery of DCC change programmes to the agreed upon timescales, cost envelope, and quality. The team are also responsible for the provision of programme delivery services and change initiatives as have been agreed with the relevant business owner and/or DCC function. The team also encompasses Programme and Project Management, Quality Management, and Business Operations. They bring insights to support planning and resourcing decisions across the change portfolio.

Scope of variance and key challenges

The variance reflects 4.9 FTE from across each of DCC's functions, with:

- Commercial and Regulation providing 0.5 FTE of regulatory support
- Design and Assurance providing 0.3 FTE architecture, business analysis and engineering
- Operations providing 1.8 FTE to provide contract management support, manage operational change and assure the service outcomes
- Security providing 0.1 FTE to ensure REC changes met our security requirements
- Service Delivery providing 0.1 FTE of programme oversight and management support through the relevant governance and customer forums
- Testing providing 1 FTE for design and assuring the test programmes for the releases.

Securing value for money

RY24/25 delivered four major REC changes in two releases:

1. June 2024 REC Release

- R0044 'Amendment to the Business Case for R0044'¹
- R0063 'Addition of key information to all Service Now tickets'²
- R0070 'Provision of enduring test environments'³

2. November 2024 REC Release

- R0115 'Frequency and content of CSS reports on switching portal via the DCC portal'⁴

The REC release team is responsible for the coordination of all DCC REC service providers, ensuring impact assessments are fulfilled on time and to a high quality. They are also there to challenge and validate any areas in terms of cost or quality and attend REC change meetings with the REC Manager and RECCo. The four system impacting changes detailed above are in addition to the DCC impacting REC changes that only affect the REC legal text. For example, the team, in conjunction with the Regulations team, has also supported the development and impact assessment of changes to the Switching Incentive Regime (R0210⁵) and changes to the REC Main Body (R0049⁶).

¹ R0044 [Amendment to the Business Case for R0044 - REC Portal](#)

² R0063 [Addition of key information to all Service Now tickets - REC Portal](#)

³ R0070 [Provision of Enduring Test Environments - REC Portal](#)

⁴ R0115 [Frequency and content of CSS reports on switching via the DCC portal - REC Portal](#)

⁵ R0210 [Evolution of the CRS Performance Charge - REC Portal](#)

⁶ R0049 [Intellectual Property Rights and Services Data Main Body changes - REC Portal](#)

Future considerations

For future years a new team, 'Switching Squad Resource', will replace the 'REC Releases Resource' team. This 'squad' model allows the team to flex on demand and ensures that resources are continually in place with Project Managers being able to take on multiple changes based on their similarities thereby growing their expertise in specialised areas.

For future years, we forecast a headcount of 3.1 and 2.9 respectively in RY25/26 and RY26/27 across the two teams. We require the same range of roles as we outlined for RY24/25.

1.4. Drivers for Internal Cost variance – Non-resource

There are two material non-resource variances over RY24/25 to RY26/27, remain integral services to support switching activities.

Variance	GL		RY24/25	RY25/26	RY26/27
█ - PKI Operational Cost	ES	£m	0.071	0.191	0.195
Service Desk	SM	£m	0.770	0.969	0.851

Table 3 – Material variance for non-resource internal costs

1.4.1. External supplier – █ – PKI Operational Cost

Overview of variance

█ provide the Private Key Infrastructure (PKI) for the CSS. PKI is a technology which provides encryption, authentication, and non-repudiation of CSS messages via the use of digital certificates. This is therefore a fundamental aspect of CSS security, and, without this service, CSS would be unable to verify the authenticity of data submitted and would not be able to ensure the secure transmission of data to and from service users. If this service was not in place, there could be security vulnerabilities which could lead to the system being unavailable and/or data being accessed / compromised by unauthorised parties.

█ provide a fully managed PKI service, integrated with the CSS Service Management System. This facilitates seamless and secure certificate lifecycle management (request, delivery, storage, replacement, and revocation) without the need for users to interface with an additional management tool.

Service costs are dependent upon the number of separate environments, and the number of users per environment (with a "user" in this context being equivalent to a unique organisation requesting certificates in that environment). There is also a separate cost element for providing and supporting the interfaces to the CSS Service Management System.

When the service was commissioned, DCC undertook significant engagement with Market Participants, as they all had to request security certificates before they could access the CSS portal.

Scope of variance and key challenges

Entrust provides the components below as part of the end-to-end PKI managed service:

- Design and build of the PKI.
- Fully defined Certificate Policy, Policy control, and Issuing CA procedural documents to the support the PKI.
- Four PKI environments: System Integration Testing (SIT), User Interface testing (UIT), Pre-production and post-production.
- High Assurance tScheme1 compliant Root CA, under the complete control of the DCC.
- Full managed service for all PKI components.

- Hardware Security Modules for the protection of CA Private keys, including the location of the Offline Root CA and online environments hosted from a secure datacentre.

Securing Value for Money

The [REDACTED] contract has two extension options built into the contract and can be extended to February 2027. DCC has used the first extension option to 28 February 2026.

The annual cost for the service increases year-on-year due to indexation. The cost will increase further in RY25/26 as DCC will need to purchase additional licences.

Future Considerations

The forecast cost of this service is expected to remain consistent in RY25/26 and RY26/27.

We incurred £162k on this service in RY23/24 reflecting the annual advance payment, which was recorded using a cash-based accounting method that recognises the cost when invoiced. For RY24/25, we changed to an accrual accounting method part way through the year. Therefore, we have lower than anticipated costs for RY24/25 because the year was largely pre-paid and then we transitioned to the monthly accrual approach from December 2024.

Our forecasts for RY25/26 and RY26/27 each reflect a full 12-month period under the new annual subscription model and accrual method.

1.4.2. Service Management – Service Desk

Overview of variance

The DCC service desk provides first line support for SMETS and the switching service. REC market participants and other REC service providers are supported by a dedicated email and telephone service as well as a switching portal and a self-serve area to assist in any queries and issues. Additionally, dedicated service managers monitor any queues and purpose-built dashboards and reports support the service desk to identify any trends and issues, allowing them to resolve problems and incidents quickly and efficiently.

The initial service, which is a Relevant Service Capability (RSC), commenced in January 2018 with [REDACTED] providing the service. This contract expired in January 2025, therefore DCC was required under its Licence to undertake a competitive procurement for a replacement solution.

Scope of variance and key challenges

The specifics of the switching service desk requirements are set out in the REC and its market participants and other REC service providers are supported by a dedicated email and telephone service as well as a switching portal and a self-serve area to assist in any queries and issues. Additionally, dedicated service managers monitor any queues with purpose-built dashboards and reports supporting the service desk to identify any trends and issues, allowing service managers to resolve problems and incidents quickly and efficiently. This re-procurement was for all aspects of the service.

The selection of the new vendor and service followed a robust process which evaluated the criteria against service and delivery quality requirements and commercial elements and aligned to the RSC procurement principles set out in DCC's Licence.

The existing service desk is based wholly onshore and as part of the re-procurement process, DCC considered the options of interested parties being able to deliver a combined onshore / offshore solution. Typically, offshore solutions can deliver greater value for money due to their lower costs, so this was deemed important to include in the RFP. Therefore, as part of the procurement process, in December 2022, 16 industry parties were invited to submit a proposal which could include both onshore and offshore

services. In total five responses were received, one of which proposed a wholly offshore solution. After initial evaluation, it was determined that the wholly offshore solution posed too great a risk to the service therefore it was discounted and after proposal evaluation another party was removed from the process as they were the lowest scorer when assessed. The remaining three bidders were taken through to the BAFO (Best and Final Offer) stage.

The BAFO stage required all parties to submit a detailed proposal setting out how they would deliver the solution, including costs and potential areas of cost saving and efficiency. This process enabled DCC to fully review and challenge the costs and assumptions included in the BAFO to ensure that the proposed solution was robust, met the criteria set out in its licence and be delivered in the most cost-effective way. An example of this was DCC identifying that the Technical Operating Centre (TOC) could be utilised to provide out of hours service support (8pm – 8am) instead of using the vendors third party supplier. This resulted in a £0.640m reduction to [REDACTED] price.

As a result of this process the [REDACTED] proposal was assessed to provide the best overall balance between quality of service, security of service and cost efficiency over the length of the contract with the following areas driving specific benefit.

Securing Value for Money

Quality

[REDACTED] are planning to introduce automation which should reduce human error and enable the service desk agents to focus on more value-added activities. This, in turn will help improve the agent's job satisfaction and improve retention.

Furthermore, [REDACTED] will be introducing a suite of enhanced quality assurance and management information tools, compared with the current service to identify trends in the queries being received and provide better insight into service desk agent performance. This will enable the early identification of issues and expedition of remediation actions which should improve customer experience and overall time to resolve queries.

Commercial

This contract has the potential to achieve savings of £3.700m (26%) over the 5.3 year term (inclusive of contingency and contractual uplifts) based on DCC's current annual costs. This has been driven by moving to an outcome-based model with improved ticketing forecasting, reduced average handling time and automation.

The pricing model for the new contract is a mix of fixed costs (including mobilisation, automation development and automation Licence & support costs) and variable cost (for the resolution of Incidents and Service Requests). The values stated above are based on a set of assumed volumes which have been agreed with DCC's Operations team and are applicable subject to the volumes remaining within a 29.99% tolerance. The pricing model sets out the price that would be applicable if the volumes increase by up to 100% from the baseline or decrease by 50% from the baseline to provide cost certainty for DCC. If volumes exceed these thresholds, the price must be agreed via change control. As a result, the savings presented are only potential at this stage.

[REDACTED] pricing will be subject to indexation from the end of Year 2 of the Agreement. Indexation of 4% has been applied for Year 3, 3% has been applied for Year 4 and 3% has been applied for Year 5.

The total cost over the life of the contract and the potential savings, compared with existing costs is shown below.

Future Considerations

As outlined in the previous section, this procurement process has secured price certainty for consumers resulting in significant savings based on today's contract prices. In addition to this the increased automation and focus on service improvement will enable DCC to continually monitor the overall quality of the and focus on future service improvements.

1.5. Drivers for External Cost variance - [REDACTED]

There are no material CRs or PRs for RY24/25, however we signed a new contract for our system integrator service.

1.5.1. Switching System Integrator Contract

Drivers for Change

The main objective for this procurement was to main service continuity, stability and cost-effective operation of the Switching System Integration (SSI) service which was coming to the end of its contract.

Scope of Change

The scope of the services includes:

- Plan and management of the integration and testing of Central Switching Service (CSS) components from a system and service perspective.
- Plan and management of the integration and testing of the CSS with the required changes to existing central data systems and services.
- Provision of an industry testing service to enable parties to test their integration and interaction with the CSS and existing central data systems and services.
- Provision of an issue/defect management and triage service.
- Provision of fit-for-purpose testing environments and artefacts (test data, test tools, stubs, etc.) for use as required by all categories of testing participant.
- Provision of physical Design Management services for requirements traceability, design issue resolution, change impact assessment and configuration control across the CSS and core systems, with reporting and escalation to DCC's Design Authority for changes impacting E2E Design.
- Finalisation and management of the detailed transition process and associated dress rehearsal for cutover to live operations in line with the E2E Transition plan.

Securing Value for Money

The Switching SI re-procurement set out to select one service provider by means of a competitive procurement process to implement and run the existing Switching SI service for an initial term of two years, followed by three one-year, based on materially similar requirements to the existing contract. This was supported by RECCo who indicated they were content with existing service provision and would not want to see significant changes to a stable service.

A Standard Selection Questionnaire (SSQ) was issued to 13 organisations who expressed an interest in tendering for the services, of which, seven submitted responses. Following evaluation and moderation of the SSQ responses the five highest scoring suppliers were shortlisted for the procurement and invited to participate in the RFP. Four organisations submitted proposals, and following evaluation and moderation, the three highest scoring bidders proceeded to the next stage of the procurement process which included negotiations to refine the proposals. The process culminated in [REDACTED] being selected as the preferred bidder, having obtained the highest total weighted score. This recommendation was presented to and endorsed by RECCo. Following the preferred bidder notification, DCC concluded contract negotiations with [REDACTED] and obtained the necessary governance approvals to proceed to contract award and signature on 14 February 2025.

Four organisations submitted proposals, and following evaluation and moderation, the three highest scoring bidders proceeded to the next stage of the procurement process which include value for money was a key consideration throughout the project.

The procurement process was designed to ensure that competitive tension was maintained and to provide bidders the opportunity to present cost efficient options. The primary mechanism for this was collaborative solutioning prior to selecting preferred bidder which resulted in:

- a. [REDACTED] reducing their price by 15% compared to their initial proposal
- b. [REDACTED] obtaining the highest possible legal score due to their material acceptance of DCC's proposed contract.

The following outcome achieved for this procurement also demonstrates value for money:

- £6.170m cost efficiency compared to the existing contract over the Absolute Term.
- Improved payment mechanism for year-1 Pre-Change activities which consists mainly of all the preparation work prior to Change-Execution,
- Reduction in rate card costs of between 7% - 19% across all levels of resource seniority.
- Improved contract terms (e.g. indemnities, liabilities and ESG) and a reduced risk position for DCC.

[REDACTED]					
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]					

Future Considerations

DCC has retained flexibility within the contract term to assess changes in the market and potential for consolidation in order to drive additional value for these services.

1.6. Switching Incentive Regime

Details of the Switching Incentive Regime (SIR) can be found in 5.Perf_Switching_SIRSDM1_RY2425 and 5.Perf_Switching_SIRVMM1_RY2425.



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1. ECoS Programme

Summary

What is this and why is it important?

Enduring Change of Supplier (ECoS) is a Mandated Programme in DCC's Licence. The DCC must establish efficient, economic, coordinated, and enduring arrangements for the changing of smart meter Device Security Credentials on or following completion of a supplier transfer.

The ECoS programme was mobilised to achieve three key objectives:

- 1) Build a new ECoS solution and migrate all relevant devices to this new solution (delivered ahead of scheduled in January 2024)
- 2) Install and commission new ECoS devices, by issuing an updated manufacturing pack which allowed customers to switch their manufacturing production lines
- 3) Decommission the current TCoS solution in the DSP in October 2024.

RY24/25 activities and costs

RY24/25 incurred costs on the ECoS programme were £0.7m, which is £0.2m below the regulatory baseline (and below our forecast spent of £0.8m). Activity in RY24/25 focused on Objectives 2 and 3 above, with Objective 1 already delivered in RY23/24, ahead of schedule.

In RY24/25, we successfully delivered the decommissioning of the current TCoS solution in the DSP. The ECoS programme closed in November 2024, with the remaining activity to deliver the installation of new devices via an updated manufacturing pack (containing the new ECoS security certificates) being delivered as part of in-life change. This is on track to be complete in Q3 2025.

Overall, the ECoS programme achieved key milestones ahead of schedule, providing early benefits to DCC customers and delivering significant cost savings through effective supplier management alongside a £0.3m reduction in payroll costs.

Future activities and costs

With the ECoS Programme now closed and the remaining activities moving to In Life Change (ILC) for delivery, there are no programme costs forecast in RY25/26 and RY26/27.

The Managed Service Work Package for the ECoS Solution will be part of the life-change phase of the activity. This will deliver a significant saving of £0.4m between 2025 and 2028, following a negotiated £11k per month discount from Accenture.

1.1. RY24/25 Cost Variances Overview

1.1.1. Internal cost overview

We set out the baseline set by Ofgem from our previous year's submission, our costs incurred and forecasts, and highlight the material cost variances. In the following sections, we explain the programme purpose and our resource and non-resource costs.

The table below provides a breakdown of incurred and forecast costs in price control format i.e., mapping costs directly against the price control (GLs).

Programme Variance by GL

Baseline			RY24/25	RY25/26	RY26/27
Total Enduring Change of Supplier (ECoS)		£m	0.849	0.012	-
Payroll costs	PR	£m	0.849	0.012	-
Incurred			RY24/25	RY25/26	RY26/27
Total Enduring Change of Supplier (ECoS)		£m	0.693	-	-
Payroll costs	PR	£m	0.582	-	-
External services	ES	£m	0.111	-	-
Variance			RY24/25	RY25/26	RY26/27
Total Enduring Change of Supplier (ECoS)		£m	-0.155	-0.012	-
Payroll costs	PR	£m	-0.266	-0.012	-
External services	ES	£m	0.111	-	-

Table 1 – Variances by GL

1.1.2. External Costs

We have two fundamental services providers dedicated to our programme, Accenture and Critical Software. Annexes 3m and 3n of the RIGs summarise our External Costs for RY24/25.

Section 1.7 sets out the one material Change Request (CR) during RY24/25.

1.2. Purpose, Scope, and Structure

1.2.1. Purpose and scope

Enabling energy consumers to change supplier securely and easily is one of the fundamental purposes and benefits of the smart metering rollout. The ability to switch supplier is underpinned by DCC's change of supplier process requiring the replacement of certificates on devices (primarily meters), identifying the responsible supplier.

When the original technical and security architecture for DCC was developed within the government's Smart Metering Implementation Programme, it was decided that DCC should implement a temporary solution, or Transitional Change of Supplier (TCoS). The rationale was to avoid requiring additional change from energy suppliers during the mass roll-out of smart meters. While designed and successfully operated at a very high standard of security, TCoS is not fully aligned with the Trust Model for smart metering, primarily because TCoS functionality is provided by the Data Service Provider (DSP). It was always intended

that TCoS should be replaced as soon as practicable by an ECoS process, so as to introduce a greater degree of separation.

On 1 August 2019, DCC received a Direction from DESNZ for the purposes of Condition 13A of the Smart Meter Communications Licence (the DCC Licence), to produce an implementation plan for the ECoS arrangements. The plan was required to set out the activities which DCC and its external Service Providers needed to undertake, and the deliverables required, to deliver the ECoS arrangements, including reaching a position where the TCoS arrangements would be discontinued.

It is a requirement of Condition 13A of the DCC Licence that DCC consult the SEC Panel and all SEC Parties regarding the proposed content of the plan before submitting it to BEIS for approval. That consultation took place between 23 January 2020 and 21 February 2020. DCC received five submissions on the content of the plan and responded to all comments, accordingly, publishing the final document on the Smart DCC website¹.

Our programme structure

DCC received Secretary of State approval on the 30th March 2020 to progress delivery of the following requirements:

- To design and build an IT solution to manage the activities relating to Change of Supply (CoS) – notably the validation of an ‘Update Security Credentials’ (CoS) SRV6.23 from the Gaining Supplier, the co-ordination of related messaging with the Access Control Broker and ultimately efficient replacement of Losing Supplier security credentials with ones provided by the Gaining Supplier, on the devices within the end consumers’ smart metering system.
- Procurement of a hosting platform to support the ECoS solution – a hosting platform and relevant infrastructure required to independently host the ECoS solution.
- Implementation of a managed service agreement for ECoS – a managed service which will maintain, monitor and evaluate the service on behalf of the DCC, in order to ensure the continuity of the Service Management framework for the ECoS Service

The initial procurement process resulted in the same supplier being awarded both the second and third requirements, hosting and service management. To leverage better value, it was therefore decided to combine these two requirements into one procurement phase for the latter stages.

Since April 2020, DCC has taken a structured approach to planning, engagement, and implementation. Updates were provided at relevant stakeholder and SEC meetings, including newsletters and industry drop-in sessions at regular intervals.

Organisationally, the Cost Centre structure for RY24/25 is consistent with the structure reported in the RY23/24 submission, with an updated Organisational structure and sub team mapping reflected and narrated below.

¹ The consultation conclusion documents is available on the Smart DCC website: [Consultation on the Delivery Plan for Enduring Change of Supplier](#)

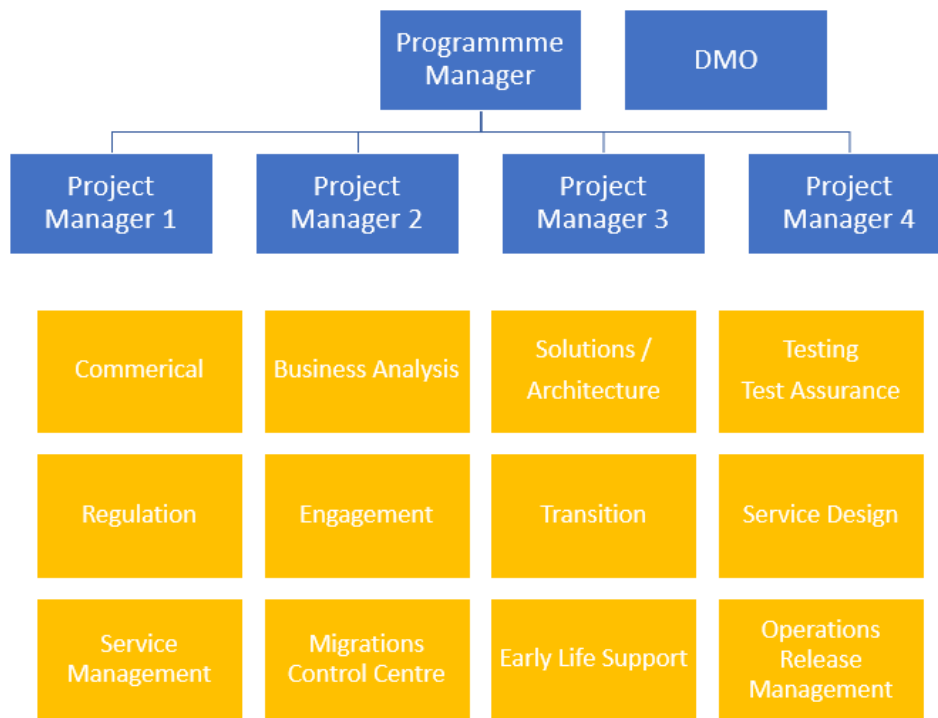


Figure 1. Programme organisational structure

The mapping of the ECoS Programme is set out in the table below:

Sub Team structure reported in RY22/23	Sub Team structure reported in RY23/24	Current Sub-team membership RY24/25	Sub-team	Description
Programme Director	Delivery Programme Director	Programme Director	Service Delivery	Overall Leadership of the Programme including overseeing delivery and acting as the senior stakeholder and supplier interface.
1 x Lead Programme Manager 1x Support Programme Manager	1 x Lead Programme Manager 1 x Support Programme Manager	1 x Lead Programme Manager	Service Delivery	Oversees the delivery of the ECoS Programme and its phases as identified by the LC13a Delivery Plan.
4 x Project Managers	4 x Project Managers	4 x Project Managers	Service Delivery	Support the Programme Manager. Deliver respective programme elements. The Project Managers breakdown into the following areas for Design, Build and Test: (i) Private Key Transfer (ii) Manufacturing Pack (iii) TCoS Decommissioning and (iv) Portability.
PMO	PMO Delivery Management Office	PMO Delivery Management Office	Finance	Provides project verification, governance and general project support to standards, policies and procedures defined by EPMO
Regulation, Engagement and Commercial & Legal	Regulation, Engagement and Commercial & Legal Commercial and Regulation	Regulation, Engagement and Commercial & Legal Commercial and Regulation	Commercial and Regulation	Functional support to the whole lifecycle, and distinct phases, of the programme including external engagement and regulatory matters.
Business Analysis	Business Analysis Service	Business Analysis Service	Design and Assurance	Comprehensively captures requirements, informing the solution to be delivered.
Early Life Support Device Management Transition Migration Control Centre	Early Life Support Service Management Transition Migration Control Centre	Early Life Support Service Management Transition Migration Control Centre	Operations	Designs and manages the structure of the service transition. Manages and operates Data Science and Analytics function.

Solutions Architecture Service Design	Solutions Architecture Service Design	Solutions Architecture Service Design	Design and Assurance	Provides solution architecture and planning of initial design.
Testing and Test Assurance	Testing and Test Assurance	Testing and Test Assurance	Testing	Manages and provides testing services of the designed solution and assurance of system interoperability across service
Security Architects and Assurance	Security Architects and Assurance Security	Security Architects and Assurance Security	Security	Specify design, build, and testing of security requirements to ensure that the process is designed so that data remains secure through the change of supplier process.

Table 2 – Description per Sub-Team

In the lead up to Go-Live, the ECoS Programme engaged extensively with all the aforementioned groups and on 26 May 2023 submitted its evidence to DESNZ, SEC Panel, and Sub-Committees on DCC's readiness to Go Live with the ECoS arrangements on 29 June 2023. This included an extensive Live Service Criteria Document providing a report on DCC's readiness for ECoS, including an assessment against the Live Service Criteria. This step was critical for DCC to validate for stakeholders that it had progressed effectively through the programme delivery stages and was ready for Go Live on 29 June 2023.

On 23 June 2023, the SEC Panel Chair wrote to DESNZ recommending proceeding with the new ECoS Service having considered the Live Services Criteria and supporting evidence from DCC and the views from the Testing Advisory Group (TAG), Operations Group (OPSG) and Security Sub-Committee (SSC) On 29 June. On 29 June, DESNZ provided a direction to re-designate SEC Subsidiary documents in support of ECoS Go Live and the ECoS Programme went live on 29 June 2023, moving to the Migration Phase of ECoS.

Since Go-Live, DCC has been focussing on delivering the agreed service improvements, namely, Private Key Transfer, Manufacturing Pack, and Portability.

DCC completed the ECOS migrations on 26th January 2024 in line with the Joint Industry Plan (JIP) milestone and is now migrating each newly installed device after 3 – 7 days. This was despite turbulence in the broader energy market. We successfully proved our system handles complex and large-scale operational challenges with robustness.

To minimise disruption to customers during migrations, DCC held twice monthly drop-in sessions to discuss and address concerns. We consistently looked to take on board stakeholder feedback. DCC also performed internal migration performance analysis and testing prior to going live to ensure that the migration and business as usual performance met the requirements. DCC created a migration control and reporting process to manage and report on migration outcomes.

1.3. Drivers of Internal Cost variance - Payroll

Programme Variance by Sub-Team

The table below shows the payroll variance by sub-team within the ECoS cost centre.

Baseline			Ry24/25	Ry25/26	Ry26/27
Enduring Change of Supplier (ECoS) Payroll Costs		£m	0.849	0.012	-
Commercial and Regulation		£m	0.087	-	-
Design and Assurance		£m	0.279	-	-
Finance		£m	-	-	-
Operations		£m	0.018	-	-
Security		£m	0.115	-	-
Service Delivery		£m	0.350	0.012	-
Testing		£m	-	-	-
Incurred			Ry24/25	Ry25/26	Ry26/27
Enduring Change of Supplier (ECoS) Payroll Costs		£m	0.582	-	-
Commercial and Regulation		£m	0.012	-	-
Design and Assurance		£m	0.056	-	-
Finance		£m	0.000	-	-
Operations		£m	0.101	-	-
Security		£m	0.032	-	-
Service Delivery		£m	0.345	-	-
Testing		£m	0.036	-	-
Variance			Ry24/25	Ry25/26	Ry26/27
Enduring Change of Supplier (ECoS) Payroll Costs		£m	-0.266	-0.012	-
Commercial and Regulation		£m	-0.074	-	-
Design and Assurance		£m	-0.224	-	-
Finance		£m	0.000	-	-
Operations		£m	0.083	-	-
Security		£m	-0.084	-	-
Service Delivery		£m	-0.004	-0.012	-
Testing		£m	0.036	-	-

Table 3 – Variances by sub-team

Our reporting shows underspend on payroll costs compared with our baseline and there were no material resource variances relating to ECoS in Ry24/25 or Ry25/26.

1.4. Drivers of Internal Cost variance – Payroll RY26/27 only

Not applicable for this chapter.

1.5. Drivers of Internal Cost variance – Non-Resource

Variance	GL		RY24/25	RY25/26	RY26/27
██████ - Test Assurance	ES	£m	0.111	-	-
Sundry	ES	£m	0.001	-	-

Table 4 – Non resource variances

Each external service in isolation falls below the materiality threshold of £0.150m. This reflects our transition from design and build of the ECoS solution to go-live and enduring operations, where we have demobilised our external service providers following commissioning.

1.5.1. ██████

To enable the solution to be test assured ██████ resources were used. ECoS used a ██████ resource as no internal DCC Test resources were available, this was a cost of £0.111m. Please see the Design & Assurance chapter for a full explanation of the ██████ contract.

1.6. Drivers of Internal Cost variance – Non-Resource RY26/27 only

There were no cost variances relating to ECoS in RY26/27.

1.7. Drivers for External Cost – CRs and PRs

We describe the material Change Request (CR) and Project Request (PR) that are of more than £1.000m signed in RY24/25. As in prior years, we explain the background, drivers, scope and how we secured value for money.

1.7.1. CR5564 | ██████ Lot3 Extension

Drivers for Change

The Initial Term of the Managed Service Work Package in respect of the ECoS Solution was due to expire on 30th June 2025. Following consideration by a cross-functional team of various options, after internal strategy discussions within life supplier management, CTO and the Business Owner, it was decided that DCC would exercise its option to extend the Term for the Lot 3 Services for a period of 3 years to ensure continuity of the ECoS Service until 29 June 2028. This was deemed the best value for money option.

Scope of the Change

Extension of the Term of the Agreement in respect of the Services delivered in the - Managed Service Work Package (also referred to as 'Lot 3' and "Lot 3 Services") for a period of thirty-six (36) months from 30th June 2025 to 29th June 2028 (the "Managed Service Work Package Extension Period"). As a result of the extension, the Term in respect of the Managed Service Work Package shall expire on 29th June 2028.

The Parties DCC and ██████ have agreed that the Charges in respect of the Lot 3 Services during the Managed Service Work Package Extension Period shall be subject to a ██████ discount against the current Charges in respect of the Lot 3 Services, resulting in total potential savings of ██████ for DCC over the Managed Service Work Package Extension Period.

Securing Value for Money

Detail	Price initial (£)	Price final (£)
Lot 3 Managed Service Work Package	██████	██████
Total Charges	██████	██████

Table 5 – Breakdown

Initial IA price (£)	Final IA Price (£)	Difference (%)
██████	██████	██████

Table 6 – Initial vs Final Price

Supplier Value for Money Statement

A █████ discount for the Fixed Operational Charge in respect of the Lot 3 Services during the Managed Service Work Package Extension Period has been achieved. If the current Lot 3 Service were extended for 36 months at the existing rate, the cost would amount to █████. However, the 36-month extension is offered at a fixed fee of █████, representing a total saving of █████ over the Managed Service Work Package Extension Period.

We did not undertake a full procurement for this extension, as the 3-year extension period was included in the original business case. Exercising the 3-year extension option secured a █████ discount and aligned the expiry date with the Lot 2 ECoS contract. As the extension rights period had already been procured, this was deemed the most cost-effective approach. However, to ensure full due diligence and to enable future cost savings, we are in the process of carrying out retrospective benchmarking exercise. The cost for DCC of terminating the Managed Service Work Package.

Future Considerations

This is one of the key contracts which underpins the ECoS service for our customers, ensuring critical service continuity. To maintain a seamless operation, we exercised the contractual right to extend the agreement, as outlined in the original board paper. By securing a three-year extension, we achieved a █████ cost reduction, delivering savings of █████.

1.8. Baseline Margin Project Performance Adjustment (BMPPA)

Details of the ECoS BMPPA can be found in 5.Perf_BMPPA_SMETS1_ECoS_CHN_RY2425 for RY24/25.



DCC Price Control RY24/25 - Market- wide Half Hourly Settlement

Version: 1.0
Date: 31.07.25

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1. Market-wide Half-Hourly Settlement (MHHS)

Summary

What is this and why is it important?

Market-wide Half-Hourly Settlement (MHHS) is an industry-wide reform designed to enable more accurate and timely settlement, facilitating the move to a smarter and more flexible energy system (e.g. by enabling greater provision of time of use tariffs) which Ofgem expects will bring net benefits for consumers in Great Britain of between £1.6bn and £4.5bn over the period 2021-2045¹. Smart meters are essential for this reform.

DCC is a key delivery partner to the wider MHHS Programme, enabling vital changes to facilitate the new Meter Data Retrieval (MDR) role in the settlements process as well as supporting customers to successfully access half-hourly metering data.

RY24/25 activities and costs

In RY24/25 we incurred £1.2m of Internal Costs on the programme compared to a zero regulatory baseline. This was £0.4m below the forecast spend for this year in the RY23/24 submission. This reduction reflects lower payroll costs on this programme.

During the year, Elexon agreed with Ofgem a replan for the programme. This extended our planned activities to support the industry MHHS programme beyond what was envisaged in our RY23/24 forecast. The main cost areas (Operations, Service Delivery and Testing), supported this additional requirement across:

- 1) DCC and cross-party readiness – Participation and contribution towards Elexon led programme working groups.
- 2) Industry and Elexon Support – Incident, change management and service management process alignment.
- 3) DCC service provider readiness – Service design alignment and capacity uplift plan alignment.

Future activities and costs.

Internal programme expertise will be required for RY25/26, ahead of MHHS testing / migrations going live in October 2025, and the subsequent 12 week period of early life support (to the end of January 26).

The programme will close in January 2026, with activities managed as BAU for the remaining migrations. We will also be completing all remaining MHHS capacity uplifts, which include the SMETS1 Service Providers. As such we are not forecasting any costs in RY26/27.

1.1. RY24/25 Cost Variances Overview

1.1.1. Internal cost overview

Programme variance by GL

This section sets out the baseline costs (as determined by Ofgem in previous years' submissions), incurred costs and forecast costs and highlights any material variances to the baseline. In the following sections, we explain the programme purpose and our resource and non-resource costs.

The table below provides a breakdown of incurred and forecast costs in price control format i.e., mapping costs directly against the price control (GLs).

Baseline			RY24/25	RY25/26	RY26/27
Total MHHS		£m	-	-	-
Payroll costs	PR	£m	-	-	-
External services	ES	£m	-	-	-
Incurred			RY24/25	RY25/26	RY26/27
Total MHHS		£m	1.200	1.061	-
Payroll costs	PR	£m	1.169	1.061	-
External services	ES	£m	0.032	-	-
Variance			RY24/25	RY25/26	RY26/27
Total MHHS		£m	1.200	1.061	-
Payroll costs	PR	£m	1.169	1.061	-
External services	ES	£m	0.032	-	-

Table 1 – Variance by GL

1.1.2. External Costs overview

We have no fundamental services providers dedicated to our MHHS programme, but rely on FSPs for DCC's other systems.

Schedules 4 of the RIGs Supplementary Schedules summarise our External Costs for RY24/25. Section 1.7 sets out the material Change Requests and a summary of our other External Costs.

1.2. Purpose, Scope, and Structure

1.2.1. Purpose

MHHS will make it easier for electricity suppliers to offer Time of Use (ToU) tariffs, which in turn will incentivise customers to shift load patterns. Customer load shifting will benefit intermittent generation, electricity network balancing, and reduce the need for network infrastructure investment. Ofgem estimates that its chosen option for MHHS will deliver net benefits to GB energy consumers in the range of £1,559m-£4,509m over the period 2021-2045. This is set against a cost of up to £19m to implement, showing that the programme overall delivers excellent value to consumers.

DCC is a delivery partner to the wider MHHS Programme, building enabling changes to facilitate the new Meter Data Retrieval (MDR) role as well as supporting customers to successfully access half-hourly data. We work in collaboration with Elexon's Industry MHHS Programme team, in discussing and agreeing

dependencies. We have supported the Programme in presenting material to customers on the overarching programme as well as the specific changes which DCC is building via multiple forums as managed by Elexon, gaining buy-in and understanding from the intended customer base. This new MDR role will allow third party companies to offer services at competitive rates that could be passed onto customers in their homes. These services could request information from Smart Meters at a much higher cadence per day that allows accurate forecasting of buying and selling of electricity.

In November 2024, Ofgem approved a change request CR055 to revise the programme timeline and change the migration go-live date in October 2025.¹

1.2.2. Scope

The changes to be implemented by DCC will be an integral part of a much wider industry change programme, largely based on the Balancing and Settlement Code (BSC), but also impacting the Retail Energy Code (REC) and Distribution Connection and Use of System Agreement (DCUSA). The work at DCC is split into 3 sub-programmes as follows.

During mobilisation of the MHHS Programme, Ofgem set an overall envelope for DCC to operate within of £20m – DCC has maintained its cost envelope within that budget across both the SEC/REC and Capacity elements of its delivery, thereby demonstrating excellent value for money for our customers, and delivering in line with all stakeholder expectations, including that of Ofgem.

SEC/REC releases

The external changes were agreed through the SEC governance process in accordance with Section D and DCC's established stakeholder engagement processes. The post PIT test costs however were not additional as they would have been incurred by the Jun 2024 SEC system release, within which the MHHS changes will be delivered.

- Both SEC and DCC programmes served the licence condition of meeting the MHHS requirements via the Release mechanism for both codes.
- The SEC Release programme for June 2024 was agreed with SECAS, in which DCC would deliver the new functionality to introduce the new industry role of MDR into production services. The SEC Release process is governed by external forums where industry customers vote on the acceptability of SEC modifications based on costings that DCC presents in those forums. In essence, the spend is agreed for functional deliveries before we engage with any commercial agreements with DCC Service Providers, ensuring the work we carry out is informed by our customers' requirements, and that they are engaged on the way in which we deliver them. This evidences our improving responsiveness to customers.

The resourcing costs incurred by DCC in RY24/25 have been absorbed by the existing SEC Release Management Team. This has included the work to support the progress of the SEC Modification and the capacity uplift. There has been support from the Strategy and Regulation team assigned to respond to items such as the MHHS consultations, attend cross code working groups, and lead the additional engagement with Ofgem. These additional roles have been integral to DCC ensuring that our stakeholders stay informed and ultimately ensuring that stakeholder opinion is taken into consideration when any decisions are made regarding spend and programme delivery. This is particularly important to DCC given the material benefit that MHHS plans to bring to our customers, and we are committed to ensuring this result is optimal.

¹ Please refer to the MHHS programme website for the revised milestones: <https://www.mhhsprogramme.co.uk/planning>

Capacity Programme

Ofgem directed DCC to ensure the capacity requirements for MHHS were met outside of the SEC Release framework via letter in August 2022. The budget for this was still included in the overall Ofgem business case as mentioned above. As the capacity requirements matured and submitted to DCC Service Providers for consideration, DCC challenged multiple estimates to ensure that value for money was at the heart of delivering the capacity uplifts, while, at the same time, ensuring the service it provides is maintained and, where possible, enhanced. The objective of DCC's Service Providers was to size their systems according to DCC requirements and ensure the service met agreed performance standards. Our established processes for procurement have ensured that we have delivered within the budget agreed with Ofgem at the start of this work, despite a difficult operating environment of rising costs, due to inflation and other factors.

Testing

This DCC testing scope is to support two key areas 1) Functional Testing and 2) Migration testing. The functional testing scope will provide the following support to Elexon, enabling the completion of critical end-to-end testing of the MHHS infrastructure, and the delivery of the MHHS programme milestones, which are:

- Testing support - test scenario reviews, the processing of test cases through DCC systems (including access to test meters), and, where applicable, the provision of evidence in support of the successful execution of tests. The work is across the DSP (Data Services Provider) and CSS (Central Switching Service) programmes. This work also includes the management of any testing defect fixes that are applicable to DCC.
- Environment connectivity support – configuring the test environment to support the end-to-end testing, and working with any test participant who needs to perform the required steps to connect to the environment.
- Data Preparation support – the provision & preparation of test data for the programme, and the loading of this data into the test environment

The Migration Testing phase is incorporated into the overall Functional Testing period, and at time of writing the scripts for these are still in development.

- DCC have completed all elements of preparation for the MHHS Programme SIT Functional Testing. The programme entered SIT as planned on 11th March 2024, and is due to run through to the end of March 2025.

Migration

This migration support was lower priority as was not required until April 2025 compared to testing support listed above. Migration support is composed of:

- Support for the Industry-led Migration of MPANs to MHHS, managing these through the existing CSS/DSP systems. This may include additional data requirements from CSS in order to monitor this process.
- Alignment of DCC Operational functions with the Elexon Service Delivery Management processes (once defined by Elexon).
- These activities are critical to ensuring the implementation of MHHS to timescale, and ensuring the required support is in place at DCC.

The MHHS changes were raised under a SEC Modification (MP162) and were progressed in the same way that any other modification would be progressed. The MHHS changes were not complex and thus a separate project team was not required to support these changes outside of the enduring SEC Release

team. We have utilised the existing team in absorbing the additional change request, thereby providing value for money for our customers in delivering this additional scope in the wider MHHS programme.

Our programme structure

Our MHHS structure is supported by our various DCC functions (Operations, Service Delivery etc.) bringing in design, management and assurance expertise across the three workstreams below.

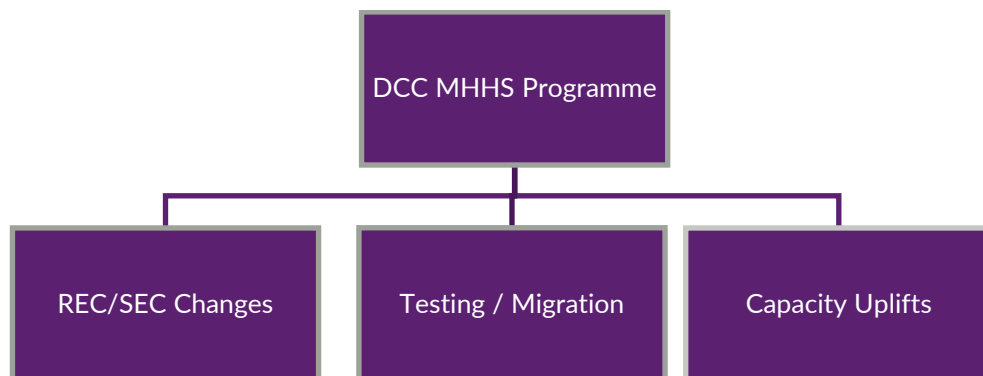


Figure 1 – Programme organisational structure

Sub-team RY23/24	Sub-team RY24/25	Description
SEC Releases REC Releases	SEC/REC Changes Releases	Accountable for: • Delivery of MP162 (SEC Modification) to provide the MDR role to Industry • Delivery of R0044 (REC Change Proposal) to update the interface data fields between the Switching Service and the Data Services Provider (DSP) central SMETs solution.
N/A	Testing/Migration	Accountable for: • Preparatory work for Industry SIT Functional Testing • Environment Readiness • Test Data Production & Augmentation • Test Scenario/Test Cases Reviews, Validation & Preparation • Test Meter Provisioning • Support for SIT Functional Testing • Evidence provision for participant testing • Defect Management support • Support for Industry Migration • Service Delivery
Capacity Uplifts	Capacity Uplifts	Accountable for: • Delivery of the Ofgem mandated capacity/infrastructure elements to ensure the new MHHS Service operates within agreed levels and supports the Migration phase.

Table 2 – Description of MHHS Functional Sub-Teams for Each Service

1.3. Drivers of Internal Cost variance – Payroll

Programme variance by Sub-Team

The table below shows the payroll variance by sub-team within the MHHS cost centre.

Baseline			Ry24/25	Ry25/26	Ry26/27
MHHS Payroll Costs		£m	-	-	-
Commercial and Regulation		£m	-	-	-
Design and Assurance		£m	-	-	-
Finance		£m	-	-	-
Operations		£m	-	-	-
Security		£m	-	-	-
Service Delivery		£m	-	-	-
Testing		£m	-	-	-
Incurred			Ry24/25	Ry25/26	Ry26/27
MHHS Payroll Costs		£m	1.169	1.061	-
Commercial and Regulation		£m	0.016	0.005	-
Design and Assurance		£m	0.066	0.019	-
Finance		£m	0.008	-	-
Operations		£m	0.290	0.239	-
Security		£m	0.004	0.073	-
Service Delivery		£m	0.568	0.709	-
Testing		£m	0.217	0.016	-
Variance			Ry24/25	Ry25/26	Ry26/27
MHHS Payroll Costs		£m	1.169	1.061	-
Commercial and Regulation		£m	0.016	-	-
Design and Assurance		£m	0.066	0.019	-
Finance		£m	0.008	-	-
Operations		£m	0.290	0.239	-
Security		£m	0.004	0.073	-
Service Delivery		£m	0.568	0.709	-
Testing		£m	0.217	0.016	-

Table 3 – Variance by sub team

Baseline costs were nil as they were disallowed across the Network Evolution programmes in Ofgem RY23/24 final decision. We note that we always planned to incur internal programme resource and report these based upon recorded timesheet data.

1.3.1. Operations

Overview of variance

Operations are responsible for working with the programme team to ensure that the change can be delivered into operational areas successfully. Operations follow the Operational Change and Transition (OCAT) process to define Service Outcomes, Service Acceptance Criteria, and Warranty Measures, ensure programme alignment, and monitor delivery. Operations attend a number of relevant MHHS Programme Advisory & Working Groups on Service Delivery, Migration, Transitional & Operational Readiness, inputting relevant operational knowledge and experience from previous implementations to represent DCC's interests & contribute to the overall success of the programme.

Operations also perform analysis on the impacts to their business processes, identifying and contributing to process changes, and assessing and developing the knowledge & training for their staff.

Scope of variance and key challenges

As the Programme increases the focus on implementation planning ahead of Go-Live in October 2025, all aspects of Operational Readiness for DCC are being managed ahead of this date. The processes for managing the DCC elements of Service Delivery, Migration monitoring & reporting and Warranty measures are being developed ahead of October 2025.

The work undertaken by Operations falls broadly into three categories:

1. DCC & Cross-Party Service Readiness

- Participation in Industry-wide Transition Operation & Migration working groups, supporting the shaping and understanding of MHHS approach and impacts across Industry and more specifically DCC systems and services
- Risk and impact assessment of MHHS against existing DCC smart and CSS services, enabling the early identification and mitigation of service risks
- Cross-party service management process alignment (e.g. for Service Desk, Incident and Change Management), to minimise the risk of mis-routed incidents and provide for more efficient issue identification and resolution
- Definition of required DCC service outcomes for MHHS and production of supporting documentation
- Anticipated volume and performance assessments to allow review of future infrastructure capacity requirements for both SMETS and CSS components
- Operational validation of performance testing to validate and support service and capacity planning
- Ensuring adequate force majeure protections are in place to limit DCC liability in the event of a capacity breach

2. Industry & Elexon Support

- Sharing Incident & Change Management processes and lessons learnt
- Service management process alignment
- Sharing best practice and lessons learnt from DCC's SMETS1 migration activity in relation to customer behaviours and outcomes, aiding Ofgem understand and enforcement of participant accountability

3. DCC Service Provider Readiness

- Ensuring DCC Service Providers are ready for MHHS implementation, through:
 - Reviewing MHHS impacts against existing DCC service designs

- Ensuring budgetary impacts (in particular capacity uplifts) are understood and reflected in forecasts

Across RY24/25, 2.5 FTE from the Operations team contributed to the MHHS programme, predominantly from the Service Assurance, In-life Change, and Core Operations sub-teams.

We forecast that in RY25/26, a small increase to 2.7 FTE from the Operations function will be allocated to the MHHS programme. This will be driven by more FTE deployed from the Core Operations and Demand & Logistics sub-teams.

Our actual and forecast costs for the programme are consistent with our forecasts for the same years in our RY23/24 price control submission.

Securing Value for Money

DCC entirely utilised existing internal Operations expertise and experience in order to carry out the activities outlined in the previous sub-section, without the support of additional contractor / consultant support. These capabilities were drawn on as needed through the course of RY24/25. For instance, resource from the Demand & Logistics and In-life Change sub-teams ramped up in Q3 of RY24/25, whilst resource from Core Operations was deployed on a more consistent basis through the year.

Future Considerations

Due to the Elexon Programme re-plan, that changed the Migration Go-Live from April 2025 to October 2025, means DCC Service Delivery continues to support extended Testing window.

Operational support for the post-implementation management of Migration Monitoring, Capacity Monitoring, Reporting and Warranty measures, will take effect once October 2025 Migration Go-Live occurs and then during the critical first year of MHHS operation DCC will provide the support required for the successful industry roll-out.

DCC Operations will continue its transition planning activities to support the MHHS programme through go live and an initial 'Hypercare' period. This early period will ensure ramp up of migration activities have no service impacts and facilitate the early identification and resolution of issues through close monitoring of system and service management process performance.

1.3.2. Service Delivery

Overview of variance

Service Delivery (SD) are responsible for programme managing and co-ordinating the overall delivery of the MHHS programme for the establishment of the required support for industry E2E SIT Testing and Migration through to go live in October 2025. SD are responsible for managing the timely execution of plans with Service Providers – namely [REDACTED], and internal functional leads.

The MHHS programme has been subject to internal governance via Programme Governance Board (PGB) attended by senior functional leads with overall accountability for their various deliverables, and Programme Steering Group (PSG) which includes attendees from the Elexon Programme and Ofgem. This is in addition to external governance oversight via Ofgem and various SEC Committees to ensure the MHHS programme delivers the right outcomes for customers. A full Risks, Assumptions, Issues, and Dependencies (RAID) log is held and managed by the SD function.

Our delivery of the SIT Functional Testing & Migration is managed by a team within our Service Delivery function, with Systems Integration support from CGI.

Whilst Functional Testing and Migration Testing is not being delivered through the REC or SEC modification process, DCC is required to carry out these activities for the MHHS programme. These very specific requirements have been defined through dedicated workshops between DCC and the industry MHHS Programmes and were agreed with the programme in October 2023. There are clear regulatory requirements which underpin this work, by virtue of DCC licence condition 21 (H). Equally, DCC is a Party to both the Smart Energy Code (SEC) and the Retail Energy Code (REC). Requirements of the MHHS Governance Framework overlap those of the SEC/REC as well as additional requirements.

Scope of variance and key challenges

The RY24/25 and RY25/26 is reflective of planned resource costs during these periods to cover the establishment of the required support for industry E2E SIT Testing and Migration through to go live in October 2025.

In RY24/25, 3.2 FTE from the Service Delivery function was deployed on the MHHS programme, where 3.0 FTE came from the Professional Services Practice sub-team, and 0.1 FTE came from periodic involvement from the Programme Director.

In RY25/26, we forecast an increase to 5.5 FTE from the Professional Services Practice sub-team, and 0.5 FTE from the Programme Director, which together drive the increase in forecasted incurred costs.

Compared to our RY23/24 price control submission, we now forecast an increase in Service Delivery support. The programme has been extended, which requires additional programme management resources. We spent less than planned in RY24/25, but the migration go-live has shifted to RY25/26 when coupled with the extensions mean that that we have an increase in the required amount of FTE to take the programme to completion.

Securing Value for Money

SD have delivered the MHHS programme to the industry plan and to budget across the three workstreams for RY24/25, as approved by our approved process. The number of resources flexed during the year to match the demand requirements of the programme.

When the CR055 was introduced to revise the programme milestones, we undertook a replan to revise our resource needs for RY24/25 and RY25/26. We found that we needed to rework our planned programme management levels to manage the extended testing window that involved our teams, along with our inputs and outputs that linked with other industry workstreams. As described in the overview section, there are several internal and external governance frameworks that we need to manage and engage with stakeholders on an ongoing basis.

In our RY23/24 price control submission, we had forecast peak resource levels for RY24/25, but this has now shifted to RY25/26 to ensure we deliver our part of the migration go-live that was delayed to October 2025.

Future Considerations

The increase in costs from RY24/25 to RY25/26 is explained by this large ramp up in activity to ensure we deliver this much needed programme for our stakeholders and align with Elexon moving the Migration start date to October 2025.

1.3.3. Testing

Overview of variance

Test Assurance resource required to support the introduction of the new MDR role for MHHS via the June 2024 SEC Release. The wider Elexon lead external testing also required DCC Testing support resource spend which involved DCC Testing Services team.

Scope of variance and key challenges

The RY24/25 and RY25/26 is reflective of planned resource costs during these periods to cover the establishment of the required support for industry E2E SIT Testing and Migration through to go live in October 2025.

In RY24/25, 1.1 FTEs were deployed from the Testing services team of the Testing function throughout the RY. As above, this was required to support the June 2024 SEC release.

Securing value for money

DCC Testing assurance and Testing Services continued to support the Elexon testing window that was extended due to Elexon's replan.

Future considerations

No additional FTE is forecast to be deployed from the Testing team on the MHHS programme in RY25/26, during which the programme will approach its conclusion. This is reflected in the costs forecasted to be incurred by the Testing team on the programme falling to zero in RY25/26.

1.4. Drivers of Internal Cost Variance – Payroll R26/27 only

Not applicable for this chapter.

1.5. Drivers for Internal Cost variance – Non-Resource

Non-resource costs cover all Internal Costs other than payroll costs explained in Section 1.3. There are no material non-resource variances for the MHHS programme.

1.6. Drivers for External Cost

We incur External Costs on specified subset of our service providers, namely:

- SMETS2 [REDACTED] required to design, build, test and deploy the new MDR role into production – Commercial agreement signed September 2023. [REDACTED] as the Data Services Provider (DSP) is the hub of all smart metering requests. It provided the new functionality to support MHHS requirements within DCC ecosystem.
- SMETS2 [REDACTED] required to support end to end testing of the new MDR role – Commercial agreement signed July 2023. [REDACTED] as one of the Communications Services Providers (CSP), manages the flow of Service Requests via the SMART meter in a person's home. They cover the central and south regions. MHHS did not require any changes to the comms hubs connected to Smart Meters.
- SMETS2 [REDACTED] required to support end to end testing of the new MDR role – Commercial agreement signed January 2024. [REDACTED] is the other Communications Services Provider (CSP) and manage the flow of Service requests down the SMART meter in a person's home. They cover the northern geographical areas of the England. MHHS did not require any changes to the comms hubs connected to Smart Meters.

- SMETS1 [REDACTED] required to support end to end testing of the new MDR role – Commercial agreement signed June 2023. [REDACTED] is the SMETS1 Service Provider (S1SP) for the SMETS1 Final Operating Cohort (FOC) that supports the original, older SMETS1 Smart meter.
- SMETS1 [REDACTED] required to support end to end testing of the new MDR role – Commercial agreement signed September 2023. [REDACTED] the SMETS1 Service Provider (S1SP) Data Hosting service to support [REDACTED] for the SMETS1 Final Operating Cohort (FOC) that supports the original, older SMETS1 Smart meter.
- SMETS1 [REDACTED] required to support end to end testing of the new MDR role – Commercial agreement signed June 2023. [REDACTED] is the SMETS1 Service Provider (S1SP) for the SMETS1 Middle Operating Cohort (MOC) that supports the original, older SMETS1 Smart meter.

The sections below describe the material CRs and PRs that are of more than £1.000m signed in RY24/25. As in prior years, we explain the background, drivers, scope and how we secured value for money. Table 3 sets out the incurred and forecast costs against the two CRs explained below.

Supplier	RIGs category	RIGs ref	CR/PR	Description	2024/25
S1SP_2	MHHS	Annex 3, tab 3g, row 56	CR4879	Capacity Uplift Associated with Market-wide Half Hourly Settlement (MHHS)	1.194
S1SP_3a	MHHS	Annex 3, tab 3i, row 56	CR4879	Capacity Uplift Associated with Market-wide Half Hourly Settlement (MHHS)	0.902

Table 4 – Supplementary Schedule Reference – S1SP_2 Material CRs.

1.6.1. [REDACTED] CR4879 (SECM056) - Capacity Uplift Associated with Market-wide Half Hourly Settlement (MHHS)

Drivers for Change

Market-wide Half Hourly Settlement (MHHS) is an industry-wide programme which will mandate energy suppliers to provide all consumers with meters capable of recording energy usage on a half-hourly basis.

Ofgem requested a programme of work for the Capacity Uplift changes associated with the DCC implementation for MHHS, and this resulted in a change request (CR4879) being created which impacted a number of the suppliers in the DCC SMETS1 eco-system.

DCC is mandated by the following requirements to provide sufficient capacity to meet MHHS demands:

- DCC Licence Condition 21, part H that requires us to comply with the MHHS governance arrangements, including the Ofgem Direction for DCC to meet MHHS capacity requirements.
- DCC Licence Condition 21, part A that requires us to comply with the SEC, including the requirements of Appendix AM: SMETS1 Supporting Requirements and specifically Section 18, that requires DCC S1SPs cache specific data as described.

If CR4879 was not implemented with Secure, DCC would not be in a position to support the wider MHHS programme as directed by Ofgem.

Prior to the creation of CR4879, multiple change requests had been raised on the same subject, with the scope continuously changing based on the market insights and regulation guidance.

As a result of multiple discussions between DCC and [REDACTED], the final scope for CR4879 was confirmed as being the following:

- Modify key Service Request Variants (SRVs) to work in line with the requirements of the new Meter Data Retrieval (MDR) role and the needs of the Market Half Hourly programme.

- Implement a SMETS1 readings cache to improve the performance of multiple SRV reads of the key SRVs and reduce network traffic.
- Uplift system capacity to support the forecasted increase in traffic based on demand forecast excel file.

Scope of the Change

Each of the three scope items a) through to c), are detailed further below:

Part (a) Modifying key SRVs

- Support of scheduling SRV 4.2
 - S1SP to enhance the existing implementation of SRV4.2 so that it can be scheduled, and the SRV 4.2 reply would provide the appropriate data.
- Enhance SRV 5.1 and 5.3 implementation to capture SRV 4.2 as scheduled SRV
 - Enhance the processing of SRV 5.1 and 5.3 to support SRV 4.2 as a scheduled SRV, with any supporting Management Interface changes.

Part (b) Serve (applicable) on-demand requests through cache

To ensure applicable MHHS requests are served from the SMETS1 data cache wherever the requested data was already available in the cache, to avoid unnecessary network usage and improve overall response time.

Part (c) Uplift the system capacity:

Secure to uplift the existing system platform to support the forecasted capacity as described in the MHHS demand forecast sheet.

Securing Value for Money

As part of DCC's standard change control review process, which involves functional areas reviewing the initial impact assessment for CR4879, the DCC Architecture team rejected the impact assessment due to the costs being unacceptable when considering the following:

- No new code was being developed
- SRVs are unchanged
- Users coming in are agnostic of the user role, it is an SRV that Secure have to deal with – DCC deal with the MDR role
- PIT testing costs – what are Secure Meters testing that creates such a large amount of effort?
- No explicit breakdown of what is in the hardware cost
- Breakdown required
- Adding capacity not creating new environments, therefore why was this aspect of the cost so high

Secure submitted the initial impact assessment on 17th May 2023, with the price from their second and final impact assessment submitted on 15th August 2023. Based upon the above challenge, this resulted in a lower price, and this was subsequently accepted by the DCC as it was deemed to be both economic and efficient given the scope and the proposed charges.

Price Breakdown

A breakdown of the costs is provided in the table below.

Detail	Price initial (£)	Price final (£)
Implementation Charge	████████	████████
Infrastructure consisting of Prod and S1SPOS (Reporting System) - (Hardware & Set up costs)	████████	████████
Tech Refresh Costs (Hardware) - (a tech refresh will be required to the Server and Network Switches after 5 years)	████████	████████
RPI on Implementation Charge		████████
Pending RPI value of Impact Assessment		████████
Sub Total	████████	████████
Operational Charges - Recurring (Infrastructure Support for 8 years i.e. end of contract period)	████████	████████
Total Charges	████████	████████

Table 5 – Price Breakdown

Price Initial (£)	Price Final (£)	Difference %
████████	████████	12% increase

Table 6 – Initial vs final price

The Implementation Charge and Impact Assessment charge were subject to annual indexation as set out within the Agreement.

Future Considerations

Through the MHHS change, energy suppliers will be exposed to the exact half-hourly costs of customer consumption patterns instead of being estimated as they are today. This will encourage electricity suppliers to offer time-of-use tariffs, which in turn will incentivise customers to shift their consumption to times when energy is cheap or to support protecting the electricity networks by managing levels of demand.

The MHHS programme in the UK is expected to save consumers money through more accurate billing, improved energy insights, and the potential for new, cost-saving tariffs, with Ofgem predicting net benefits of between £1.6bn and £4.5bn for consumers by 2045.

The work undertaken as part of this CR will ensure the infrastructure to support MHHS is ready at go live to enable the industry to start to utilise the new products and services (e.g. Time of Use tariffs). By increasing capacity ahead of MHHS go-live potential issues related to capacity management and response times which could impact user experience has been mitigated.

1.6.2. [REDACTED] - CR4879/CAN TRLCAN018 - Capacity Uplift Associated with Market-wide Half Hourly Settlement (MHHS)

Drivers for Change

Market-wide Half Hourly Settlement (MHHS) is an industry-wide programme which will mandate energy suppliers to provide all consumers with capable meters to enable their electricity consumption to be tracked and settled on a half-hourly basis

Ofgem requested a programme of work for the Capacity Uplift changes associated with the DCC implementation for Market-wide Half Hourly Settlement (MHHS), and this resulted in a change request (CR4879) being created which impacted a number of the suppliers in the DCC SMETS1 eco-system.

DCC is mandated by the following requirements to provide sufficient capacity to meet MHHS demands:

- DCC Licence Condition 21, part H that requires us to comply with the MHHS governance arrangements, including the Ofgem Direction for DCC to meet MHHS capacity requirements.
- DCC Licence Condition 21, part A that requires us to comply with the SEC, including the requirements of Appendix AM: SMETS1 Supporting Requirements and specifically Section 18, that requires DCC S1SPs cache specific data as described.

This section sets out the specifics related to the change on [REDACTED]

If CR4879 was not implemented with [REDACTED], DCC would not be in a position to support the wider MHHS programme as directed by Ofgem.

Scope of the Change

This change is to introduce additional functionality to the Contractor Solution to provide sufficient capacity to meet mandated MHHS demands:

- Capacity uplift to support an increase in energy supplier and MDR User Users SRVs for MHHS. The CAN covers the Contractor supporting the below phases of activity.
- Design of solution, build and testing up to PIT Exit.

Securing Value for Money

Due to the complex nature of this change and the additional requirements introduced by the business, multiple iterations of the impact assessments were necessary to accommodate evolving needs. The initial impact assessment was submitted on 1st February 2023, with final costings agreed upon on 29th July 2024.

The ongoing changes in scope resulted in a final cost that exceeded the original estimate. However, it is important to note that if this change had been fully re-quoted, costs would likely have been even higher due to the extensive rework required over the 18-month project period.

Despite these challenges, cost efficiency was achieved in two key ways:

- **Rate Card Retention:** The Contractor maintained the previous financial year's Rate Card for charges, securing cost savings of approximately [REDACTED] for the DCC.
- **Future Cost Efficiencies:** The Contractor committed that any future change requests initiated during the delivery of this Change Request would benefit from efficiencies in delivery, ensuring associated cost reductions are factored into their respective impact assessments.

This approach has ensured that the best possible pricing was secured while maintaining flexibility to adapt to business needs and minimize further financial impact.

Price Breakdown

Table 7 – A breakdown of the costs is provided in Table A below.

Detail	Price initial (£)	Price final (£)	Price final (£)*
Milestone Delivery Charges	██████	██████	██████
Fixed Operating Charges	██████	██████	██████
Ad-hoc Expenses including travel costs	██████	██████	██████
Rate Card Changes			██████
Total Charges	██████	██████	██████

Table 8 – Price Breakdown

* assuming the rate card was updated

Price Initial (£)	Price Final (£)	Difference (%)
██████	██████	28.6% increase

Table 9 – Initial vs Final Price

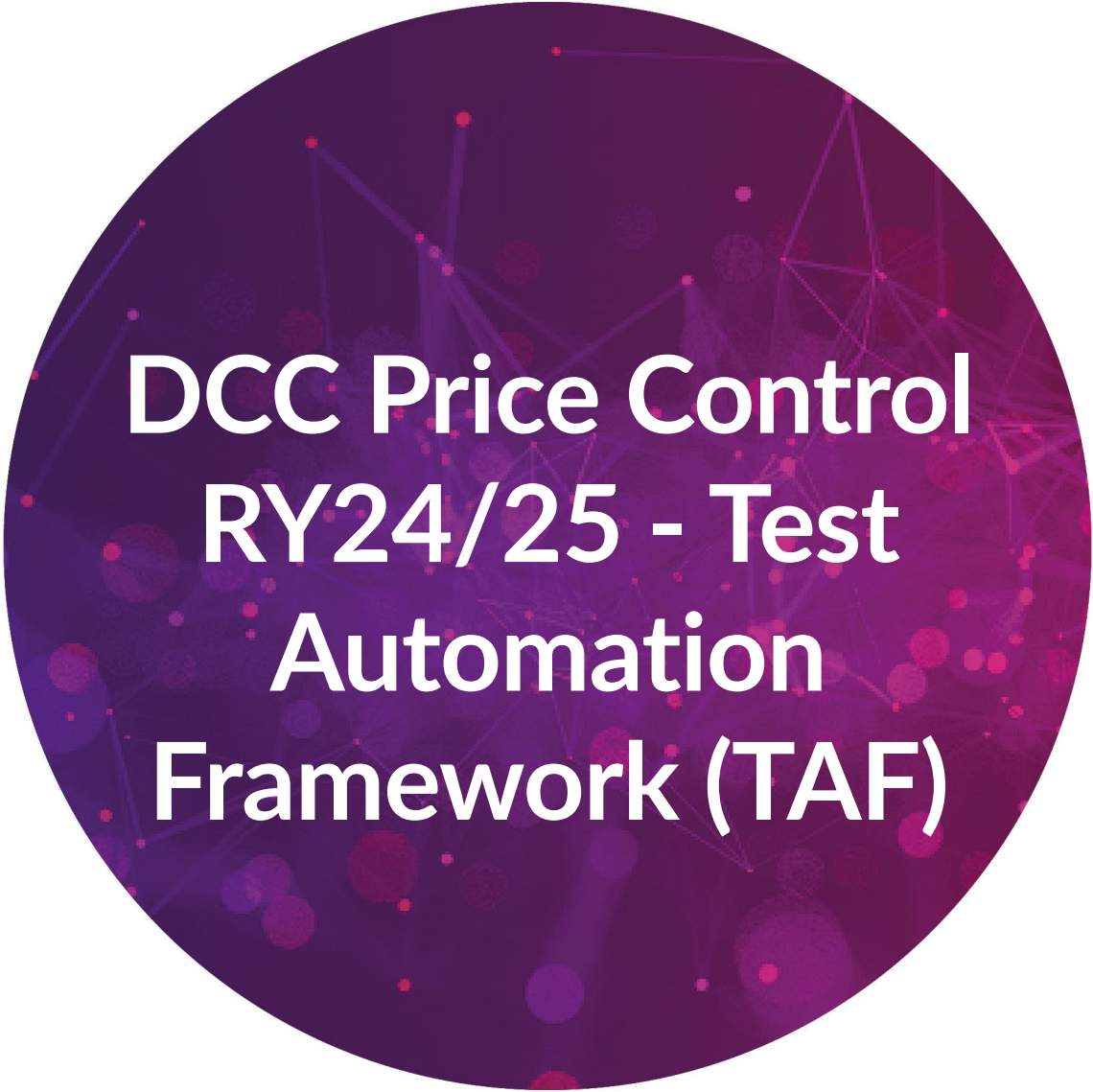
Supplier Value for Money Statement from CAN

The Contractor in their CAN made the following statement:

“Based on the timing and scope of this CAN, this has been costed at best price by the Contractor by holding the previous financial year Rate Card for the Charges saving the DCC approximately ██████. Note if this was requoted, the costs are likely to be increased due to multiple reworks over circa 18 months. With the delayed approvals, DCC lost the window of opportunity to reduce the ecosystem costs and commission this change to be delivered alongside other key IOC and MOC timelines.”

Future Considerations

The work undertaken as part of this CR will ensure the infrastructure to support MHHS is ready at go live to enable the industry to start to utilise the new products and services (e.g. Time of Use tariffs). By increasing capacity ahead of MHHS go-live potential issues related to capacity management and response times which could impact user experience has been mitigated.



DCC Price Control RY24/25 - Test Automation Framework (TAF)

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1. Test Automation Framework (TAF)

Summary

What is this and why is it important?

Testing is an integral part of every change to DCC's network, big or small. It is essential and good business practice, especially for critical systems like those operated by DCC.

Following DESNZ's letter of non-objection to our Business case in July 2022, DCC developed the Test Automation Framework (TAF) to improve its testing capability to deliver better system solutions at a lower cost for customers. The programme will 1) reduce costs by increasing the speed of Regression and User Integration Testing (UIT), and 2) improve quality by increasing test scope and device model combination coverage. This will be achieved through utilising enhanced, automated testing capabilities, which will provide greater value for money when testing SEC releases, maintenance releases and firmware releases.

RY24/25 activities and costs

In RY24/25, we incurred £0.3m of Internal Costs on the programme, which was £0.2m above the regulatory baseline.

Following some programme delays in RY23/24, the focus in RY24/25 has been to avoid further slippage, obtain value for money from our service providers (through strong supplier management, including withholding payment where necessary), and ensure high-quality delivery of the solution to our required specifications.

The programme successfully transitioned to its operational phase in August 2024. Key achievements in RY24/25 include the completion of the lab refurbishment work, which enabled the installation and programming of the robotic solution.

Future activities and costs

We have not forecasted any future costs as the programme transitioned into its operational phase in August 2024.

1.1. RY24/25 Cost Variances Overview

1.1.1. Internal Costs

This section sets out the baseline costs (as determined by Ofgem in previous years' submissions), incurred costs and forecast costs and highlights any material variances to the baseline. In the following sections, we explain the programme purpose and our resource and non-resource costs.

The table below provides a breakdown of incurred and forecast costs in price control format i.e., mapping costs directly against the price control (GLs). Internal Costs for this programme are aggregated under Network Evolution in the Main RIGs. Network Evolution includes our DSP, CH&N, FSM, PKI-E and TAF programmes.

Programme variance by GL

Baseline			RY24/25	RY25/26	RY26/27
Total TAF		£m	0.125	0.012	-
Payroll costs	PR	£m	-	-	-
Accommodation	AC	£m	-	-	-
External services	ES	£m	0.113	-	-
Internal services	IS	£m	0.012	0.012	-
Incurred			RY24/25	RY25/26	RY26/27
Total TAF		£m	0.334	-	-
Payroll costs	PR	£m	0.224	-	-
Accommodation	AC	£m	0.031	-	-
External services	ES	£m	0.091	-	-
Internal services	IS	£m	-0.012	-	-
Variance			RY24/25	RY25/26	RY26/27
Total TAF		£m	0.209	-0.012	-
Payroll costs	PR	£m	0.224	-	-
Accommodation	AC	£m	0.031	-	-
External services	ES	£m	-0.022	-	-
Internal services	IS	£m	-0.024	-0.012	-

Table 1 – Variances by GL

1.1.2. External Costs

We have one fundamental services provider dedicated to our programme, [REDACTED] (acting as the Test Lab Operator and Service Provider). We set out material cost variances in Section 1.7, including one CR for RY24/25.

Annex 3p of the RIGs summarise our External Costs for RY24/25.

1.2. Purpose, Scope and Structure

1.2.1. Purpose

Under the terms of the SEC, DCC is required to undertake testing each time the DCC Total System is changed (Section D6.9). DCC considers regression testing to be an essential component of this testing, providing confidence that newly introduced functionality has not impacted existing functionality. Section H14 of the SEC also requires DCC to provide a service for DCC Users to conduct testing of their own systems against the DCC Total System.

The Production/Live environment has evolved substantially over the last five years as more devices have been installed and/or migrated on to the Smart Meter Network. This has introduced hundreds of device combinations; significantly higher than the volume our current System Integrator's testing automation framework has been built to support. This was the baseline rationale that underpins the TAF business case. TAF will be able to support substantially more regression testing on multiple real device combinations in the lab through the robotics; and the automation framework will include all Service Request Variants (SRVs) to be selected from different DCC User Interface Services (DUIS) versions, significantly increasing test coverage. This will generate a more accurate representation of the impact of changes on the behaviour of devices in the live environment, reducing the likelihood of incidents in production.

The current solution is also dependent on DSP solution elements (such as logging) to determine the outcome of a test case. This does not represent good practice particularly as we move away from our current DSP providers. There would also be unfavourable financial implications as the current contractual arrangements for regression testing would mean that DCC would be charged additional costs to support increased coverage and/or device combinations sets.

DCC commissioned independent external experts to review automation options and provide a high-level benefits analysis. Their conclusions supported the extension of automation and the use of robotics as a suitable mechanism to improve the effectiveness of regression testing activities. Thus, DCC developed a TAF proposal to DESNZ, in line with the HM Treasury Green Book approach. As part of the development of the 2022 Full Business Case, DCC modelled the costs and benefits of the change programme and found significant value for customers over short and longer terms:

Direct benefits anticipated from the new TAF solution (as evaluated in the Economic Case) relate to a reduction of costs compared to the current [REDACTED] solution for the following testing activities:

- SIT regression for SMETS 1 and SMETS2 SEC modifications - reduction in costs attributable to regression testing of SEC modifications compared to current arrangements.
- SIT regression for SMETS 1 and SMETS2 maintenance releases – reduction in costs attributable to regression testing for regular maintenance releases compared to current arrangements.
- SIT testing for DSP (DSP Data Systems) – reduction in costs attributable to regression testing to be conducted against the existing and any potential replacement DSP system as part of the DSP (DSP Data Systems) Programme.
- UIT Proving – reduction in costs attributable to testing undertaken in the UIT environment for the purposes of proving environment and Communications Hub product readiness for User Testing.

Indirect benefits anticipated from the new TAF solution include:

- Avoidance of programme delay and incident costs – increased scope of testing delivered through the TAF Solution leads to a reduction in defects found in later test phases and production, incurring a cost benefit in avoidance of programme delay and incident costs.
- Avoidance of industry downtime related to incidents – extended device coverage provides the opportunity to identify more device-related issues during testing phase, reducing likelihood of live incidents and associated industry downtime and costs.

1.2.2. Scope

The Test Automation Framework (TAF) programme was initiated in response to the growing complexity of the DCC Total System (driven by external factors), which increases the scope, complexity and cost of the testing required when any modification to DCC Systems is made. This drives test complexity and expands testing scope, leading to an increase in costs required to complete testing both for the specific changes, but also more significantly for regression testing. The greatest increase in cost is being incurred during regression testing of existing code.

Introducing automation and robotics within testing will enhance the quality of testing, whilst decreasing costs and timescales for regression testing, where a level of maturity and stability should exist. This offers the ability to provide an on-demand regression testing service that can offer:

- Enhanced capacity to test with a wider range and increased volumes of real devices.
- A cost-efficient approach enabling the potential for increased testing within regression testing windows through capability to extend hours of operation without operator intervention (up to 24/7).
- Delivery of a solution that is independent of the existing DSP solution, that will allow it to assure the accuracy of the new DSP solution.

The TAF solution operates from the test labs at DCC's Brabazon House in Manchester.

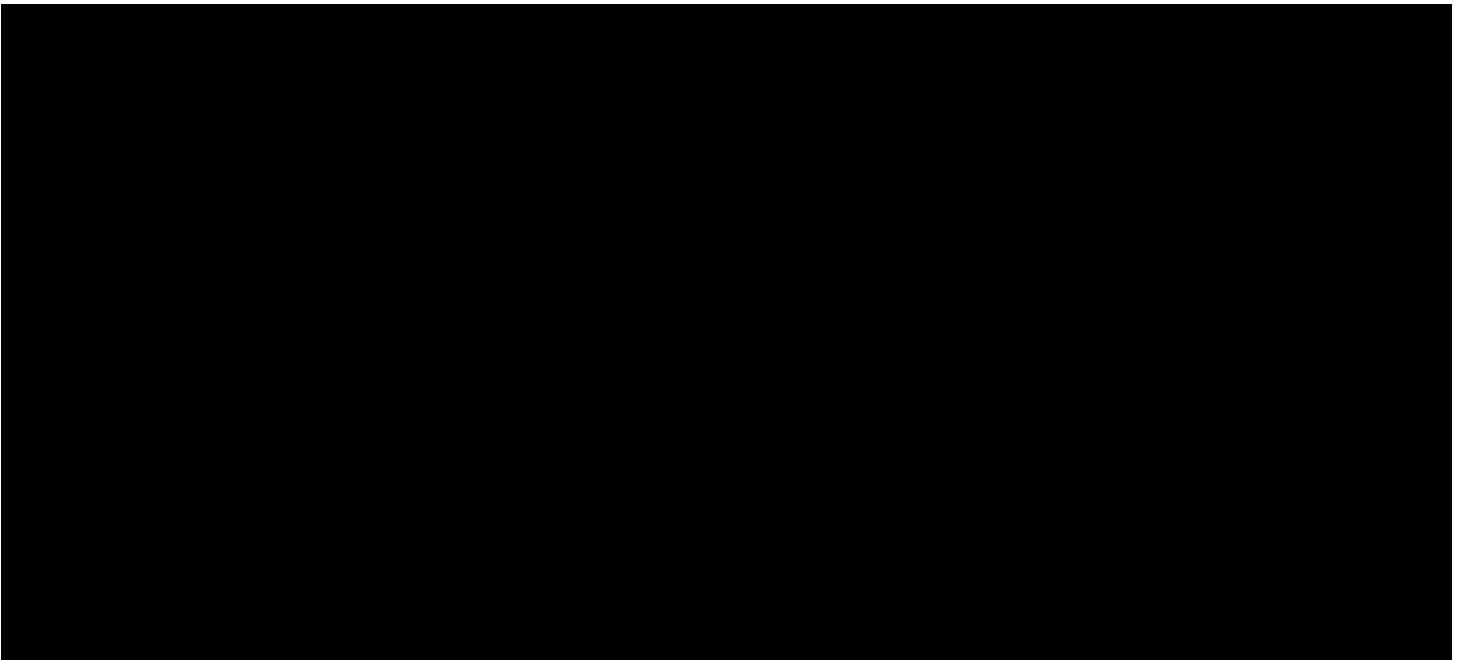


Figure 1. TAF scope schematic

Key planned events and objectives driving activity and cost in RY24/25

The transfer of TAF to the Operations occurred phase in August 2024 through CAN004, with CAN005 subsequently being signed to include updates to new feature designs, amendments to the existing design and development/build activities in the Optimus framework and the robotic solution.

As mentioned in last year's submission, we have experienced delays to our TAF go live due to our service provider. This go live date has been delayed a further 12 months and is now anticipated in March 2026. Refer to Section 1.7 for a summary of our service provider contracts and our contract management approach for underperformance.

Structure

We have a single Project Manager assigned to the delivery of TAF, who is supported by resources across the organisation as and when required. Refer to the following section for the contributions for the material sub-teams.

1.3. Drivers of Internal Cost variance - Payroll

Programme variance by Sub-Team

The table below shows the payroll variance by sub-team within the TAF cost centre.

Baseline			Ry24/25	Ry25/26	Ry26/27
TAF Payroll Costs		£m	-	-	-
Commercial and Regulation		£m	-	-	-
Design and Assurance		£m	-	-	-
Finance		£m	-	-	-
Operations		£m	-	-	-
Security		£m	-	-	-
Service Delivery		£m	-	-	-
Testing		£m	-	-	-
Incurred			Ry24/25	Ry25/26	Ry26/27
TAF Payroll Costs		£m	0.224	-	-
Commercial and Regulation		£m	0.002	-	-
Design and Assurance		£m	0.011	-	-
Finance		£m	-	-	-
Operations		£m	0.002	-	-
Security		£m	0.009	-	-
Service Delivery		£m	0.031	-	-
Testing		£m	0.169	-	-
Variance			Ry24/25	Ry25/26	Ry26/27
TAF Payroll Costs		£m	0.224	-	-
Commercial and Regulation		£m	0.002	-	-
Design and Assurance		£m	0.011	-	-
Finance		£m	-	-	-
Operations		£m	0.002	-	-
Security		£m	0.009	-	-
Service Delivery		£m	0.031	-	-
Testing		£m	0.169	-	-

Table 2 – Variances by sub-team

1.3.1. Testing

Overview of variance

The Testing team provided support to the project by producing the Test Approach and by working together with the Test Lab Operator and Service Provider for TAF (b) (6).

The variance of £0.169m is driven by resources required from our testing sub-team, which are being compared to a zero Ofgem baseline. We required resources in RY25/26 due to delayed testing and assurance of the TAF solution from RY23/24.

Scope of the variance and key challenges

During the year we had six different people contribute to the programmes, but at a total of 0.9 FTEs. Our resources are only engaged when needed, utilising skills across our business (rather than outsourcing), to provide expertise across:

- Test Assurance resources undertook assurance activities on the following:
- Pre-Integration Testing of the TAF solution components, including the robotic solution and logging capability.
- Sub-Set Testing was carried out to validate that all required test data in terms of Private Key Infrastructure (PKI) were in place to support testing in the DCC end to end environments. Testing Services resource provide Smart Metering Domain and Test Automation expertise, reviewing the (b) (6) Design documentation and ensuring the product effectively delivered DCC's requirements for a TAF.
- Tailored Test Lab planning and support for TAF-specific activities, including changes to accommodate a larger Service Provider presence on site to manage programme delivery and reduce impact of delays on future timelines.

Compared to our RY23/24 submission, we have a reduction in our Service Delivery spend year-on-year. For RY24/25, one of our testing assurance experts fulfilled the role of programme manager. Therefore you see very little cost incurred for the Service Delivery sub-team on TAF this year (a reduction from £0.350m in RY23/24 to £0.030m). Accordingly our Testing-only time has also reduced despite the costs show a small increase on prior year testing team costs.

Securing Value for Money

Our payroll rates are constantly benchmarked to ensure they are representative of the market. DCC also reviews internal resource allocation on each project to ensure that a proportionate team is allocated to continue an effective level of support that delivers to the agreed project milestones.

Refer to section 1.7 for more detail on our work managing delay by the Service Provider. Our test assurance team plays a critical role in ensuring all solutions meet DCC's requirements.

Future Considerations

We do not forecast any further team costs for the TAF programme. In August 2024, the programme transitioned to our Operations function and ongoing costs will be included incurred in that cost centre.

1.4. Drivers of Internal Cost variance – Payroll RY26/27 only

Not applicable for this chapter.

1.5. Drivers for Internal Cost variance – Non-Resource

There are no variances greater than £150k for our non-resource costs. As shown in Section 1.1.1., we had a net variance of -£0.015m.

1.5.1. [REDACTED] - Test Lab Operator

Please refer to our chapter 'Corporate Management' for an explanation of the Test Lab Operator accommodation costs, consistent with our prior submissions. We note this contract is classified as an Internal Cost and is different to the External Costs explained in Section 1.7.

1.6. Drivers for Internal Cost variance – Non-Resource RY26/27 only

Not applicable for this chapter.

1.7. Drivers for External Costs – [REDACTED]

1.7.1. Programme FSP cost reconciliation

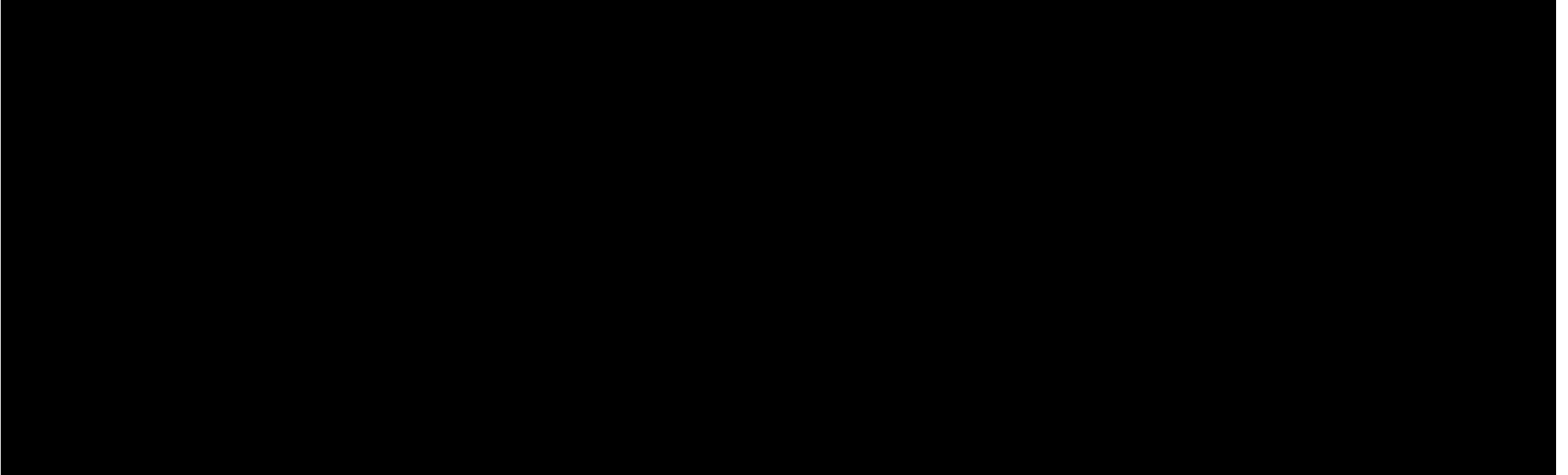
As requested by Ofgem on 28 May 2025, we have prepared a reconciliation of our FSP costs against our TAF budget.

In September 2021 £15.600m was approved to introduce the new TAF to replace the manual execution of testing and interaction with devices in the test lab with automation and robotics. Benefits of automation include lower test costs, faster introduction of change, and fewer production incidents through increased test quality.

The £15.600m includes £7.800m to design, build and test (DBT) of TAF, including purchase and installation of the robotics and the building and proving of a test automation platform through which regression testing can be run. The remaining £7.8m relates to the ongoing maintenance and support required to operate the solution and cover the initial three-year term of the contract. There are options to extend for a further two years, but these costs would need to be negotiated in future years.

Our DBT spend is contracted to be £7.600m against our budget of £7.800m, however we note that not all costs are yet incurred in our accounts (as per Section 1.7.3). We set out the individual contracts and Change Authorisation Notes (CANs) in the following table. We are proud to have remained within the overall budget over the lifetime of the programme.

The below table provides a summary of the contracted costs (and not paid costs) associated with the programme:



Note: This table excludes our monthly operational costs, effective August 2024.

1.7.2. Design clarifications and service provider management

As explained for last year's price control submission, we have been engaging with [REDACTED] across the delays created and continue to manage [REDACTED] delivery across RY24/25. During this process we have raised with [REDACTED] the specific aspects of its services that have not met its contractual obligations to the DCC, as well as the revisions required to [REDACTED] design to deliver a solution that meets DCC's specified requirements. As explained in the letter we have withheld payments for unmet milestones – ensuring the avoidance of inefficient spending. This approach has been key to our staying within programme budget over the programme lifetime.

We provide a copy of our latest letter to [REDACTED] that summarises the key issues to date that have been subject of with [REDACTED] quality and missed milestones, including:

1. Deficiency in quality of personnel
2. Design clarifications that have been raised and not actioned to incorporate missing DCC requirements
3. Misunderstanding of the extent of testing within original contact scope.
4. And other items on milestone delays and documentation.

Please refer to the attachment 'E34_Contract management_TAF_Letter_[REDACTED]'. The following sections relate to our management of [REDACTED] contractual obligations.

1.7.3. Setup costs above baseline

Driver for change

The project costs are split out against two separate phases of activity: Set-up costs - to cover design, build and test activity; and enduring Operational costs.

During RY24/25, the TAF solution should have completed phase 1 – set-up, and transferred into the second operational phase. The complete operational elements of the solution include the robotics lab, the DCC-owned adapter, automated logging and DCC owned environments. The outstanding element is the provision of the automated script and scenario testing platform, without which the TAF capability is non-operational.

Accordingly, we have incurred setup costs in RY24/25 that are higher than our baseline and forecast costs for RY25/26 in Schedule 3p of Annex 3 to the RIGs.

Scope of the Change

The business case benefits are attributed to the regression testing required to assure the new DSP. These benefits are still on-track to materialise against the TAF business case as the solution remains on a trajectory to be ready on time to be utilised against the DSP programme. Thus, the return on TAF investment is expected to deliver against the revised DSP programme milestones.

The milestone dates as agreed and achieved for RY24/25 are set out in the following table:

Milestone	Milestone description	Date	Achieved / Paid
6	This Milestone represents the successful completion of all preparations for the SIT Test Phase.	02 nd April 2024 (This was recognised as complete in May 2024)	Yes / [REDACTED]
7a	This Milestone represents the successful completion of testing within the UIT-B DCC test environment against the new Adaptor and Local Logging Solution	31 st July 2024	Yes / [REDACTED]

	Components of the Contractor Solution and transition to the Operations Phase		
7b	This Milestone represents the successful completion of EUCT testing within a UIT-A DCC test environment against the new Adaptor Component of the Contractor Solution.	20 th September 2024	Yes / [REDACTED]

Table 4 – Milestone delivery table

New delivery timelines were agreed with the TAF Provider under CAN005 as described below;

Milestone	Milestone Description	Date	Achieved / Paid
C1	This Milestone represents the successful completion of Design, Build and Pre-Integration Test Activity	16 th December 2024	Yes (with work off) / [REDACTED]
C2	This Milestone represents the successful completion of Solution Systems Integration Testing	07 th March 2025	No
C3	This Milestone represents the successful completion of parallel run	28 th March 2025	No

Table 5 – Milestone delivery table

The revision of the milestones in the second table above are due to delays from the previous RY23/24, relating to required re-work. This included that the load on the circuit board was too high, and the robots required a revision to their wiring, requiring additional work. Further, the cooling unit in the robotics lab was not operating as designed and a complex replacement was needed to avoid overheating.

The delivery of the TAF Solution has required significant extra effort from internal resources to support progress. Where our supply chain had appropriate technical expertise but lacked certain smart Metering domain expertise, we utilised in-house resources rather than seek additional external support. This increased our internal payroll costs as discussed in the previous Section.

Commercial negotiations and replanning conversations took place throughout Q3 of RY24/25 to agree a remediation plan to establish new TAF timelines. DCC issued the TAF provider with a formal Notification of Delay and Request for Rectification Plan letter in March 2025 which outlined the default relating to their failure to meet their delivery obligations that were stipulated in CAN005 for Milestone C2 and C3 within the agreed timeframe. TAF go live has been delayed further and is now anticipated to go live in March 2026, however due to DCC's commercial approach we have avoided inefficient spend, withholding payment from our suppliers.

Securing Value for Money

DCC has withheld payment from [REDACTED] for missed milestones, in line with the provisions set out in CAN005, and will continue to do so until an acceptable and workable solution is achieved. Negotiations are ongoing, and DCC is actively pursuing all available contractual remedies to hold the TAF provider accountable and secure project delivery.

Alongside this, DCC have asked two existing Service Providers to provide rates and timelines to complete the TAF build so that that we can benchmark [REDACTED] submissions and challenge [REDACTED] any discrepancies in their final costs and timelines.

Future Considerations

As explained in Section 1.2, we are managing [REDACTED] workplan to complete the delivery of all TAF milestones by March 2026.

1.7.4. CR5394 – Additional development due to Design clarifications

Drivers for Change

The Parties have identified and agreed a series of new development changes required to effectively operate the TAF Solution, alongside the need to reinstate previously removed scope in terms of testing activity (e.g. exception testing and subset testing).

A summary of the design clarifications is set out in Section 1.7.2.

Scope of the Change

The Parties have identified and agreed, through a new Mos-Cow analysis a series of changes which are required to effectively operate the Contractor Solution (also referred to as the “TAF Solution” in this CAN). These include new features design, amendments to the existing design and, associated development/build and test activity will be undertaken for the changes. The Contractor will update all relevant Contractor Solution Design Documents to reflect the changes.

DCC have also requested to reduce the solution testing timeline which added a requirement to increase ad-hoc resources for 4-5 months.

This Change includes new design and development changes in Optimus framework, Logging solution and Robotic solution. Delivery timelines agreed are mentioned in the delivery section.

Securing Value for Money

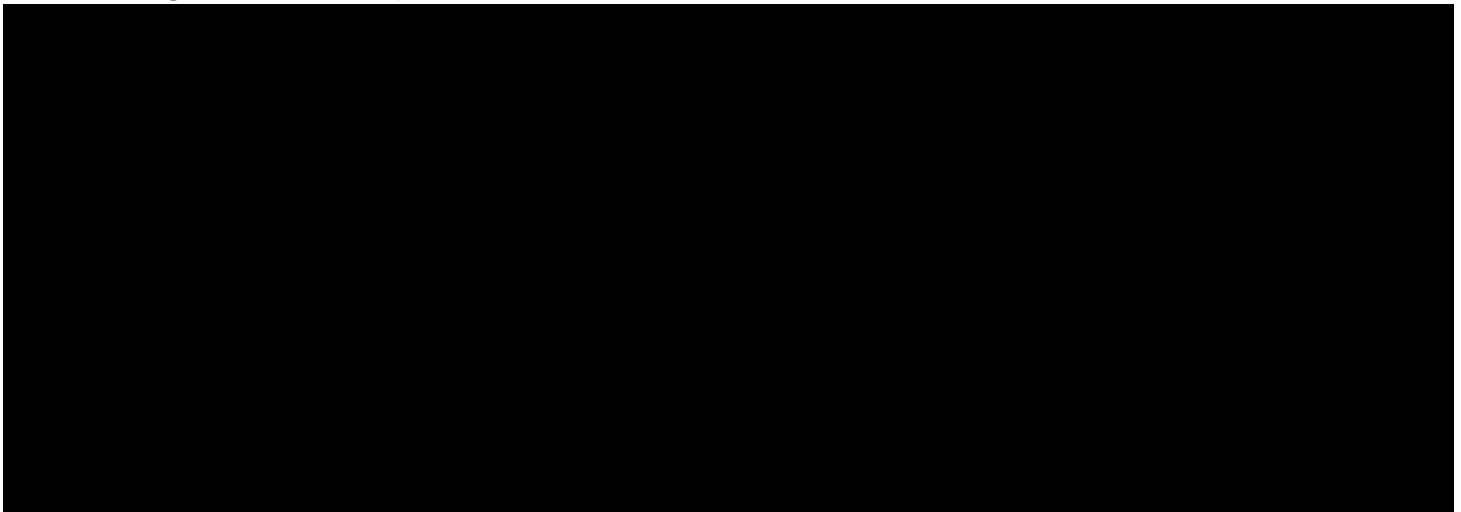


Table 7 – Initial vs Final Price

Supplier Value for Money Statement from CAN or SoW

Statements from Work-off plan below (Commercial - Impact Discussions - All Documents)

- Utilising the maximum possible existing team members for new design and development including Integration testing which could have cost c £0.385m if done independently. However, since the overall program extension is required at the same time and utilizing the same existing team, the specific cost for this development and integration testing is reduced by c £0.207m (providing potential better Value for Money to DCC).
- As part of the Contract, Indexation would be applied from 1st April in each Contract year for the following 12 months. For the CR05, we have not applied the Indexation, resulting in a 5.3% reduction in the total value, which amounts to approx. ~ £67.663k

Future Considerations

The TAF solution will potentially drive significant cost reductions in regression testing by automating processes and extending testing windows without additional operator intervention. This will result in more comprehensive testing within existing regression windows, reducing operational costs while improving test efficiency. The solution is particularly crucial for the evolving DSP Data Services Programme, providing a platform-agnostic approach that ensures compatibility with future releases and new device testing, enhancing test coverage and accuracy.

By identifying issues earlier in the development cycle, the TAF solution reduces defects during User Integration Testing (UIT), aiming to improve overall release quality and customer satisfaction. This proactive approach potentially saves both time and money, preventing costly post-deployment fixes.

Linked CRs & PRs

None applicable.



DCC Price Control RY24/25 – 4G Communication Hubs and Network

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1. 4G Communication Hub & Networks (CH&N)

Summary

What is this and why is it important?

The 4G CH&N programme is driven by a government-directed change in mobile networks. Smart metering in the Central and South region is currently based on second and third generation (2G/3G) cellular networks and this technology is now being gradually phased out (known as sunseting).

The upgrade to 4G is necessary to support Government and Ofgem in providing smart coverage to all eligible premises. Without this upgrade, many meters would cease to provide smart functionality. There is a short window before 2G/3G sunseting by 2033, so successful and timely delivery of our next generation 4G Communications Hubs (CHs) is critical.

This is a significant programme of work which has involved four key delivery suppliers and two assurance partners as well as a DCC team to design, build, and test a custom solution.

RY24/25 activities and costs

The programme went live on time (per the 2022 consultation), with high customer engagement scores, a very significant achievement. Delivering to agreed customer timescales will enable industry to realise the benefits set out in the business case, including providing maximum time to swap out existing comms hubs and minimising the estimated £10m per month cost of replacing 2G/3G hubs ahead of full asset life (15 years).

In RY24/25, we incurred Internal Costs of £6.7m on the CH&N programme. This was £0.9m below our forecast provided in the RY23/24 submission, but £4.7m above the regulatory baseline (which included a zero allowance for payroll costs in RY24/25, despite payroll costs being almost exactly in line with DCC's forecast). In line with Ofgem's previous feedback, and as referenced in our Executive Summary, we have reduced expenditure on external services, even for programme critical activities such as CH&N. For RY24/25, external services costs were £0.7m below the regulatory baseline.

The payroll cost covers a highly experienced programme team carrying out the essential work of planning, coordinating, managing and assuring the outputs from each of the supplier delivery partners as well as preparations to accept the solution into service and to operate it. As expected, these costs are now decreasing as we passed the peak of programme activity in RY23/24.

One example of driving cost efficiency was in our decision to bring forward testing activities, identifying 250 defects earlier, supporting on-time delivery. Additionally, £0.2m was returned to DCC through the 'polluter-pays' principles in the new contracts, and £4.7m supplier cost savings were banked during Design, Build & Test.

Future activities and costs

Costs for future years are forecast to fall significantly as the programme approaches completion, with RY25/26 costs of £0.9m. As we move into live service, only a small amount of Design, Build and Test costs are required to cover programme closure and funding for the initial maintenance releases (MR1 and MR2) which will be delivered in 2025 and 2026 respectively.

1.1. RY25/25 Cost Variances Overview

This section sets out the baseline costs (as determined by Ofgem in previous years' submissions), incurred costs and forecast costs and highlights any material variances to the baseline. In the following sections, we explain the programme purpose and our resource and non-resource costs.

The table below provides a breakdown of incurred and forecast costs in price control format i.e., mapping costs directly against the price control (GLs). Internal Costs for this programme are aggregated under Network Evolution in the Main RIGs. Network Evolution includes our DSP, CH&N, FSM, PKI-E and TAF programmes.

1.1.1. Internal Costs overview

Programme Variance by GL

Baseline			RY24/25	RY25/26	RY26/27
Total CH&N		£m	2.062	0.067	-
Payroll costs	PR	£m	-	-	-
External services	ES	£m	2.062	0.067	-
Incurred			RY24/25	RY25/26	RY26/27
Total CH&N		£m	6.717	0.961	-
Payroll costs	PR	£m	5.368	0.836	-
External services	ES	£m	1.349	0.125	-
Variance			RY24/25	RY25/26	RY26/27
Total CH&N		£m	4.655	0.895	-
Payroll costs	PR	£m	5.368	0.836	-
External services	ES	£m	-0.713	0.058	-

Table 1 – Operations variance by GL

1.1.2. External Costs overview

We have seven fundamental services providers (FSPs) dedicated to our programme in RY24/25:

Annex 3	Contract	Supplier
3q	CH&N_CI	
3r	CH&N_DM	
3s	CH&N_CH	
3t	CH&N_WAN	
3u	CH&N_IA	
3v	CH&N_AZURE	Subscription Billing
3ac	Other	Subscription Billing

Table 2 – FSPs for CH&N programme

Schedules 4 of the RIGs Supplementary Schedules summarise our External Costs for RY24/25. Section 1.7 explains some of our key contracts.

1.2. Purpose, Scope, and Structure

1.2.1. Purpose

The 4G CH&N programme is a large and complex change to DCC's systems. DCC has ultimate responsibility for delivering the upgrade of its network and, as such, there is a significant amount of work to be carried out by DCC colleagues. The 4G service is significantly different to the 2G/3G service that is currently provided in the central and south region. To provide a more economic and efficient service to customers and consumers, DCC has opted to provide a disaggregated service model. This requires DCC to manage suppliers directly. Previously, within the 2G/3G service, the design, provision, and management of services was carried out by a Communications Service Provider (CSP), currently [REDACTED]. The existing 2G/3G networks, in use in the south and central regions, have been superseded by the introduction of 4G networks, with 5G on the horizon.

In December 2021, the Department for Digital, Culture, Media, and Sport (DCMS) announced that 2G and 3G services will not be offered in the UK after 2033 at the latest. Therefore, DCC will need to anticipate and upgrade its communications provisions so that smart meters would continue to function. In upgrading its systems to 4G, DCC has taken the decision to move to a disaggregated solution, comprised of individually procured components. This was identified as the most economically efficient model for customers and consumers. This DCC decision has enabled the programme to be delivered at significantly lower cost than the 2G/3G model that uses a CSP to manage the component elements of the service.

The disaggregated model requires DCC to play a much larger role in the design, build, test, and eventual operation of the service than it is required to do for 2G/3G services. The 4G CH&N programme has required the design and build of 4G CHs, a 4G data gateway to the Data Service Provider (DSP), 4G Wide Area Network (WAN) services, and a new Device Management System. This is a complex arrangement, but by adopting a disaggregated service model, the DCC will plan to be able to serve customers and consumers at a significantly lower cost than a CSP model. As set out in our Full Business Case (FBC), this will realise potential savings of £466m compared to our existing 2G/3G model. This underlines our commitment to providing value for money in delivering our secure and stable service.

During RY24/25 the programme has completed delivery and handed over a small number of outstanding activities into in-life teams, specifically:

- A small number of defects to be fixed in the first two maintenance releases (MR1 & MR2) scheduled to be implemented in Q3 2025 (MR1) and Q3 2026 (MR2). Funding for both of these releases is being provided from the original programme budget.
- Some descoped requirements which are to be implemented in MR2. Again, funding will be provided from the programme budget.
- Closure of Purchase Orders relating to MR1

As of May 2025, the programme has closed and the programme team disbanded. The further costs still needed to deliver MR1 and MR2 in future years will be incurred by in-life teams.

1.2.2. Scope

The scope of the programme is to provide a 4G CH&N service for all domestic and small businesses in the central and south region. This is expected to require a roll out of 24 million CHs in total. This programme of work is essential to enable smart metering services to be provided beyond 2033 when all 2G and 3G service will be decommissioned.

The FBC for CH&N was accepted on 5th September 2022 without objection by DESNZ, the SEC Panel, and the SEC sub-committees.

The 4G programme is being delivered by DCC in conjunction with several delivery partners. This can be seen in the diagram below. The CH element is being delivered by [REDACTED] the WAN by [REDACTED] the Device Manager by [REDACTED] and DSP integration by CGI. In addition, the programme has engaged

technical and programme assurance partners (██████████ and Deloitte) to mitigate the risks associated with such a large and complex technology programme.

DCC Disaggregated 4G CH&N – Partners



Figure 1 – Overview of Smart DCC partners

The 4G CH&N programme has been running since 2021. Due to the complexity and risks associated with upgrading the entire smart meter network, it took a significant amount of time to proceed through the Green Book business case process and to progress to contracts with service providers (SPs). These contracts were signed in November 2022. Throughout the business case and beyond, our focus has been on finding the right outcome for consumers while balancing customer, government, and the regulator's preferences for service functionality, delivery timelines, and costs.

The programme went live in December 2024 with an Initial Pallet Validation phase (IPV). IPV comprised a small scale roll out to ensure that the solution is sufficiently robust to deploy at scale. The programme has engaged closely with Industry and DESNZ throughout the pilot and in April 2025, the decision to go into mass manufacture was taken which will ensure supply of volume 4G Comms Hubs from July 2025.

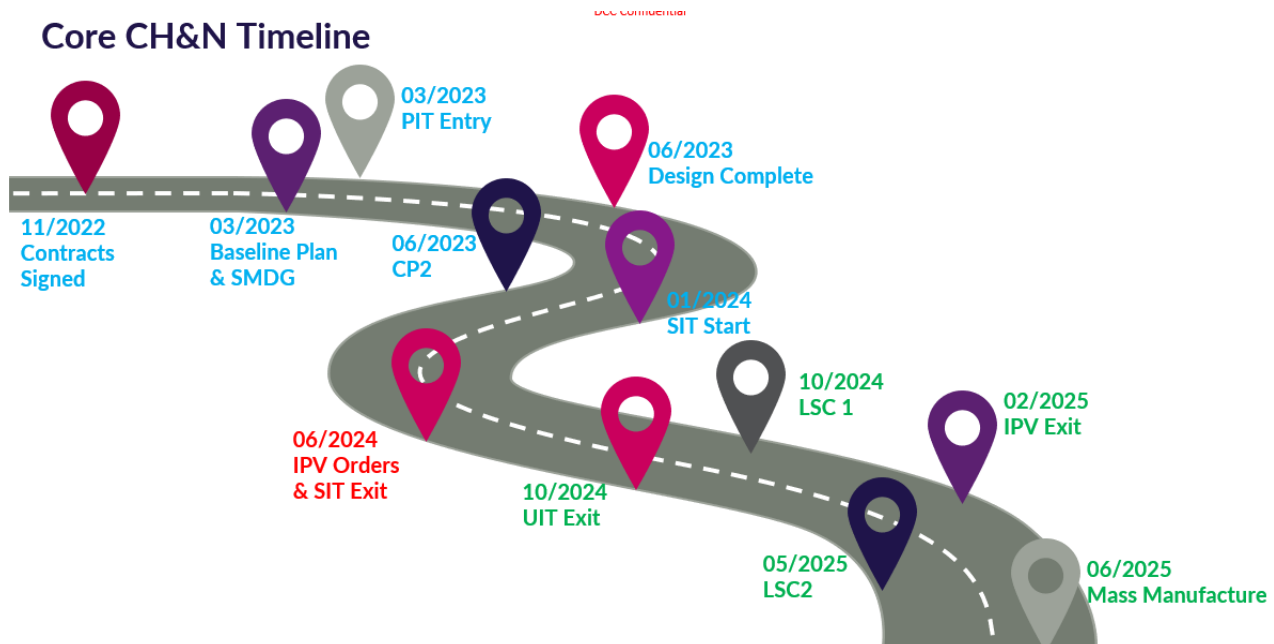


Figure 2 – CH & N programme timeline

Our Programme Structure

It should be noted that the sub-team structure within the payroll system (in the table below) does not always match the CH&N service structure (also illustrated below). To deliver the service in the most efficient way, resources from different sub-teams are deployed and prioritised across the service as needed. A time recording system is used to cross charge functional resources into the programme cost lines.

CH&N Core Service Delivery Team

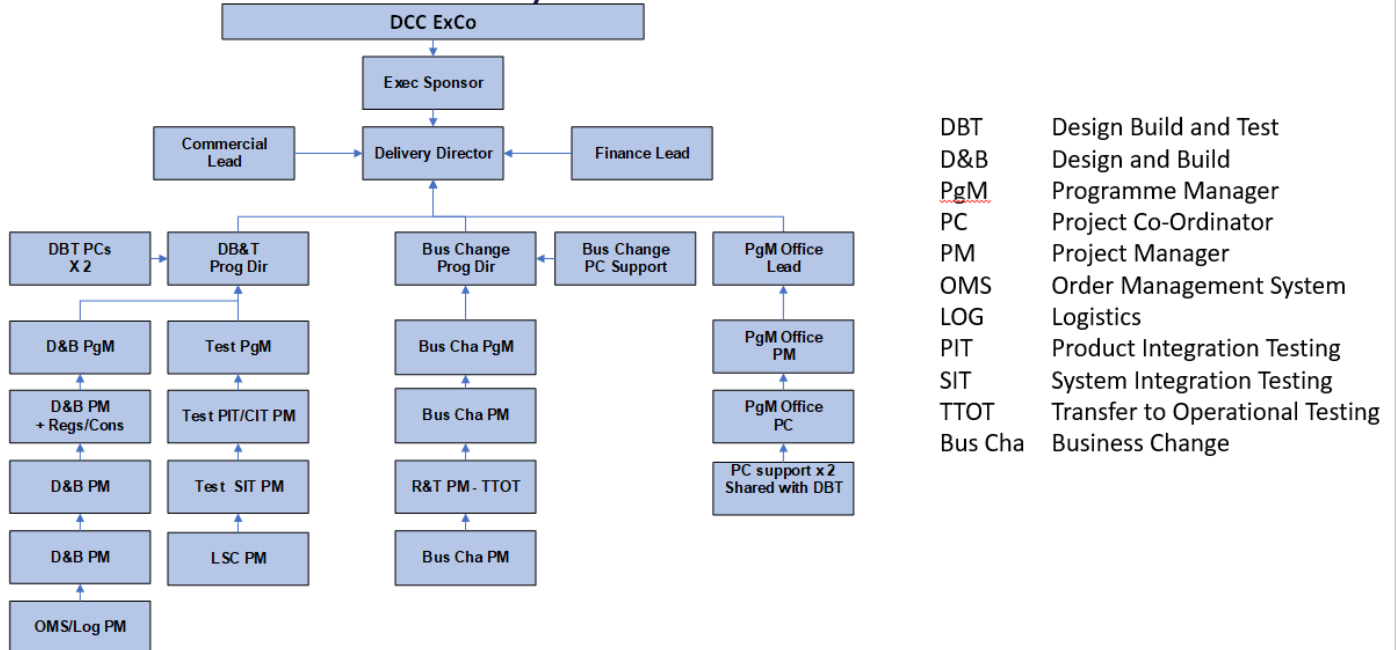


Figure 3 – CH&N Service Structure

RY24/25 Sub-teams	Description
Commercial and Regulation	- The commercial team ensure that suppliers deliver in line with contractual arrangements. They also manage any change requests arising because of new or amended requirements which occur in any major technical delivery. - The customer engagement team ensure that the progress of the programme is regularly communicated to customers through industry forums and SEC governance. This has been a significant piece of work during RY24/25 as the in order to carry out the go-live governance regime set out by DESNZ and to ensure success of the IPV pilot phase during December 2024 and January 2025.
Design and Assurance	The DCC architecture and design function are responsible for the assurance of partner designs to ensure that the overall solution will deliver in line with government and industry requirements. Whilst the amount of design resource during RY24/25 has reduced, design resource has been required to help triage test issues.
Finance	- The finance team are responsible for developing budgets, forecasts, and tracks actual spend to ensure that the programme delivers in line with business case and the board approved cost envelope. - In addition, the finance team are overseeing the Business case looking at how the purchase of Comm's is funded/financed. This programme under Licence Condition 16.6a-c which are subject to a Department for Energy Security and Net Zero (DESNZ) business case. In RY24/25, DCC continued to progress the Outline

	Business Case (OBC and FBC) stages of the business case working with [REDACTED] as specialist advisors to DCC.
Operations	The 4G CH&N programme will operate as a fully managed service. As such, a new operational support capability is required. This has required analysis and design to ensure that DCC can support 4G services using a disaggregated model.
Security	- The security function makes sure that any technical, data or process changes are compliant with all security protocols and tested appropriately. - The team owns the relationships with the National Cyber Security Centre (NCSC) and the SEC Security sub-committee.
Service Delivery	- The regulatory affairs team ensures that the 4G CH&N programme is delivering in line with DCC Licence Conditions, and proposed changes are understood and supported by DESNZ and Ofgem as applicable. - They engage and consult with DESNZ, customers, and industry to understand existing problems and future needs and ensure that DCC proposals are understood and supported. The Regulatory Affairs team supports the CH&N programme to deliver this DESNZ, customer, industry, and SECAS engagement.
Testing	The testing team ensures that testing methodologies and tools in the future DCC landscape are fit for purpose and utilise best practice. The team have developed the testing schedules for the CH&N programme and have assured the testing undertaken by suppliers to ensure they have complied with the requirements set of them. The test team have also liaised with the SEC sub-committee TAG (Test Assurance Group) to get approval from industry on test outputs for each phase of the programme.

Table 3 – CH&N Programme Sub-teams

1.3. Driver of Internal Cost variance – Payroll

Programme Variance by Sub-Team

The table below shows the payroll variance by sub-team within the CH&N cost centre.

Baseline			RY24/25	RY25/26	RY26/27
CH&N Payroll Costs	£m		-	-	-
Commercial and Regulation	£m		-	-	-
Design and Assurance	£m		-	-	-
Finance	£m		-	-	-
Operations	£m		-	-	-
Security	£m		-	-	-
Service Delivery	£m		-	-	-
Testing	£m		-	-	-
Incurred			RY24/25	RY25/26	RY26/27
CH&N Payroll Costs	£m		5.368	0.836	-
Commercial and Regulation	£m		0.357	0.076	-
Design and Assurance	£m		0.653	0.094	-
Finance	£m		0.000	-	-
Operations	£m		1.591	0.110	-
Security	£m		0.292	0.065	-

Service Delivery	£m	2.159	0.491	-
Testing	£m	0.315	-	-
Variance		RY24/25	RY25/26	RY26/27
CH&N Payroll Costs	£m	5.368	0.836	-
Commercial and Regulation	£m	0.357	0.076	-
Design and Assurance	£m	0.653	0.094	-
Finance	£m	0.000	-	-
Operations	£m	1.591	0.110	-
Security	£m	0.292	0.065	-
Service Delivery	£m	2.159	0.491	-
Testing	£m	0.315	-	-

Table 4 – Operations variance by Sub-Team

Baseline costs were nil as they were disallowed across the Network Evolution programmes in Ofgem RY23/24 final decision. We note that we always planned to incur internal programme resource and report these based upon recorded timesheet data.

1.3.1. Commercial and Regulation

Overview of variance

A small commercial team averaging 2.2 FTE (peaking at 6 FTE) have been working to ensure suppliers deliver in line with their contractual commitments as well as to contract a solution for hosting of Device Manager. This has steadily reduced over the year as contractual activities for delivery have completed.

A regulation team averaging 0.3 FTE has been supporting the programme to ensure that DCC has completed the activities set out by DESNZ to evidence Live Services Criteria have been met for go-live and for mass-manufacture.

The teams carried out the planned activities for the year with no unexpected or exceptional events with the actual FTE and spend being lower than that originally forecast last year. The variance is driven by the lack of any baseline forecast.

Scope of variance and key challenges

The commercial team have played an important role in ensuring suppliers deliver in line with contractual arrangements. This has involved regular communication with supplier and DCC delivery teams, liaison with supplier contract management teams, and the management of payment milestones.

The Commercial team have also been involved in enforcement of the polluter pays principles to recover costs incurred by other suppliers where one supplier causes a delay. This has enabled recovery of circa £0.200m of costs.

The Commercial team is key to ensuring that DCC obtains the right levels of service from our supplier partners in line with contractual arrangements. Ultimately, this ensures that the programme and DCC obtains value for money for our customers and consumers.

The Commercial team manages any change requests arising because of new or amended requirements, which occur in any major technical delivery programme. This included supporting a competitive tendering exercise for Azure hosting services for the Device Manager component of the solution.

The size of the team has ramped down over the year from about 5-6 FTE working across 6 different suppliers as the various stages of the programme have successfully completed and all the CRs raised during the delivery phase have been incorporated into the contracts.

During RY24/25, the Regulation team have focussed on the governance processes for go-live and mass manufacture as directed by DESNZ. This has involved drafting two lots of Live Services Criteria (LSC) documentation to evidence that DCC is ready to operate the CH&N solution.

Securing Value for Money

The Commercial Team have managed suppliers to their contracts which has included ensuring the provision for polluter pays have been enforced to recover all supplier costs from any suppliers that have caused delay.

The regulations team have ensured that the SEC has been kept up-to-date and has managed the LSC process for both go-live and mass-manufacture. This has enabled DCC to evidence that it had met the criteria for go-live and for mass manufacture set out by DESNZ.

Future Considerations

For RY25/26 and RY26/27, the commercial team will have a small amount of involvement on contracting the changes for the two planned maintenance releases, but this will be a comparatively minor activity with 0.76 FTE forecast.

1.3.2. Design and Assurance (CTO)

Overview of variance

A team peaking at 7.5 FTE supported the programme working closely with the test assurance teams to help triage testing issues from multiple testing phases carried out in RY24/25. They have also worked to ensure that the coverage design has been optimised to deliver the best coverage possible within the design parameters set out during contracting.

The team carried out the planned activities for the year with no unexpected or exceptional events with the actual FTE and spend being closely aligned to that originally forecast last year. The variance is driven by the lack of any baseline forecast.

Scope of variance and key challenges

This team covers the architects, engineers and design authority to create and assure the design of systems and processes to deliver the programmes' services.

During 24/25, the CTO team have focussed on support for the test phases including triage of testing issues during SIT, UIT and IPV as well as assuring the test outcomes are consistent with designs and meet business requirements. The team also focussed heavily on assurance of the WAN coverage design and the assurance of evidence provided by suppliers to validate what level of coverage could be achieved.

The team have also been heavily involved in the assessment of changes and impacts to designs working closely with suppliers to make sure that designs were fit for purpose and would meet DCC's business requirements.

Securing Value for Money

The design team have been ensuring that the solution meets the business requirements and that changes are cost effective and deliver good value for industry and consumers. In RY24/25 the design team has identified opportunities to increase coverage by ensuring the comms hub designed and configuration is optimised for coverage provided by [REDACTED]. This has enabled coverage to be improved materially from the original forecast in RY23/24.

Future Considerations

For RY25/26 and RY26/27, the design team will have some involvement in the definition and delivery of the two planned maintenance releases with 0.74 FTE forecast.

1.3.3. Operations

Overview of variance

The operations team has ramped up during RY24/25 to include an average of 15.8 FTE (20 FTE at its peak) as the programme has been preparing to go live. This has included work from data and analytics teams to develop and test service reporting, service assurance teams to run the acceptance into service process, core operational teams to help prepare for and run IPV and the logistics team to ensure Comms Hubs were delivered on time for IPV. The operations teams have also dealt with customers to ensure the UIT test phases have been successful.

The team carried out the planned activities for the year with no unexpected or exceptional events with the actual FTE and spend being closely aligned to that originally forecast last year. The variance is driven by the lack of any baseline forecast.

Scope of variance and key challenges

The Operations team ensures that processes required to support the future DCC service and technical landscape are coherent, efficient, and properly defined to meet the needs of in-life operations, including SLAs. This includes the processes that customers will need to use to access and operate DCC services.

As the 4G CH&N programme utilises a disaggregated service model, an entirely new service capability has had to be designed to support the end-to-end solution. This is a new requirement as 2G/3G service management was provided via the CSP (). This has required extensive work with the current operational teams, new service suppliers, and the programme team to design the future target operating model, identify gaps from the existing service model, and plan the migration towards a fully managed service for 4G smart metering.

In RY24/25, the team has focussed on development of the detailed operational model including, writing of detailed work instructions and operational processes, training staff on the new solution and development and testing of the service reporting capabilities.

They have also carried out on-boarding activities for new suppliers and run an extensive Business Acceptance Testing (BAT) phase to prove operational processes work end-end across the supply chain.

This has all fed into a detailed Acceptance into Service (AIS) process where several hundred AIS criteria are validated to assure that DCC are ready to commence service. This is in line with DESNZ direction as part of both LSC (Live Service Criteria) 1 and LSC2 that DCC had to provide evidence to SEC Panel and DESNZ that DCC were ready to operate the service.

The Testing Services team have worked closely with customers to plan and execute successful User Integration Testing (UIT) phases. This has included tracking the scope and progress of UIT testing to ensure adequate coverage of testing and to resolve issues raised by customers.

The Operations team have also prepared for the Initial Pallet Validation (IPV) phase of the programme which was a live pilot of a limited number of 4G Comms Hubs. This has required extensive planning and engagement with both DESNZ and industry to agree the scope and exit criteria of IPV as well as weekly engagement calls during the IPV phase to get feedback and to gather evidence to support the exit criteria. Demonstrating a successful IPV phase was another of the LSC criteria which DCC received direction from DESNZ to provide evidence for at LSC2.

Securing Value for Money

Delivering a successful disaggregated service model is key to ensuring the savings envisaged in the CH&N business case can be delivered to industry and consumers.

The IPV pilot commenced on time and was a huge success with positive feedback from customers. Over 3,000 4G comms hubs were installed against a target of only 1,000. This was in large part due to the focus

from the operational teams to prepare during the months prior to IPV commencing. The disaggregated model meant the teams were able to identify incidents proactively for the first time and raise tickets before customers had seen problems.

Future Considerations

For RY25/26 and RY26/27, the operational team will have some involvement in the definition and delivery of the two planned maintenance releases with 0.6 FTE forecast.

1.3.4. Security

Overview of variance

The security team of circa 3 FTE worked closely with the programme, the independent CIO and the SEC Panel Security Sub-Committee (SSC) to ensure the solution met the security requirements and that any security risks are effectively mitigated.

The team carried out the planned activities for the year with no unexpected or exceptional events with the actual FTE and spend being closely aligned to that originally forecast last year. The variance is driven by the lack of any baseline forecast following the disallowance last year.

Scope of variance and key challenges

The Security teams ensure that any technical, data, or process changes are compliant with all security protocols and tested appropriately. These teams own the relationship with the NCSC and the SEC Security sub-committee (SSC) for these programmes.

Their particular focus this year has been assuring security of the production environments ahead of go-live. This has involved assurance of the Security Penetration Testing carried out by suppliers including assurance of the implementation of any remediations required. They have also worked closely with the Competent Independent Organisation (CIO) which has been appointed to provide independent security assurance and liaised closely with SEC Panel's Security Sub-Committee to ensure that all security concerns are addressed. DESNZ directed DCC to provide a letter of assurance from the Chief Information Security Office (CISO) at the LSC 1 and LSC 2 governance points.

Securing Value for Money

A secure solution is fundamental to delivering the benefits of the Smart Metering Implementation Programme. The security team have dealt effectively with security risks and issues ensuring that we have been able to go live on time and be confident that the solution is secure.

Future Considerations

For RY25/26 and RY26/27, the security team will have some involvement in the definition and delivery of the two planned maintenance releases with 0.35 FTE forecast.

1.3.5. Service Delivery

Overview of variance

The Service Delivery team of circa 12 FTE on average (peaking at 17) have been responsible for ensuring timely delivery of the programme to the required costs and quality whilst adhering to the internal and external governance regimes. The programme has delivered on time against the plans set out in the original plan consultation in 2023 and is under the budget agreed with the DCC board. The team has ramped down during the year as various workstreams have successfully delivered.

The team carried out the planned activities for the year with no unexpected or exceptional events with the actual FTE and spend being closely aligned to that originally forecast last year. The variance is driven by the lack of any baseline forecast.

Scope of variance and key challenges

Service Delivery includes the Delivery Director, Programme Directors, Programme Managers, Project Managers, programme monitoring office (PMO), and Business Analysts (BAs) required to deliver the programme. These roles are standard for the delivery of major programmes. Work on a complex programme is broken down into work packages, each of which requires project management effort to deliver. Work packages then feed into workstreams which are managed by programme managers. There are two senior programme director resources who have overall responsibility for the delivery of the programme plans, one from a technical perspective and the other from a service perspective. The entire programme is led by a delivery director who is accountable for delivery of all DCC and delivery partner activity to time cost and quality. There is a PMO to support all governance activity.

The resourcing levels for Service Delivery reflect that CH&N is a complex programme involving work from multiple suppliers and the DCC. As such it must be managed in a highly controlled and formally governed environment.

The service delivery team manage the overall delivery plan to ensure that work remains on track to deliver on time and to acceptable cost levels and quality. This requires daily management of activities and dependencies to maintain the course and speed of progress in line with plan.

The programme has significant internal and external governance. Within DCC, the Service Delivery team run regular functional and cross functional meetings to monitor progress against plans, surface and manage issues and raise and mitigate risks. There is a formal Programme Governance Board which meets monthly to provide Executive oversight and a point of escalation for issues that cannot be resolved at working level.

Externally the programme engages with DESNZ forums monthly (Industry Management Forum (IMF) and Smart Metering Delivery Group (SMDG)). In addition, there is a weekly Joint Delivery Resolution Management (JDRM) forum and several more senior monthly reviews (LC13, Level 2 review, collective review).

In addition to the DESNZ led governance the programme is also required to engage with SEC sub committees including the SEC chairs, Op's group, TABASC, SSC and CTG. The work required ensure that all forums are kept up to date on programme progress, and to manage actions arising drives significant resource needs within the programme. Feedback has been sought (anonymously) from industry participants on engagement efforts and responses have been positive as demonstrated in the quote "Updates through SEC, CTG and SEC Operations group have allowed DCC users to input views as the 4G programme has developed".

The service delivery team are responsible for managing risks and issues across DCC and the delivery partners. They also co-ordinate activity across all DCC functional areas and manage resources to deliver against plans efficiently and effectively.

In addition to the above in RY24/25, the Service Delivery team have been focussed on completion of test phases, working closely with Testing Advisory Group (TAG) and industry during the Systems Integration Test (SIT) and User Integration Test (UIT) phases as well as the planning and execution of IPV. The team have also been engaging with DESNZ and industry on the LSC 1 and LSC 2 submissions in accordance with DESNZ directions.

Securing Value for Money

The programme has delivered in line with the plan consulted on under DESNZ direction in 2022 and within the budget for Design, Build and Test set out in the Full Business Case (FBC). Ensuring delivery to time and cost has meant that the benefits envisaged by industry can be achieved and the cost savings of the new solution can be realised.

Future Considerations

The programme has committed to make sure funding is available to deliver the first two maintenance releases to ensure all defects found during the delivery programme are fixed.

Some effort from the programme team in RY25/26 is required to close down the programme and to deliver the two planned maintenance releases with 1.75 FTE forecast.

1.3.6. Testing

Overview of variance

The testing team of 7 FTE have successfully assured the SIT phase over the first half of RY24/25 ensuring defects are properly triaged and tests are being properly executed. The team has reduced in size since SIT completed but a small number of FTE (circa 1.5 FTE) have remained to support UIT testing, IPV and development of the LSC documentation to evidence criteria related to testing.

The team carried out the planned activities for the year with no unexpected or exceptional events with the actual FTE and spend being closely aligned to that originally forecast last year. The variance is driven by the lack of any baseline forecast.

Scope of variance and key challenges

The Test Assurance team is responsible for ensuring that testing across DCC programmes and releases is set up and executed correctly. It aims to ensure that services meet the requirements and design and are free of defects when launched in production. Test Assurance supports these programmes in early stages of services by defining Test Approaches and Strategies. It also provides support to the procurement of test services and assures the testing activity conducted by the appointed supplier Azure.

Engagement with the Testing Advisory Group (TAG) is a key part of the external governance activities for this team which are set out in DCC's obligations in the SEC.

In RY24/25 the team have completed assurance on SIT testing, having witnessed 795 tests (17% of the total SIT testing) and have provided support for UIT testing. They have also been heavily engaged in evidencing the Live Service Criteria in line with directions from DESNZ, TAG and Sec Panel to evidence that all testing milestones have been met at LSC 1.

Involvement has ramped down as expected during RY24/25 as the test phases have successfully completed on time.

Securing Value for Money

Assuring that the solution is adequately tested within agreed plans enables DCC to ensure future costs of fixing issues post go-live (when costs to fix are many times more expensive) are kept to a minimum and that defects are identified early in the lifecycle. For CH&N a record number of defects were found in the earliest test phases thanks to the team's new 'shift left' strategy. There were no material defects found during the IPV pilot which has drastically reduced the overall cost of defect fixing and improved quality.

Future Considerations

For RY25/26 and RY26/27, the operational team will have some involvement in the definition and delivery of the two planned maintenance releases.

1.4. Drivers of Internal Cost variance – Payroll RY26/27 only

There are no variances related to payroll in RY26/27 only.

1.5. Drivers of Internal Cost variance – Non-Resource

Variance	GL		RY24/25	RY25/26	RY26/27
CH&N Legal Advice	ES	£m	0.164	-	-
4g Assurance	ES	£m	0.184	-	-

Table 5 – Internal Cost Variance – Non Resource

1.4.1. CH&N Legal Advice

Overview of Variance

As we described in the Price Control submissions for RY20/21 to RY23/24, the Communications Hubs and Networks Programme launched a major Invitation to Tender (ITT) in December 2020 to procure 4G equipment and services worth around £2.300 billion over the life of the contracts. To support this procurement activity, DCC ran a competitive tender process at the outset of the procurement process with external law firms. The successful bidder, based on quality and price, was [REDACTED]

[REDACTED] provided legal advice and support on the procurement of capability ‘end-to-end’. Their activities during the life of the procurement covered: (i) advice and assurance support concerning DCC’s procurement process and obligations; (ii) support in preparing the ITT and associated contracts, the evaluation of bidder contractual submissions, and the negotiation of contract terms with bidders; (iii) advice in connection with the impacts of the procurement on DCC’s other contracts and (iv) support in connection with legal content in assurance papers, including DESNZ business case documentation.

Securing Value for Money

The expenditure in RY24/25 year is a continuation of the original contract signed with [REDACTED] in RY2020/21. These services were provided pursuant to a Call-Off Contract under the DCC Legal Framework (which was put in place following a competitive tendering process). DCC also issued a further RFP to all (then) four firms on the DCC Legal Framework and, following a clarifications questions process, received responses from all four firms. The DCC legal team is small and while well placed to advise on a broad range of issues, did not have the necessary capacity to deal with a procurement of this size and technical nature.

The Commercial evaluation of external law firms in the original procurement of legal support for CH&N focused upon day rates and discounts that may be applied by the supplier should certain spend thresholds be met rather than fixed price. This call-off structure was designed to offer best value for DCC, to enable DCC access to the services under the contract as the need arose and not be bound by fixed cost, while ensuring that an appropriate cost reduction was achieved in line with the volume of usage. Our assessment was that because of the uncertainty of the volume of support DCC would need during the process, it was more economic and efficient not to opt for a fixed price contract which could have been significantly more expensive had our need proven to be lower than anticipated.

Below we repeat previous year’s information on the scoring and discounts that were submitted to us in the bidding process. As can be seen, [REDACTED] provided the largest discount from their day rates of the three bidders for expenditure over [REDACTED].

Procurement - Legal advice		
Number of Initial invitations to tender	4	
Number of Bids received	3	
Number of Bids shortlisted / presenting	2	
Strengths of Selected Bidder	██████████ were considered the most appropriate fit for this work owing to 'good practical appreciation of possible procurement rules/approaches'; 'impressive discussion of the procurement issues and possible mitigants' and 'overall, ██████ presented a well-balanced and highly experienced team with good command of the issues.' ██████████ achieved a far superior quality and interview score (53.99% versus next place bidder of 42.75%), with competitive rates and the largest volume discounts. Following moderation, ████████████████████ quality score (50.99) was significantly higher than the other two bidders (38.25 and 36.99).	
Challenge by DCC	Initial Price	BAFO
	Rate card with volume discount	Rate card +% discount

Table 6 – Summary of Approach for procuring legal advice

Table 7 – Initial proposed Legal Bidders

Following DCC's negotiations and then insistence of a BAFO stage, [REDACTED] improved their discounts, offering the following significant reductions in day rates based on volume:

Table 8 – [REDACTED] BAFO Discount Rates/Value

We firmly believe that our negotiations and decision-making have resulted in economic and efficient expenditure, achieving better discounts and quality of outputs than the other law firms or than could have been achieved through in-sourced solutions.

Future Considerations

As this is the final year of the contract, we are not forecasting any future costs.

1.4.2. [REDACTED] 4G Assurance

Overview of variance

The objective of this programme is to perform external assurance and technical assessments of 4G solutions, primarily concerning 4G Communications Hub and smart metering WAN. Furthermore, it includes the provision of recommendations to DCC to address coverage issues detected during the extended business acceptance testing phase of programme. Assurance and technical assessment from suitably qualified external specialists is a standard good practice approach used in programmes of this nature and scale to reduce risk and enable stakeholders to have confidence.

Scope of variance and key challenges

This activity is conducted in three phases and throughout the process, DCC benefit from the support of independent external expert assurance throughout its duration.

The list of activities performed by external assurance:

Part 1:

- LTE Cat1 based device Communication Hub evaluation based on field performance (through Initial Pallet Validation deployment)
- Focussed lab testing to evaluate performance of Communications Hub.
- Evaluate performance of LTE Cat 1 device performance according to industry best practices and global standards.

Part 2:

- 4G Coverage Assurance of North region of Great Britain
- Assessment of Coverage Model and coverage checker

Phase 3:

- Root cause analysis of coverage issue
- Wide Area Network Coverage Model Assurance

In RY24/25 all planned activities were completed, and the report submitted to DCC.

The technical assessment and recommendations provided by the external assurance was shared with DESNZ and customers through established customer engagement forums such as TABASC.

Securing Value for Money

Independent assessment of 4G Communications Hub and WAN solution enable DCC to proceed with the 4G WAN coverage uplift from 90% premises at Initial Pallet Validation stage to 96% premises across the regions. The coverage uplift will be effective from 31st of May 2025.

This work was procured via a Competitive Tender with [REDACTED] being considered alongside [REDACTED]. It was performed in late October to November with an award in mid-December following negotiation.

Future Considerations

DCC will undertake in collaboration with service providers, further work based on recommendations proposed by the external assurance reports, which will also involve expanding the coverage to the entirety of the contractual coverage obligation.

1.6. Drivers of Internal Cost variance – Non-Resource RY26/27 only

There are no variances in RY26/27.

1.7. Drivers for External Cost – CRs and PRs

There were no CRs or PRs that incurred costs of more than £1.000m in RY24/25. We set out the new contract signed for the Azure cloud services and an update on two existing contracts.

1.7.1. [REDACTED] - New Contract for Azure cloud

Overview of variance

DCC required a supplier as a pre-requisite for the 4G go-live, providing Azure cloud subscriptions for Device Manager for Run (operations) for the roll-out of 4G communication hubs, part of the CH&N Programme. This Service is for the provision of a billing agent for the one-time or recurring expenses related to the Azure cloud service subscriptions. The Device Manager Contractor [REDACTED] provide all infrastructure and hosting services for the DM application including infrastructure support for the Device Manager Solution. DCC was seeking an Azure Billing service Run phase Bidder to take on the current Azure DBT (Design, Build, Test) phase Billing. This included Prod, Non-Prod/DR and Dev environments that were already set up in the Azure tenant. The DBT phase had no live data, whereas the Run phase includes live data which is hosted in the UK, being MPAN and Postcode (PII) data.

While the Device Manager contractor is responsible for managing the service in the cloud, there was always a requirement that DCC would procure the Cloud Hosting subscription directly, as detailed in the 4G CH&N Business Case.

There was a contract in place for Hosting during the DBT phase which expired in December 2024. This requirement was for the enduring Run phase of 4G CH&N.

As DCC procured the Microsoft Azure services on a resale basis, DCC is obliged to continue to receive these services under Microsoft's standard Microsoft Customer Agreement (MCA) and standard Product Terms for Azure services.

Scope of Change

The new contract covers delivery of the following services related to the hosting of the Device Manager (DM) application in Microsoft Azure:

- Azure Subscription Billing
- Microsoft Premier Support Package including rapid response support (15-minute response time).
- Role Based Access Control (RBAC) to maintain and administer user groups for the Microsoft Tenant in Azure and associated purchase of Entra ID P2 licenses
- Cost reporting and management services to support FinOps
- Onboarding Services and assigned Customer Success Manager to support service reviews and optimisation

Securing Value for Money

The DBT phase of this hosting was originally awarded to Capita after an RFP completed in November 2023. This award was based on DCC determination that the service was classed as Relevant Service Capability (RSC). DCC reached out to Ofgem several times to confirm whether the services was RSC or FSC. Capita

were the best Value for money provider at this stage offering a 22% discount from list price. DCC was later instructed to move this 3rd party supplier as this service was determined by Ofgem to be Fundamental Service Capability. As a result, the DBT hosting was migrated to the second placed bidder in original RFP: [REDACTED]

As detailed in the Sourcing Strategy a separate procurement process was conducted for Azure Hosting Subscription for Device Manager for the Run phase of CH&N. DCC ran a Request For Information (RFI) followed by an RFP that was issued to seven bidders. [REDACTED] provided the best Value for Money response to this RFP and were therefore selected as the Run supplier.

[REDACTED] offered the most competitive discount to Microsoft list price of 13%. It should be noted that Microsoft provides a 15% discount to all its CSP resale partners, and all partners retain some of this discount as margin. Therefore, [REDACTED] were retaining a 2% margin on the services, other suppliers offered discounts of between 7% and 11%. Consequently, Nordcloud's offered the best price and best value for money.

A summary of the charges for the Initial three-year term are as follows:

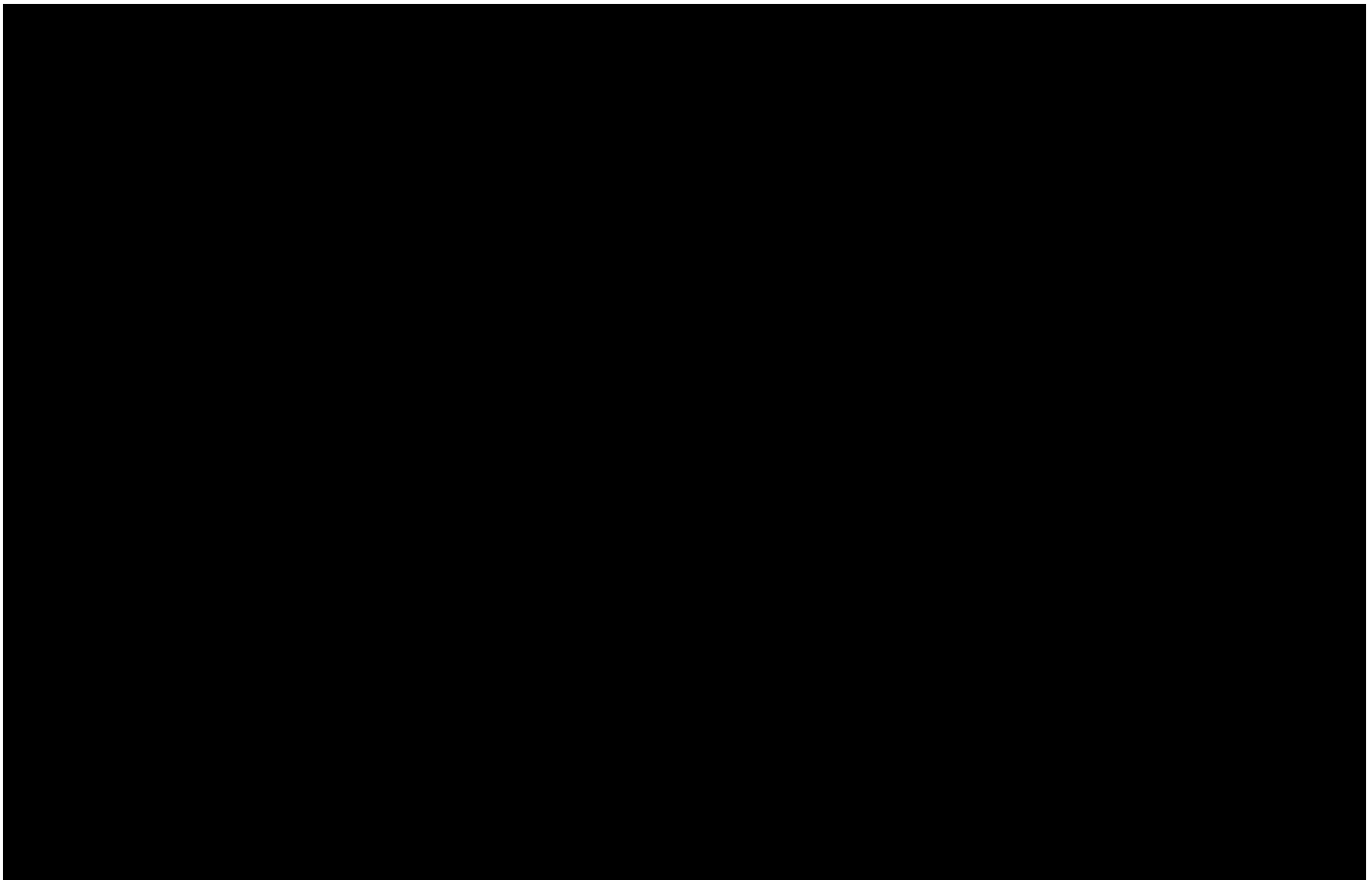


Table 9 – Charges for the Initial three-year term

All Azure consumption and Entra ID licenses are invoiced monthly in arrears using the prevailing Microsoft List Price with the agreed 13% discount applied.

DCC requires full transparency on the supplier's costs of delivering the services, including those associated with any changes to those services. DCC will also expect to test if the services continue to provide value for money throughout the lifetime of the contract, through activities such as benchmarking.

Future Considerations

The initial contract term is for 3 years, with 3 optional 12-month extensions. DCC can terminate the agreement for convenience at any time with 30 days' notice.

In the unlikely event of [REDACTED] insolvency, the Azure services would continue to run and remain in place until DCC agreed a new CSP partner or moved the subscription and support to a direct Microsoft agreement.

No termination costs for Azure Services and FinOps services and limited termination costs for year 1 professional services and ongoing Customer Success Manager support (calculated as monthly costs multiplied by the number of months to the end of the current anniversary of the contract - [REDACTED]). Maximum termination cost is [REDACTED].

The commercial model for this service is a simple resale of Microsoft Azure services at a contractually agreed discount of 13% from published list price.

1.7.2. [REDACTED] - CH&N Device Manager

Contract overview

The 4G CH&N programme Device Manager, provided and operated under a contract by [REDACTED] has been developed to be hosted on a Microsoft Azure tenant. [REDACTED] is not responsible for the provision of this tenant or the associated Subscription Billing and Microsoft Support Package services, although they are responsible for managing it.

Contract status

The contract is now 6 months into the operational phase having successfully completed the Design, Build, Test (DBT) and Early Life Support (ELS) phases.

The Agreement encompasses a two-year DBT period to 03 December 2024 plus a 3-month ELS period followed by fifteen years of operation from 03 December 2024 to 02 December 2039. There is a contractual option to extend for a further 5 years. There are break points where DCC can terminate the contract (four years after Go Live, and every one-year anniversary thereafter). In conjunction with this, at set points in the contract [REDACTED] has the right to re-submit new pricing which DCC can either accept or reject by taking up the break point option.

Procurement type

As previously communicated to Ofgem, this was a direct award contract. We sought to run a full competitive process and began one - however the only two bidders through the competitive procurement process withdrew, citing their inability to meet the capacity requirements [REDACTED] and the CH&N Programme timescales [REDACTED].

An agreement was reached with [REDACTED] for the procurement and contracting of 6 million devices at a total cost of [REDACTED]. Of this, [REDACTED] covers the value of the contract up to the first break point, including the Design, Build, and Test (DBT) phase. The remaining [REDACTED], allocated for years 5 to 17, is an estimate based on current assumptions and the existing cost base.

The scope of the 4G solution has remained consistent with the initial design. Most modifications have been minor and design related. However, the contractual option to expand communications hub installations into the North Region has been executed, and the Device Manager solution will be scaled accordingly to support this expansion.

The DBT and run schedules proceeded as planned, with DBT running from Q2 2022 to Q2 2024 as expected. No consultations were required with external parties such as the industry or the Smart Energy Code (SECCo).

The cost of resources represents the majority of the costs in the Device Manager contract. The rate card negotiated with [REDACTED] (included as part of our submissions within Schedule 7.1, Appendix 3) was based on the [REDACTED] ECoS contract that was awarded in April 2020 following a competitive

procurement in which [REDACTED] was selected as the preferred contractor. As part of commercial negotiations with [REDACTED] we managed to negotiate lower rate cards for Device Manager and secured a discount against the ECoS benchmark.

In October 2023, DCC undertook an internal benchmarking exercise where we compared the average onshore day rates of both the Device Manager (DM) and Component Integrator (CI) (now expired) contracts against two comparable providers – [REDACTED] day rates were broadly in line with both providers (see table below).

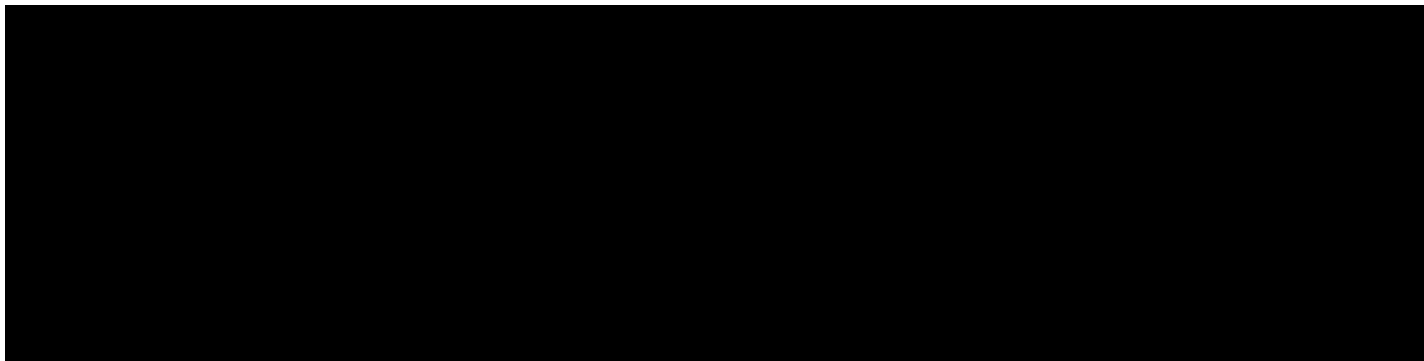


Table 10 – Value Comparison of onshore date rates averaged across DM and CI against comparable service providers

Future Considerations

DCC's has recently exercised its option to add coverage for the North Region, alongside the existing South and Central Regions as part of its Future Connectivity North Programme. Device Manager will undertake performance testing, system tuning and Microsoft Azure infrastructure forecasting to ensure that the DM Solution remains scalable and capable of accommodating increased transaction volumes of up to 13M communication Hubs.

DCC has also uplifted the existing Device Manager application suite to allow integration with the NEWAN ([REDACTED] solution). This will allow development of a solution to reach the remaining 0.7% of premises which fall outside of WAN coverage to allow more consumers to access a smart meter.

As agreed with Ofgem, we have kicked off the process of re-procurement in order to meet the first breakpoint date in December 2028 which represents the first opportunity to do so. The first steps will be to undertake a deep dive and analysis into the existing Device Manager requirements to ensure that they remain fit for purpose.

The Current plan is to complete OBC in regulatory year 2026, and to finish procurement at least 12 months prior to the November 2028 breakpoint date to allow sufficient time to switch over to a new supplier if needed.

There are currently no further planned changes of scope to the Device Manager service.

1.7.3. [REDACTED] – CH&N Component Integrator

Contract overview

DCC contracted [REDACTED] to provide a Component Integrator (CI) service which is required to integrate and support the disaggregated subsystems (including but not limited to the requirements, designs, builds and tests) into a single deployable solution. Delivery only covered the Design, Build, Test (DBT) and ELS phase which concluded in March 2025 and at that point the contract expired.

Current status

The contract was just for the DBT and ELS phase only - 07 October 2023 – 03 March 2025 and has now expired with the team being fully offboarded.

Procurement type

As previously communicated to Ofgem, DCC took the decision to procure CI as a service instead of performing the role itself owing to the risks and timelines associated with the service and awarded the contract to [REDACTED]

Agreement was based on an estimated cost of [REDACTED] based on planned installation of up to 6 million Communication Hubs. The Agreement encompassed a two-and-a-half-year Design Build and Test period which started in October 2022 with an option to extend for a further 1 year. This extension was not exercised and the contract expired as per the original expiry date upon confirmation of Go-Live and conclusion of ELS.

DCC had the option to terminate the Agreement in whole or in part by giving the Contractor at least 6 months' notice, however this option was not exercised. DBT went to plan with the contract expiring as expected upon confirmation of Go-Live and conclusion of ELS. This was a short contract covering the DBT and ELS phase only therefore there were only a few changes that impacted the overall costs. The initial contract value was [REDACTED] and the final cost was [REDACTED]

The bulk of the [REDACTED] uplift to the cost related to PR7802 (Value [REDACTED] which related to additional Component Integrator support required for a new target operation model that needed to be developed for new service elements to be integrated in the existing DCC service operation. The rest related to Indexation costs for RY23/24 and RY24/25.

To ensure the benchmarked rates were comparable to other equivalent contracts, we conducted a basic analysis of day rates looking at comparable contracts with other DCC suppliers - Netcompany, CGI and the other [REDACTED] (ECOS) agreements and found that the Device Manager Day rates on average were comparable or lower than other similar suppliers. This was shared with Ofgem in October 2023.

Future Considerations

The contract has now expired with the team being fully offboarded.



DCC Price Control RY24/25 - DCC Service Management System/Future Service Management

Version: 1.0
Date: 31.07.2025

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1. DCC Service Management System/Future Service Management

Summary

What is this and why is it important?

The DCC Service Management System (DSMS) is a critical part of the DCC's infrastructure, used to track and resolve issues across the smart metering network. Customers use DSMS to request DCC services, raise incidents, and access reporting and diagnostics information.

The purpose of the Future Service Management (FSM) programme is to procure and implement a replacement capability for the DSMS that meets both the necessary SEC obligations and Service Users' needs. DCC's current DSMS solution [REDACTED] is coming to its end-of-life, and it is therefore imperative that DCC upgrade to a modern service management solution that provides a secure stable platform to support our operational teams and customers into the future.

RY24/25 activities and costs

In RY24/25 the FSM programme incurred £3.3m, which was £3.0m above the regulatory baseline. The regulatory baseline does not include any allowance for payroll costs, with the £2.9m incurred payroll costs therefore driving this variance.

In the first half of RY24/25 the primary activity was completing the Full Business Case (FBC), which received DESNZ non-objection in August 2024. The contract was then awarded to [REDACTED] in mid-September 2024 following the completion of the competitive procurement process, negotiations, and the non-objection from DESNZ.

Given the importance of the DSMS capability to our service users, DCC formed a Service Management Working Group alongside the procurement process. This was a group of DSMS users who volunteered to assist DCC to better understand the customer perspective and, as such, help us to tailor the product to meet user needs. DCC also provided an industry-wide briefing to inform customers of the proposals throughout the process.

Future activities and costs

Costs in RY25/26 are expected to remain broadly stable vs RY24/25.

RY25/26 will focus on delivering the programme plan and technical requirements to go-live in March 2026. This is subject to ongoing industry consultation, which is expected to conclude in July 2025. DCC intends to achieve this within existing planned budgets.

1.1. RY24/25 Cost Variances Overview

1.1.1. Internal Costs

There is a substantial variance on payroll costs for RY24/25, as these had been disallowed from the baseline forecast as a result of Ofgem's decision on our RY23/24 submission due to cost uncertainty across Network Evolution programmes. FSM incurred internal costs as part of the Concept to Contract stage of the programme by progressing the Requirements Traceability Matrix (RTM) and Request for Proposal (RFP) commercial process to identify and contract a service provider for the replacement service capability.

The FSM programme was contracted in September 2024 and therefore all the payroll costs are shown as a variance against the baseline.

Programme Variance by GL

The table below provides a breakdown of incurred and forecast costs in price control format i.e., mapping costs directly against the price control (GLs). Internal Costs for this programme are aggregated under Network Evolution in the Main RIGs. Network Evolution includes our DSP, CH&N, FSM, PKI-E and TAF programmes.

Baseline			RY24/25	RY25/26	RY26/27
Total FSM		£m	0.347	0.106	-
Payroll costs	PR	£m	-	-	-
External services	ES	£m	0.347	0.106	-
Incurred			RY24/25	RY25/26	RY26/27
Total FSM		£m	3.333	3.654	-
Payroll costs	PR	£m	2.919	2.070	-
External services	ES	£m	0.415	1.584	-
Variance			RY24/25	RY25/26	RY26/27
Total FSM		£m	2.987	3.547	-
Payroll costs	PR	£m	2.919	2.070	-
External services	ES	£m	0.068	1.478	-

Table 1 – Variances by GL

1.1.2. External Costs

We have one fundamental service provider dedicated to the FSM programme, [REDACTED]

Section 1.7 explains the two material Change Requests (CR) and Project Requests (PR) signed in RY24/25 undertaken by CGI for supporting changes to the Data Service Provider system.

1.2. Purpose, scope and structure

1.2.1. Purpose

DSMS provides the platform for the day-to-day interactions between DCC and its customers, allowing DCC customers to raise service-related incidents and track their progress to resolution. It is the key system for all service management-related activities for DCC, providing core functionality and capabilities including management of incidents and work orders as well as acting as a repository of information including coverage and future change. It also enables DCC to surface data management information for customers to access from the Self-Service Interface (SSI).

The system handles a high volume of activity, with a monthly average of:

- 12,100 incidents
- 1,700 service management requests
- 300 change requests
- 12 problems
- 11,500 returns

With roughly 20,000 meters being installed each week, these volumes are expected to continue to rise and DCC must provide a service that caters for this. We consistently strive to handle complex and large-scale operational challenges with robustness and a new DSMS is required.

The current DSMS is provided by the DSP () and is supported by a software application called . DCC is the only company that uses this platform, it is heavily customised for DCC's purposes and CGI has confirmed it intends to withdraw the service when the FSMS solution has been implemented.

The purpose of the Future Service Management (FSM) programme is to procure and implement a replacement capability for the capability that meets the business needs identified with our Service Users.

The Strategic Outline Case was submitted to the Department on 21 December 2023, and the Outline Business Case was submitted on 5 March 2024. The following section picks up events in the RY24/25 reporting year.

1.2.2. Scope

The DESNZ decision on non-Objection to the Outline Business Case was received on 5 April 2024. DCC proceeded with the next step of the competitive procurement process and issued the RFP to over 20 potential bidders on 8 April 2024.

One of the requests in the RFP was for an early indication of the preferred technologies the bidders would recommend. The compelling response was that Service Now was recommended as the preferred tool that would meet the business' need for a secure service management system that is easy to maintain and meets the performance obligations set out in the Smart Energy Code (SEC), while minimising any operational risk of remaining on DSMS.

The DCC then engaged with customers in parallel to the procurement process for the service integrator to identify and prioritise any customisations that are needed to meet the business requirements, ensure compliance with the SEC or to improve overall customer experience. Through this work DCC identified and proposed a set of SEC modifications that would enable its successful implementation. This DCC engagement with the Service User practitioners received very positive feedback through the SEC sub-committees.

Following the OBC non-objection, DCC implemented a four-stage procurement process:

- Stage 1: The DCC published an Invitation to Tender (ITT) and invited bidders to submit proposals against the requirements and supporting documents. Five bids were received. These were evaluated on quality and commercial criteria. The bidders with the two highest scores, and were down selected to continue negotiations.
- Stage 2: The two down-selected bidders received feedback on the quality and commercial elements of their proposals and were given the opportunity to refine their proposals. Bidders were asked to provide a full markup of the terms and conditions of the Master Service Agreement (MSA). Responses were scored and moderated in accordance with the scoring criteria and a preferred bidder, was invited to the next stage.

- Stage 3: The DCC undertook final contract negotiation with the preferred bidder.
- Stage 4: Following agreement of the Full Business Case (FBC), the necessary SEC Panel and Board approvals were sought and obtained. The contract was awarded to [REDACTED]

Activity	Date
Strategic Outline Case Submission	22/12/23
DESNZ decision on non-Objection to Strategic Outline Case	02/02/24
Outline Business Case Submission	05/03/24
DESNZ decision on non-Objection to Outline Business Case	05/04/24
RFP Issued	08/04/24
Full Business Case Submission	30/07/24
DESNZ decision on non-Objection to Full Business Case	30/08/24
Award Contract	02/09/24
Control Point 1 (Contract Award)	09/09/24
Proposed scope of regulatory change	20/09/24
Control Point 2 (Detailed Design)	02/12/24
Confirmation of regulatory change	30/03/25
Go Live*	25/10/25

Table 2 – FSM timeline

*Note – as stated in the summary section these dates are currently subject to LC13B consultation and will be updated and reported against in the RY25/26 price control submission.

Programme Structure

It should be noted that the sub-team structure within the payroll system (below) does not always match the FSM programme structure set out in the table below. To deliver the service in the most efficient way, resources from different sub-teams are deployed and prioritised across the service in a matrix managed approach.

RY23/24 Sub-teams	RY24/25 Sub-teams	Description
Commercial and Customer Engagement	Commercial and Regulation	• The commercial procurement team set out the revised procurement strategy for the FSM programme to secure a service provider to be responsible for the delivery of the new DSMS solution. • The commercial contract management team provide the interface for the programme to DCC's existing service providers to achieve the change requests required to coordinate and integrate the new solution into the existing DCC ecosystem, with appropriate challenge to ensure the best value for money is achieved. • The customer engagement team ensure that the progress of the programme is regularly communicated to customers through industry forums and SEC governance. This has been a significant piece of work during RY24/25 focused on the Service Management Working Group forum that has allowed DCC to calibrate how best to meet the business needs with the new solution provider tool recommendations.
Design and Assurance	Design and Assurance	• The CTO team provides expertise on technical direction, definition, and evaluation of the FSM service provider recommendations for the technical solution, and specifically how to maximise the exploitation of 'Out of the box' functionality to minimise any customisations required, whilst ensuring the business needs can be achieved. • This team also ensures the integrity of the DCC solution architecture to ensure the solution has no adverse impact on the DSP solution or any other

		programmes in the DCC portfolio. The team guarantees that new functionality and changes to the architecture are fit for purpose and comply with the standards necessary to maintain a robust, consistent, and integrated technical infrastructure. This team includes the business analysts who set out the functional and non-functional requirements within the programme Requirements Traceability Matrix to ensure appropriate management of the baseline requirements across internal and external supplier artefacts.
Finance	Finance	This team supports the programme to ensure the revised programme financial forecast of external and internal spend is accurately represented within the DCC Lock process and consistently represented in the Annual Business Plan and the Green Book business cases.
Operations	Operations	This team ensures that DCC has properly considered the business needs of our business users, and that the changes to any processes required to support the future DCC service and technical landscape are coherent, efficient, and properly defined to meet the needs of in-life operations, including SLAs. This includes the processes that customers will need to use to access and operate DCC services. This team leads the engagement with our service users in coordination with the Customer Engagement team, including the preparation for and chairing of the Service Management Working Group.
Service Delivery	Service Delivery	Service Delivery includes the Delivery Director, Programme Directors, Programme Managers, Project Managers, and Programme Monitoring Office (PMO), required to deliver the programme. These roles are standard for the delivery of major programmes. Work on a complex programme is broken down into work packages, each of which requires project management effort to deliver.
Security	Security	- This team ensures that the High-Level Architecture set out by CTO will meet all DCC security obligations, and that these security requirements are included within the new service provider designs. They ensure that the existing service providers' technical, data or process changes are compliant with all security protocols and tested appropriately. - This team takes the lead on engagement with the external Government security stakeholders and the SEC Security sub-committee.
Regulatory affairs	Regulatory affairs	- This team ensures that the FSM programme is delivering in line with DCC Licence Conditions, and proposed changes are understood and supported by DESNZ and Ofgem. - This team also ensures that FSM is properly represented within and alongside the DSP LC13b consultation process; and that the plan for FSM specific SEC changes is set out in a consultation timeline that allows industry sufficient time to consider and comment upon proposed changes. - This team leads the engagement with DESNZ to ensure the business cases are appropriately socialised with, and key points discussed with customers and SECAS so that DCC proposals are understood and supported.
Testing	Testing	- This team ensures that DCC's test approach for FSM is appropriate given this is somewhat different to traditional capability releases that require significant device testing. - This team sets out the methodologies for technical testing and user testing through the appropriate environments in a manner that supports customer requirements for the changes required to implement the new DSMS capability.

Table 3 – Sub-team roles

1.3. Drivers for Variance – Resource

Programme Variance by Sub-Team

The table below shows the payroll variance by sub-team within the FSM cost centre.

Baseline			RY24/25	RY25/26	RY26/27
FSM Payroll Costs		£m	-	-	-
Commercial and Regulation		£m	-	-	-
Design and Assurance		£m	-	-	-
Finance		£m	-	-	-
Operations		£m	-	-	-
Security		£m	-	-	-
Service Delivery		£m	-	-	-
Testing		£m	-	-	-
Incurred			RY24/25	RY25/26	RY26/27
FSM Payroll Costs		£m	2.919	2.070	-
Commercial and Regulation		£m	0.226	0.067	-
Design and Assurance		£m	0.579	0.213	-
Finance		£m	0.001	-	-
Operations		£m	0.486	0.363	-
Security		£m	0.133	0.476	-
Service Delivery		£m	1.260	0.781	-
Testing		£m	0.235	0.169	-
Variance			RY24/25	RY25/26	RY26/27
FSM Payroll Costs		£m	2.919	2.070	-
Commercial and Regulation		£m	0.226	0.067	-
Design and Assurance		£m	0.579	0.213	-
Finance		£m	0.001	-	-
Operations		£m	0.486	0.363	-
Security		£m	0.133	0.476	-
Service Delivery		£m	1.260	0.781	-
Testing		£m	0.235	0.169	-

Table 4 – Variances by sub team

Due to Ofgem determining all FSM costs relating to its delivery to not be committed expenditure the entirety of the payroll costs for this period are shown as a variance.

These individual functions supported the Concept to Contract phase in 2024, which included work on the RTM, the high-level design and the procurement bid evaluations.

Post September 2024 these functions supported the contracted service providers during the low-level design and build.

1.3.1. Commercial and Regulation

Overview of variance

The Commercial teams set the commercial strategy and lead on supplier engagements, ensuring that all procurement processes and contract negotiations conform to regulatory requirements and deliver value for money for DCC, its customers and energy consumers.

The Regulation team ensures that DCC's programmes are delivered in line with the DCC Licence and the SEC as well as leading on regulatory engagements.

Scope of variance and key challenges

Commercial activity during RY24/25 was undertaken by two teams: the procurement team and the contract management team.

The procurement team was responsible for the procurement of a new DCC Service Provider to design, build, test and thereafter provide a managed service in respect of DCC's new FSM Solution. During RY24/25, this included the completion of the procurement process in RY23/24, with the following key activities:

1. issuance of an RFP to 13 bidders on 8 April 2024
2. evaluation of received bids (five), culminating in the short-listing of two bidders on 10 June 2024
3. negotiations with short-listed bidders culminating in the down-selection of one preferred bidder (██████████) on 23 July 2024; and
4. contract finalisation and signature by end of September 2024.

The procurement team negotiated two separate contracts with ██████████ a Master Services Agreement (MSA) (with two applicable Statements of Work) in respect of the design, build, test and in-life operation of the FSM Solution and a Reseller Agreement in respect of the underlying ServiceNow software licences (the '**FSM Contracts**'). DCC ran a full procurement process within an expedited timeframe in order to meet the FSM Programme timelines. The robust procurement and negotiation process ensured that DCC obtained the best value for money overall.

The contract management team is the interface between the FSM Programme and DCC's existing Service Providers (i.e. DCC's existing systems). The contract management team is responsible for managing all of DCC's contracts, ensuring that DCC's Service Providers deliver to their obligations, as well as negotiating all contract changes. During RY24/25, this included the negotiation of a large amount of contract changes with 11 existing DCC Service Providers, in order to enable the development (in particular testing) of the new FSM Solution, as well as the integration of the FSM solution into DCC's existing eco-system. It has also included the in-life management of ██████████ and the 11 existing Service Providers, where the contract management team has worked closely with the FSM Programme to ensure that DCC obtains the rights level of service from all of its Service Providers in line with contractual arrangements. Ultimately, this ensures that the FSM Programme and DCC obtains value for money for our customers and consumers.

The regulation team ensures that the FSM Programme is delivering in line with the DCC Licence and the SEC, and that any proposed regulatory changes are understood and supported by DESNZ and Ofgem. The principal activities for the regulation team during RY24/25 related to the development of the FBC, the development and consultation process for the SEC changes required to deliver the FSM solution and updates to the FSM elements of the DSP LC13B plan. In all cases the team undertook engagement with DESNZ on a weekly basis to ensure that DCC had properly considered their comments and concerns.

Securing Value for Money

DCC's rigorous procurement and contract change negotiation process ensure that all new contracts and contract changes are reviewed, and challenged, by SMEs from all key DCC functions, to ensure that best quality and price is obtained from all DCC Service Providers.

As the contract management team's responsibility continues throughout the entire life cycle of a contract, from contract signature to exit/transition to a new supplier, all contract management activity to-date has been delivered from DCC's BAU resources.

Future Considerations

As anticipated in the RY23/24 submission, the procurement team ceased activity on the FSM Programme following signature of the FSM Contracts in September 2024. We do not expect there to be any further procurement activity during RY25/26.

The contract management team will continue through the entirety of RY25/26 as the FSM Programme continues to involve 12 DCC Service Providers. The contract management team will remain responsible for the effective management of all DCC Service Provider contracts for the delivery of the FSM Solution (including the delivery of planned and unplanned changes). Those services according to the existing contracts for both planned and unplanned changes. This work will require extensive engagement due to the number of other programmes, regular technical changes, and supplier re-procurements taking place across the DCC portfolio during RY25/26.

The regulation team will continue to support the delivery of the FSM-related SEC changes and the updates to the FSM elements of the DSP LC13B plan, including carrying out and concluding on related consultations and engaging with DESNZ on these. It will thereafter reduce to BAU levels for FSM Programme support in RY25/26.

1.3.2. Design and Assurance (CTO)

Overview of variance

FSM is a complex transformational programme, breaking up various components from a monolithic service management system, into reusable capabilities to bring cost down and increase out of the box functionality. Examples of this include the use of multi factor authentication applications rather than "certificate" authentication. This transformation makes the solution more out of the box and delivers capabilities DCC has not used before (requiring some additional Security work to put the right governance around these new modern approaches). The Design and Assurance team assured the design - making sure it met the DCC requirements and adhered to the relevant standards and architectural principals.

Scope of variance and key challenges

We worked to ensure the right technical requirements were in the bid with a Business Analyst (BA) resource co-ordinating any changes, working with the incumbent on activities such as ensuring we had all the interfaces in/out of the system identified and ensured the test strategy was understood by bidders.

Scoring and adjudication of the bids as they were received, focusing specifically on the technical section of the solution/hosting/technology choices/alignment to cloud principles.

Once a down selection was carried out resulting in a smaller number of bidders a collaborative solutioning was run. This process went through the solutions the bidders were proposing at a technical and operational level, allowing for DCC to highlight areas of clarifications such as if the bidder was proposing something new then DCC had the opportunity to question how it aligned to the original requirements. This was a cross functional review held with Security, Operations, Architecture and Testing teams.

Resource from the D&A function also inputted into the creation of the Statement of Work (SoW), ensuring that the scope of what we required was covered at a technical level in the SoW.

Post contract sign, [REDACTED] mobilised their work packages as per the contract and various inputs were needed to work through the low-level design which were carried out along with workshops with operational teams.

The low-level design assurance stage was fundamental in ensuring the designs created aligned with what was expected/the requirements. This ensured that what would ultimately be built was correct.

Several engagement touch points were held during the process with industry. These engagements included consulting with TABASC on the options available and a review of the design. OPSG and TAG were presented with updates on SVTAD, TAD and TCD/CTD. SSC was consulted on the security of the system and various meetings were held to discuss the necessary SEC consultations. These engagements all followed the approved engagement approach with industry and SEC sub-committees.

Securing Value for Money

A core dedicated team was assigned to this piece of work and relevant SMEs were called upon at specific times to ensure the project had the right resource in place at the right time. An example of this included having a core team working on the bid review and then a Cloud Architect was brought in to solely help the assessment of the cloud impacts. During the high and low-level design creation, specialists were allocated and consulted upon only when their fields of expertise were needed. For example, an Order Management Architect reviewed the OMS design, and Cloud Architects were brought in to review the Azure Landing Zone documents. There were also times when an exercise was needed to ensure there was full alignment between FSM and other programmes, such as the existing DSP platform. On occasions such as this, relevant experts were brought in to carry out a short piece of work as and when needed. The core resource in place ensured end to end integrity with specialist resource consulted as described above.

Future Considerations

Moving into RY25/26 the volume of work will reduce once the programme goes live. There will be migration assurance, UIT and go live activities to carry out along with a short period of post go live support while the systems reach steady state, following which the programme will transition into in-life support.

Once go live has completed the expectation is for resource requirements to decrease as the programme moves into a steady state operational system. The focus will then be on upgrading roadmaps and end of life roadmaps.

1.3.3. Operations

Overview of variance

The DCC Operations team has been involved in the requirements development, RFP, contract award and supporting the design development. This group consists of a variety of SMEs who will be utilising the FSM tool in-life and includes: ITIL Service Managers, ITIL Operators, Customer Experience Teams, Data Managers, Reporting Managers, CH Ordering Managers and Service Architects. This level of resource is expected to provide significant contributions to the development of the DSMS solution at both a Strategic and Operator level to ensure the solution is scoped, designed and built in line with the customer and business needs.

The DCC Operations team has been involved in a significant number of activities to ensure the solution and service is fit for purpose and protects the customer experience whilst making full use of the additional capabilities the ServiceNow platform can offer. Additionally, the expedited timescales for the procurement and contract award required additional support from across Service Assurance and Operations to ensure the contract delivered a fit for purpose solution.

The Operational SMEs supported the delivery and assessment of the programme sprints to support the delivery of the programme and provide input into the design of the solution, respond to clarification questions and attend workshops to sign-off the design of the FSM solution. This, coupled with the creation

and management of the Service Management working group, contributed to this necessary resource cost. The activities carried out by the Operational SMEs will contribute to ensuring the solution is futureproofed which, as per the FBC, is intended to drive down long term change costs in the case of the design engagement and reduced costs of configurations within the FSM solution, as described in the FBC.

Activities expected in RY24/25 were:

- Development and refinement of business and customer requirements
- Issuing of the RFP, subsequent evaluation and supplier selection
- Contract negotiations and contract award
- Supporting the development plan from the Awarded provider

The actual activities undertaken in RY24/25 were:

- Development and refinement of the business and customer requirements. This included the development of the Service Management Working Group which was a customer forum in which requirements and customisations were discussed and agreed. This then provided a customer view of contractual requirements and prioritisation of solutions customisation reducing development costs.
- Development and SME support for the OBC and FBC from Operations to ensure the business cases were reflective of the business needs and desired outcomes.
- SMEs supported the development and evaluation of the RFP.
- Operational resources were heavily involved in the customer engagement and SEC Sub-Committees to allow for the approval of business and customer requirements as well as business case sign off.
- Contract negotiations and contract award were supported heavily by Operational SMEs.
- Supported the development plan from the successful service provider including the sprint definitions, workshops with the service provider and development sign-off.

Scope of variance and key challenges

The Operations function provided SME support in the drafting of key elements of the Business Case which included significant industry engagement and the set up and management of Service Management Working Group to ensure customer pain points were understood. The Service Management Working Group also worked with customers and OPSG to understand desired customisations, ensuring that the business case was based upon factual customer viewpoints, driving value for money by ensuring spend was focused on desired areas. This was additional to the original case and ABP as it became imperative to ensure cost and development costs were clear in the FBC.

This ensured the Business Case was aligned to the required development and ensured the limitation of potentially costly configurations in the FSM Programme.

Bid Process

- SMEs provided elements of the RFP documentation to ensure suitable proposals received from bidders, curated question wording and scoring balances, agreed suitable balance for operational questions. Following this the requisite SMEs responded to clarification questions from bidders and then carried out the scoring and moderation of bids, questioning responses from bidders and assuring their understanding of the customer and business needs and drivers.
- This enabled the bidders to produce accurate pricing against the required solution thereby reducing the risk of change and requirements ambiguity which would lead to risk-based pricing in the contract phase.

Contract negotiation and signing

- Work with selected bidder to negotiate terms of the contract, ensuring suitability for DCC and driving required outcomes.

- Engage with Operations SMEs to ensure suitability of contract terms and agree specifics to drive at value for money against agreed contract spend.
- Engage with industry to ensure they are up to date on the progress of contract negotiations of agreed position of DCC, sharing the impact of agreements.

Design and Build

- To ensure the development of the solution was in line with business practices and processes, significant effort was applied to ensure a reduced risk of rework or reverse engineering later in the development cycle and in-life.
- Led on the organisation and management of workshops to gather user stories and clarify requirements with the direct input of Operational SMEs as well as owning the process and governance of signoffs of user stories.
- Assurance of technical and operational design documentation to ensure appropriate levels of suitability and fully reviewed and approved by Operational SMEs before governance and assurance took place.
- Organisation with operational SMEs to share build progress through show and tells, to ensure that the correct interpretation of requirements was being made, and that delivery was as expected.
- Engaged with industry on design/build progress and any required regulatory changes because of the new solution to ensure suitable understanding of changes prior to consultation.
- Led on the data build of the new system, using Operational SMEs to guide on the requirements.
- Preparation of testing materials and working with Operational SMEs to understand potential areas of failure to direct required testing.

Securing Value for Money

DCC believes the level of resourcing is proportionate to the programme and will lead to the successful delivery of a highly complex business change programme that effects all DCC's service users, all DCC's service providers, and DCC's operational teams. The resources provided, as described above, has ensured that the solution is scoped effectively, according to business and customer need, has limited costly customisations and has reduced the risk of change and rework later in the process.

Future Considerations

As this programme delivers a new system for Operations it is expected that as we progress into RY25/26 the volume of work for Operations will continue with a ramp up during the transition to go live.

1.3.4. Security

Overview of variance

Security is providing several support roles to the FSM programme using internal resources:

- Governance representatives at programme/project governance level in forums such as PGBs (Programme Governance Board).
- Security architects who provided pre-contract and negotiation security support to align legal and security frameworks and security inputs during the implementation phase. The Security Architects would also liaise with major security stakeholders outside DCC to align expectations and risks to the governing bodies.
- Security Assurance who assured the implementation of the project alignment with the framework and security risk posture agreed by security architects and governing bodies
- Security Business Continuity and Disaster Recovery (BCDR) who provided the oversight in the contract phase and during the implementation phase to ensure the platform conformed with DCC's expected availability SLAs.

- Security in-life assurance and Security Operations. These roles focused mostly on the operational phases of the lifecycle of a project, nevertheless during DBT they also work on handover, requirements alignment and ensuring capabilities (i.e. security controls) are effective to be moved to operation.

During the DBT phase security risks are evaluated and requires a proper analysis, mitigation strategies and constant updates. The FSM programme adopts some solutions that are not standard in DCC and require new security controls and in some cases even some new security strategies.

The programme also delivers interconnections with other key smart metering capabilities (i.e. DSP) that require new approaches and frameworks leading to new security risks and assessments.

Scope of variance and key challenges

In RY25/26, the FSM programme will see an increase in security-related activity as the programme enters the critical Design, Build and Test (DBT) phase. This phase will require a coordinated effort across multiple security disciplines to ensure the FSMS solution is secure by design, compliant with DCC's security architecture framework, and aligned with SEC Section G obligations. The forecasted 4.63 FTEs will be deployed across a range of specialist roles, each contributing to the delivery of a secure and resilient service management platform.

The following roles will be engaged:

- **Business Resilience Specialist:** Responsible for embedding business continuity and disaster recovery (BCDR) requirements into the FSMS design. This includes ensuring that business continuity plans are developed, tested, and aligned with DCC's operational resilience standards. The specialist will coordinate disaster recovery testing and validate that the FSMS platform meets availability SLAs.
- **Cyber Operations Analyst:** Will focus on the development and implementation of security monitoring capabilities. This includes assessing high- and low-level designs to ensure appropriate log ingestion, defining monitoring use cases, and preparing for live security monitoring of the operational environment. This role is critical to ensuring that FSMS can be effectively monitored for threats once live.
- **Information Governance & Data Protection Specialist:** Will lead on data protection compliance, including the review of Data Protection Impact Assessments (DPIAs), risk assessments of stored information, and the specification of appropriate security controls to protect sensitive data. This role ensures that FSMS meets GDPR and other regulatory obligations.
- **Security Architect:** Will provide architectural oversight and assurance across all FSMS components. This includes reviewing and approving Security Solution Designs at both high and low levels, assessing change requests, and conducting security risk assessments for complex solution elements. The Security Architect will also present updates to governance forums and ensure that FSMS is secure by design.
- **Security Assurance Specialist:** Will lead on validating the FSMS solution against DCC's security requirements and architecture framework. This includes:
 - Supporting procurement activities (RFI, RFQ, evaluation)
 - Validating CIO onboarding and artefacts
 - Conducting risk assessment validation
 - Overseeing security validation during PIT and SIT phases
 - Scoping and managing penetration testing, including remediation and reporting
 - Ensuring compliance with Section G and business continuity requirements
 - Validating the Security Management Plan

These roles are essential to managing the increased security complexity introduced by FSMS, particularly given the adoption of new technologies such as multi-factor authentication and internet-facing interfaces, which are not standard within DCC's existing architecture. These innovations require new security controls and, in some cases, entirely new strategies to mitigate emerging risks.

Key challenges anticipated in RY25/26 include:

- **Integration with existing DCC services:** FSMS introduces new interfaces with core smart metering systems (e.g., DSP), requiring bespoke security assessments and controls to manage interdependencies and data flows.
- **Adoption of new identity and access management models:** The move away from certificate-based authentication to more modern approaches introduce new threat vectors that must be addressed through design and testing.
- **Regulatory compliance:** Ensuring that all security activities align with SEC Section G and F, and that appropriate evidence is generated for governance and audit purposes.
- **Coordination across multiple stakeholders:** Security resources will need to work closely with [REDACTED] other DCC service providers, and internal teams to ensure a consistent and integrated approach to security.

The increase in FTEs reflects the need for sustained and specialist input across all phases of the DBT lifecycle. This investment is necessary to ensure that FSMS is delivered securely, meets regulatory expectations, and protects the integrity of the smart metering ecosystem. We aim to front load this work and scale down resourcing during the year.

Securing Value for Money

Security provides SEC Section G and Section F mandated activities via internal resources and only security testing and CIO (as per SEC) are outsourced. Internal resources interfaces with the programme and the security governance bodies to proactively align the design and build phases with DCC compliance obligations and to actively identify and suggest mitigation for security risks.

Future Considerations

Security variance is concentrated in RY25/26 during the main phase of the DBT work. Once this phase is complete most of the costs will be standard operational in-life assurance and security operations activities.

1.3.5. Service Delivery

Overview of variance

Service Delivery includes the Programme Director, Programme Managers, Project Managers, and Programme Support Offices (PSO's), required to deliver the programme. These roles are standard for the delivery of major programmes. Work on a complex programme is broken down into workstreams, each of which requires project management effort to deliver.

The main purpose of the Service Delivery resources allocated to the FSM programme for RY24/25 has been to ensure that DCC develops and communicates an end-to-end delivery plan that achieves:

- A full competitive RFP, through the Green Book process, for the DCC to award a contract by 2 September 2024.
- For DCC to work with the supplier awarded to ensure the build & commission of the new capability is complete by 21 March 2026 and to successfully achieve the delivery Design, Build, Test across all suppliers that comprise the DCC enterprise.

To achieve this very aggressive end-to-end plan, the DCC ExCo agreed through the third quarterly Lock process:

- One Programme Director (PD) should be assigned to FSM throughout.
- Two Programme Managers should be assigned to FSM. One to focus on the Design, Build and Test (DBT) activities and one to build and deliver the Business Change plan.
- Four Project Managers:
 - One PM for the business change plan and delivery

- One PM to concentrate on the procurement of the new ITSM Service Provider and subsequent delivery
- One PM responsible for the development of the CRs required for existing service providers changes
- One PM to work on the overarching Testing approach and Plan and the Data Migration from [REDACTED] to ServiceNow
- One PSO Manager and two PSO's to support all the above.

During RY24/25 the FSM programme completed the Concept to Contract phase in September 2024 and then transitioned into the Contract to Market.

In the concept to contract phase of the DCC lifecycle and to achieve the contract award through competitive procurement, the SD team has established an overarching plan for making the key decisions across four "swim lanes":

1. Business Case governance (DCC and DESNZ).
2. New Service Provider procurement.
3. Existing Service Provider change requests.
4. Customer engagement (SEC sub-committees and Panel).

Scope of variance and key challenges

Following the contract signature in September 2024, FSM moved into the contract to market phase of the DCC lifecycle and to achieve the existing service provider contract changes, integrated DBT, and commissioning milestones the SD team has established a plan for achievement of work packages that deliver:

- The Design, Build and Test activities of the new service provider.
- The DBT and change management activities required by existing service providers.
- The plans for integration testing of technical and service user testing ahead of commissioning.
- The business and regulatory change activities required to support the DCC and Service user process changes driven by the new solution.

These areas will be delivered under the same four swim lanes with the following SD resource:

- One Programme Director (PD)
- Two Programme Managers. One to focus on the Design, Build and Test (DBT) activities and one to build and deliver the Business Change plan.
- Four Project Managers; one for each of the swim lanes
- One PSO Manager and two PSO's to support all the above.

Securing Value for Money

DCC believes this level of resourcing is proportionate to the successful delivery of such a complex business change programme that effects all DCC's service users, all of DCC's service providers, and DCC's operational teams.

Future Considerations

It is anticipated that the SD resource will be maintained at the current levels throughout RY25/26 and only start ramping down as progress is made through the testing phases and will further reduce beyond the commissioning event.

The programme intends to close in Q1 of RY26/27 and so there will be a formal transition into the Run at this point.

1.3.6. Testing

Overview of variance

Testing for FSM covers the delivery of Test Assurance across all programme Service Providers. This includes supporting the definition and review of all functional and non-functional requirements to ensure testability, providing input into the business case, active participation in the procurement of the solution through the RFP process, supporting the selection of the successful bidders, and providing input into the business case. This involved defining the test approach and scope of testing to be conducted by the Service Providers, ensuring that the plans for each align with the scope and approach, assuring test preparation and execution, defining SEC changes for testing, consulting with DESNZ and industry on changes to regulatory requirements, obtaining approval from industry on the approach and scope of testing through engagement with the SEC TAG, evidencing test execution, supporting testing issue resolution, managing changes to testing scope and approach, preparing and presenting to industry for approval of test results and completion reports.

Scope of variance and key challenges

The key variance in Testing for RY24/25 was the increase in the scope of Test Assurance activity required to support additional sprints resulting from a change to the build approach adopted by the major Service Provider. Other variances include additional work in helping define, review and validate changes to functional and non-functional requirements and design artefacts, and assessing the impact in terms of changes required to testing scope and approach.

Test Assurance utilised the following resources on the programme in FY24/25:

- 1 Test Assurance Manager (full-time)
- 2 Test Assurance Leads (full-time)
- 2 Test Assurance Analysts (from October 2024)
- 1 Non-Functional Test Manager (2 months in FY24-25)

Securing Value for Money

DCC Test Assurance (DCC TA) has been able to procure and assign experienced resources to the project, leveraging experiences from earlier implementations of Order Management and Device Management systems, as well as work on other large projects relating to the DSP. This has meant the DCC TA team was able to function effectively with a smaller headcount than would normally be expected for a programme of this size and complexity, with a commensurate reduction in anticipated costs.

Future Considerations

Once the programme achieves a successful SIT exit, it is anticipated that the Test Assurance team will reduce in size, with a smaller team supporting data migration, defect work-off and providing assurance of any changes or fixes that require PIT and SIT testing, supporting User testing and preparation for go live.

1.4. Drivers for Internal Cost Variance – RY26/27 only

Not applicable in this chapter given lack of RY26/27 only resource variances.

1.5. Drivers for Internal Cost Variance – Non-Resource

DCC utilised few external services within RY24/25 in relation to the new FSM solution, with the only material variance spend relating to external legal support and future forecast spend on Business & Change Management activities.

Variance	GL		RY24/25	RY25/26	RY26/27
FSM Legal Advice	ES	£m	0.195	-	-
Business Change Management	ES	£m	-	0.243	-
Transition to Operations	ES	£m	-	0.243	-
DCC Hybrid Managed Service - Organisational Change	ES	£m	-	0.211	-
FSM End User Training	ES	£m	-	0.511	-

Table 5 – Internal cost non-resource variances

1.5.1. FSM Legal advice

Overview of variance

DCC sought external legal support in respect of the procurement of DCC's new FSM solution. Within the finance cost centre there is a budget for £0.210m for FSM legal costs which have not been spent against. This offsets the £0.195m spend here.

Scope of variance and key challenges

The new FSM solution is a key dependency for DSP. It is being run separately from DSP Core as implementation of the new FSM Solution needs to take place ahead of the work on DSP Core. Accordingly, all of the drivers for the procurement of external legal resource are equivalent to those mentioned in Paragraph 1.1.1 (DSP – legal advice) of Section 5 (External Services) DSP Chapter.

Securing Value for Money

Given the challenging timeline for procuring and implementing the new FSM Solution, and the level of interdependencies between the FSM and DSP Programmes, the best value for money could be secured by appointing one of the two law firms from the DCC Legal Framework that were already engaged on DSP.

DCC issued a request for a quote to [REDACTED]. Following evaluation of the bids, including teach firms proposal on how it could best leverage efficiencies from its work on DSP, DCC appointed [REDACTED] as its' advisor on FSM.

DCC has demonstrated that the cost for these services is in line or better than market: [REDACTED] provided a 15% discount against the current agreed Framework rates in line its pricing on DSP.

Procurement		
Number of Initial invitations to tender	2	
Number of Bids received	2	
Number of Bids shortlisted / presenting	1	
Strengths of Selected Bidder	████ was considered the best fit for this work, given its role as DCC's external advisor on DSP and its proposal on how to leverage efficiencies between the projects. Further, █████ provided competitive discounts that are in line with or better than market rates.	
Challenge by DCC	Initial Price	BAFO
	N/A	N/A

Table 6 – Summary of procurement approach

Future Considerations

We do not expect there to be any external legal costs required in respect of BAU FSM Programme activity during RY25/26.

1.5.2. Uncommitted Forecast

Overview of variance

The Uncommitted Costs forecast is a value attributed to Business & Change Management activities. It includes Business Change and Training for all SMS users.

DCC Customers were asked to estimate costs and training costs were the only identified cost area.

Estimates for training and Business Change activities are based on experience from other DCC initiatives.

Scope of variance and key challenges

The scope of these uncommitted costs include:

- Business Change
- Transition to Operations
- Organisation Change Costs (recruitment)
- CoE for Product Operations
- Product Development
- Training

The forecast for these activities is based on DCC experience from other initiatives and will be reported on in the 25/26 Price control submission.

Securing Value for Money

These are currently uncommitted costs. To ensure value for money, the FSM programme will be run in line with the DCC delivery framework. This framework provides governance and control, as well as ensuring that effective change control for any cost deviation is in place.

Future Considerations

Please see the overview of variance and scope of variance and key challenges for detail on how this expenditure will impact the future of the programme.

1.6. Drivers for Internal Cost Variance – Non-resource RY26/27 only

Not applicable in this chapter given lack of RY26/27 only resource variances.

1.7. Drivers for External Costs – CRs and PRs

The section below describes the material CRs and PRs of more than £1.000m in RY24/25. As in prior years, we explain the background, drivers, scope and how we secured value for money. [REDACTED] was incurred in RY24/25.

Supplier	RIGs category	RIGs ref	CR/PR	Description	2024/25
3a DSP [REDACTED]	Network Evolution - FSM	Annex 3, tab 3a, row 90	CR5251	FSM – DSP interface changes to support the migration of DSMS to FSMS	[REDACTED]
3a DSP [REDACTED]	Network Evolution - FSM	Annex 3, tab 3a, row 90	PR7926	Early Engagement Systems Integration Services for the FSM Programme - Part 2	[REDACTED]

Table 7 – Summary of material CRs and PRs

1.7.1. CR5251 [REDACTED] (FSM)

Drivers for Change

DCC's Future Service Management (FSM) Programme will replace the existing SSI and SSMI Portals (custom built tools provided by the Contractor), and DCC Service Management System (that is based on a [REDACTED] solution and provided by the Contractor) with a new, cloud-based ServiceNow IT Service Management system (DSMS) and will be provided by another DCC Service Provider (the “**Future Service Management System**” or “**FSMS**”). The drivers for the change for a new IT Service Management System (ITSM) are end of life of the [REDACTED] system and support, high cost associated with extending support, risk of continuing with [REDACTED] which would only be provided with limited support given end of life and risk of security vulnerability. Service Now (SNow) was the proposed tool by all the bidders participating in the RFP for a new ITSM tool. The benefits include: 1. Removal of physical hardware cost; 2. removal of security risks associated with extending the legacy DSMS; and 3. benefit of SNow being a cloud-based solution suitable for the future technology landscape. For the new SNow system to be able to access data from and update data in the DSP system, there is a need for a new interface, known as DSP Access Layer (“**DAL**”) and the Change under this CAN has been raised for the Contractor [REDACTED] to design and implement the DAL up to the point of PIT Complete. (Note: SIT through to release will be contracted under a separate change request). [REDACTED] as the incumbent DSP technical solution is the only possible Service Provider to fulfil the requirements of this CR.

Scope of the Change

The Change under this CAN is required to support the migration of DSMS ([REDACTED] system) to FSMS (SNow system, particularly for the new SNow system to be able to access and update DSP data:

The following high-level scope is included under CR5251:

- Provision of a new DSP component, the interim “DSP Access Layer (DAL)” to allow an externally hosted DCC API Gateway to receive tickets, access data and perform administration functionality from DSP hosted DCC Data Systems on behalf of the Future Service Management System (FSMS).
- Provision of the additional Virtual Machines (VMs) (in Dev, SysTest and Performance Test environments plus the required number in the SIT-B environment) to allow the development of the DAL to take place and to prepare the SIT-B environment for the testing of this Change.

- The changes to existing design documentation listed under Schedule 4.1 of the DSP Agreement to implement the DSP interface changes to support the migration of DSMS to FSMS – DSP Access Layer (DAL) Change under this CAN will be contained in the documents listed in the CAN that shall be updated as part of the delivery of this CAN. All documents shall be produced in accordance with the provisions of the Agreement.
- Provision of SSI Reporting through the DAL alongside the core DAL scope - set of activities to produce the design artefacts as listed in the PIT Estimating Model in the Price Breakdown accompanying this change.

Securing Value for Money

This change will be delivered at a fixed price with two milestones: PIT Design Complete and PIT Complete. As noted above, DCC has made the decision to raise a separate request for SIT through to release; this will allow consideration of value for money opportunities to combine with overall FSMS testing. **The uplift from the Initial Price Breakdown to the Final Price Breakdown was due to:**

The Project Manager resource being upgraded to a Senior Project Manager (PM) resulting in the slight increase to Labour Cost which was accepted by DCC equating to approximately 3%. A senior PM role was deemed necessary due to the tight timelines, the fixed-price delivery model, and the complexity of managing a transformation project of this nature. The FSM programme involves significant coordination across multiple stakeholders and strict milestone delivery (PIT Design Complete and PIT Complete). The individual in this role was also required to bring strong technical know-how, particularly in managing the integration of systems like SNow and in ensuring alignment between functional and technical requirements. This blend of delivery experience and technical understanding was essential to maintain momentum, minimise delivery risks, and ensure that design and build phases progressed smoothly and met the quality expectations of DCC.

The main contributor to the increase however is the inclusion of SSI Reporting scope which increased the cost by [REDACTED] equating to 6%. The SSI Reports are currently provisioned through the SSI but show DSP data. There was a decision to be made on the mechanism and medium by which these reports would be made available (whether provisioned by Cap on SNow or through other options like SharePoint and the Data Portal). It was agreed that providing these through the Service Management portal (SNow) was the best value for money and supported our customer first approach, ensuring a like-for-like replacement of the existing SSI/DSMS functionality. The Price Breakdown is summarised below for reference:

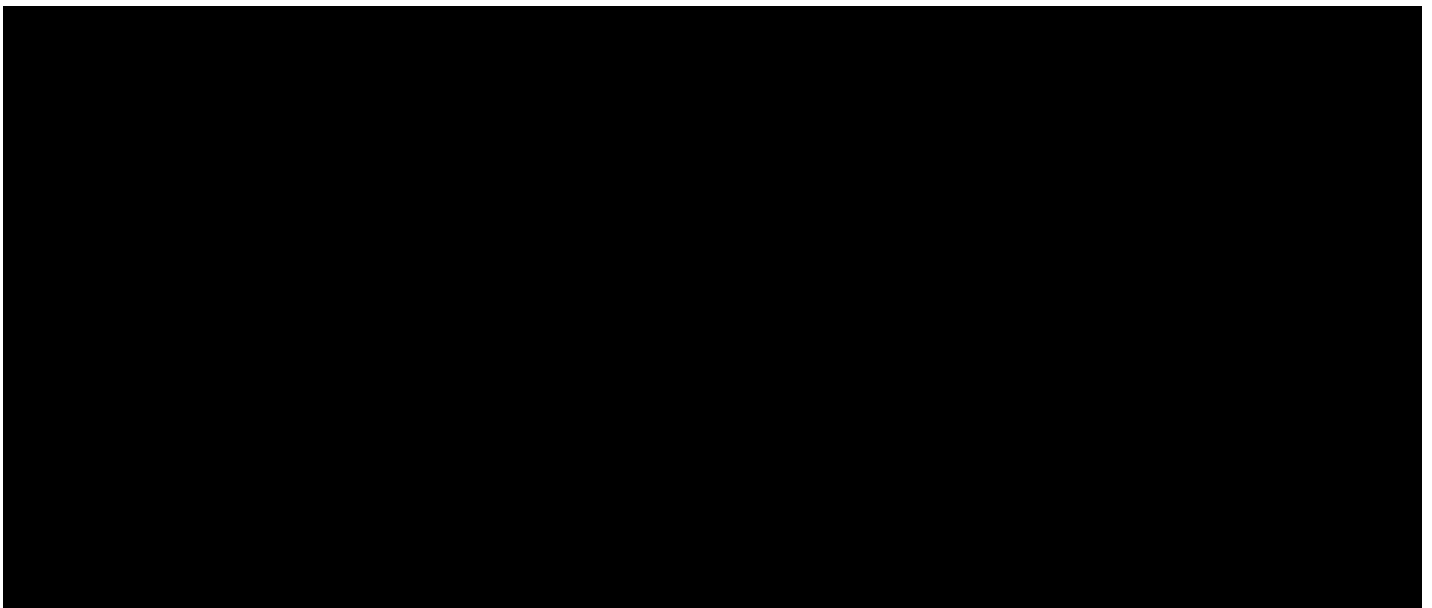


Table 8 – Price Breakdown

Table 9 – Initial vs Final Price

The Contractor has considered that since this CR will require programme-level oversight from the DSP Programme Director, assurance functions and programme operations; these supporting resources are required to perform centralised functions that this CR will draw upon and follow the level of cover previously provided. The resources enable the following functions that are specific to this CR:

- general programme governance to engage with DCC senior management and provide direction and prioritisation across multiple programmes of work.
- security assure testing activities, validate data exports, engage with DCC security teams, supporting readiness for go live from a security perspective.
- budget tracking, forecasting and invoicing specific to CR.
- supporting for teams in terms of Document Management, baseline management and ensuring audit trails are maintained for audit/dispute purposes.
- resource management and security clearance.
- programme level RAID management.
- supporting TABs; and
- supporting/administering reporting.

These functions are critical to the progression of the DSP programme including this CR. Provision of these services through a centralised function provides the DCC with both the best value for money and consistency.

Supplier Value for Money Statement from CR5251 FIA v2.0 section 5.4

The Contractor has committed to an ongoing investment in driving value for money for the DCC. The following summarises how some of this investment is delivered through this Change.

Implementation of EAST Automation

Early Automated System Testing (EAST) is a recent initiative developed by the Contractor to support the concept of pushing quality “left” (testing earlier in the development lifecycle to catch issues sooner) and automating more of the Pre-Integration Testing (PIT) activity, resulting in benefit for using the EAST approach. In summary the key objectives are to:

automate more of what we do manually closer to development – historically, automation relied upon by the Contractor’s PIT System Test has been almost exclusively for regression purposes.

automate more testing classified as “System Testing” prior to a formal release to reduce:

- number of defects raised in manual System Testing.
- number of defect releases prepared by the Contractor’s PIT Development for System Testing.
- number of manual tests performed by the Contractor’s PIT System Test team; and
- deliver cost savings through adopting increased levels of PIT System Test Automation.

This will be achieved through utilisation of an existing development Component Integration Framework, using a Behaviour Driven Development approach to provide coverage of an agreed set of System Test scenarios.

These scenarios will be defined early within the development life cycle, and will require close collaboration amongst the design, development and test teams. Before the development begins, the test cases will fail,

but as the development progresses, the tests will start to pass. Once all of the test cases have passed, the change will be considered ready for delivery.

All test cases produced through EAST are incorporated into the build pipeline and so continuously executed to ensure no regression for future changes.

Activity Based Pricing Model

The Contractor has analysed the price per test for a separate Change with reference to a previous CR4090 and has derived a model, which has been used for the purpose of calculating the Charges for this Change and is included in the accompanying Price Breakdown. It is proposed to apply this model to a number of future CRs and compare against the bottom-up test estimate derivation to verify that the model accurately reflects the price per test for a range of scenarios.

The total price for testing derived using this model includes the following:

test preparation and review. Note that test preparation in the case of EAST utilises both developers and testers, and both are included within the price per test;

- test execution;
- team leading of the testing activities;
- test support and defect fixing by the development team; and
- defect management.

Note: Once EAST tests are created, they execute at least once per Working Day as part of the automated functional acceptance test regression pack. The continued execution of these tests through the Contractor Delivery Train is performed at no extra cost and builds on the approach to pushing quality left.

The definitions used for assessing the complexity of a test are as follows:

Simple - simple validation check, with minimal data creation and set up, and is only a few steps long;

Medium - more than one check i.e. a few requirements to verify within one test, and require a larger data set up; and

Complex - complex area such as ACB replacement or anomaly. This usually means there have some knowledge transfer and understanding to achieve, followed by a complex and large data set up, and a lengthy test script covering multiple scenarios.

Based on the above, implementing EAST represents a saving of around 30% for this CR.

Offshore resourcing

The Contractor has also considered the volume of offshore activities within this proposal. Currently the onshore / offshore ratio is driven by rules regarding which parts of the system can be coded, changed or tested offshore. The offshore allocation has been applied to maximise it within these rules and due to the specific data requirements for this Change Request, the DSP Offshore team has not been included as part of this CR5251.

There is currently a security review of these rules in progress. The DCC would need to approve any risks associated with any such future change in approach via the DCC/DSP security sub-committee. The Contractor cannot therefore assign work that must be carried out onshore to offshore resources. The estimates for onshore and offshore are carried out separately, based on the specific requirements that can be delivered onshore and offshore respectively.

If, in the future, more activities are approved by the DCC/DSP security sub-committee to be delivered offshore, the Contractor will support this. It should be noted that knowledge transfer and training would be required to enable transfer of activities to offshore resources.

Future Considerations

The DAL design, build and implementation work carried out under this CR is critical in order for the new FSMS system to be able to access data from the DSP system and will be delivered in accordance with the Value for Money commitments made by the Contractor. It will allow DCC to transition to ServiceNow from the legacy [REDACTED] DSMS tool which is out of support from March 2024 and DCC will save cost in the future by procuring ServiceNow, as was done for Switching, utilising the opportunity to leverage economies of scale thereby improving total cost of ownership over 5 years. In addition, utilising the synergies with the ServiceNow platform for Switching with existing supplier [REDACTED] also meets the customer need to only have one technology, realising potential benefits for DCC Customers.

Linked CRs & PRs

None applicable.

1.7.2. PR7926 [REDACTED] (FSM)

Drivers for Change

PR7926 is required for the FSMS Programme, to provide the delivery of end-to-end Service Integration (SI), including provision of System Integrator, Project Management, and all required testing services across multiple impacted Service Providers for the FSMS programme, including participation in Business Acceptance testing (BAT). The successful delivery of the SI services is key to the transition to the new ServiceNow IT Service Management System. [REDACTED] have the knowledge and experience in delivery of independent SI services for DCC Programmes and the required separation of this activity from that provided by [REDACTED] as the provider of the new ServiceNow system meant that [REDACTED] were best placed to provide this service.

DCC had been working on the strategy and business case for either replacing or upgrading the DSMS solution since 2018. DCC led engagement with Ofgem to support a decision on how to proceed, the underlying [REDACTED] product went out of vendor [REDACTED] support in 2020. The Contractor [REDACTED] as provider of the legacy DSMS system agreed limited support until March 2024 and further extended until March 2026 to align with transition over to the ServiceNow FSM solution. Support of legacy versions of the [REDACTED] products from BMC is no longer available, including any security patches posing risks to DCC. Continued use of the legacy product also limits the ability to do a technology refresh of the underlying operating system (Windows Server 2012) as later versions of the Windows Server product are not compatible with the version of [REDACTED] products in use. It is also not possible to move the [REDACTED] instances to newer physical hardware as there is no install media available and no support could be obtained from BMC should there be any issues. Further, the physical [REDACTED] hosts are not compatible with the new SAN (storage area network), as such, it would be necessary to retain the legacy SAN which would be used solely for the provision of DSMS, which is an ongoing cost to DCC.

Scope of the Change

The following systems integration services are included under PR7926 Statement of Work scope:

- **System Integrator Programme and Project Management**, including integrated project planning, risks and issues management, SIOB (System Integrator Operations Board) chairing and secretariat, Lessons Learned and the management of entry gates to integrated test phases
- **Systems Integrator Release Management**, including coordination and support of deployment activities for the six in-scope DCC Service Providers into the SIT-A, UIT-A, SIT-B, UIT-B and Production environments, running Checkpoint calls and reviewing Runbooks
- **Systems Integrator Environments**, including updating interconnect specifications to reflect new FSMS components, conducting Technical Readiness Testing (TRT) on each environment, verifying the provision of any required new gamma connections for the DCC Service Provider selected by the DCC to provide the FSMS system (the "FSMS Provider") and supporting cutover activities. Note that TRT

will be run throughout the duration of the FSM delivery to accommodate the varying timelines in which DCC SPs will deliver their changes for TRT

- **Systems Integrator TRT Support**, including provision of support for TRT by PIT, SIT, UIT, Infrastructure and Triage teams
- **System Integration Testing (SIT)**, including test preparation, test execution readiness, test execution in the SIT-B and SIT-A test environments, production of a Test Completion report for SIT-B and production of a Test Exit Report for SIT-A
- **User Integration Testing (UIT)**, including test planning and governance, test execution and defect management and support, together with support for DCC Service Users participating in the UIT test window
- **Provision of Triage support for integration testing**, including the triage of defects or issues affecting test progress, provision of support for test preparation, environment uplifts, build validation, test data loading and device preparation and provision of support for Testing Participants, the DCC and all DCC Service Providers involved in the FSMS programme; and
- **Participation in Business Acceptance Testing (BAT)** by the Contractor's Service team members (since the Contractor's Service teams will be users of the FSMS) during the three-month testing window for BAT.

Securing Value for Money

Initial scope and ROM (Rough Order of Magnitude) was provided by [REDACTED] in May 2024 which was based on a list of high-level assumptions and included risks and dependencies. Due to the early stages of the FSMS Programme the full detailed requirements were still being discussed and developed by DCC therefore [REDACTED] was not able to produce an initial impact assessment as would be normal process. Therefore, an Upper and Lower Indicative ROM pricing was provided as a starting point for negotiations on cost, ensuring that the scope provided by [REDACTED] was aligned to the DCC approved test approach:

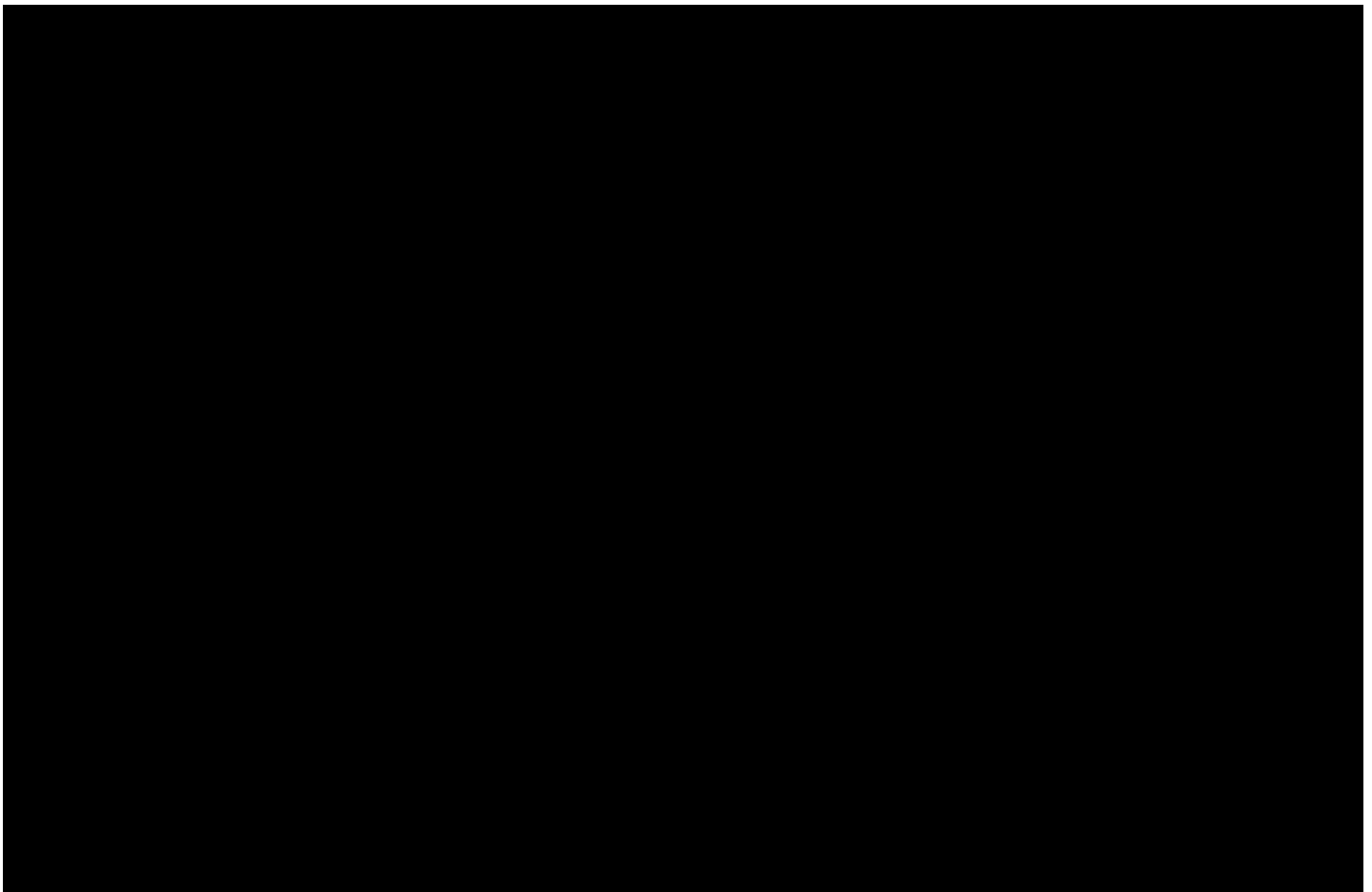


Table 10 – Price Breakdown (Initial £) ROM estimate

Subsequent workshops were held with [REDACTED] to deep dive on defining the detailed scope. Throughout this there were multiple discussions and due diligence with FSM Programme and DCC Technical and Operations subject matter experts. This enabled the refinement of the scope and ability to confirm the assumptions, risks and dependencies which led to the provision of a Full Impact Assessment and pricing – as set out below. This PR/SOW is based on resources provided on estimated Time & Materials charges. This charging mechanism allowed the necessary flexibility against the programme of work so that DCC could manage the complexity of end-to-end testing service across six DCC Service Providers against the aggressive timelines of the FSM Programme schedule. DCC Programme and Project Managers closely monitor the end-to-end SI support and thereby review and approve invoices based on validation against the work performed.

The contingency applied will only be used in accordance with the underlying principles as follows:

- the contingency amount shall be used reasonably and in good faith and the DCC PM notified when contingency is expected to be utilised; and
- the invoicing and payment for this Project, including the contingency amount (where the Contractor requires use of the contingency), shall be administered in accordance with the process set out in section 3.3 of this SoW in order to provide the DCC with clarity and justification as to estimated versus actual spend.

Table 12 – Initial vs Final Price

Supplier Value for Money Statement from PR7926 SoW section 3.4

3.4 The Contractor has committed to an ongoing investment in driving value for money for the DCC. The following summarises how some of this investment is delivered through this Project:

- the Contractor's Triage team regularly provides knowledge share and upskilling to its resources. As per the Triage team resource profile shown in the Price Breakdown, the Triage effort comprises a higher percentage of L3 and L4 resources than of L5 and L6 resources.
- The Contractor's Release Management team has been juniorised and trained, bringing reduced costs to DCC

- The Contractor's Release Management will group releases into the same window where possible to minimise the cost to the DCC. This may not always be possible, but the approach will be followed when appropriate.
- The Contractor's SI Environments and SIT team shall provide the same resources from PR7912 to carry out test preparation activities under this PR7926 to ensure continuity and limit the need for knowledge transfer and handover.
- Application of the lessons learned outlined above will potentially deliver both intangible benefits that can facilitate improved ways of working, as well as prevention of additional cost. The experience of the [REDACTED] SI Services team is being applied now and will be applied throughout the implementation period.
- Resources provided under PR7926 are generally provided on a part time basis and the DCC will only be charged for the work that needs to be carried out. This is enabled by the same resources being allocated to multiple streams of work.
- The Contractor has considered the volume of offshore activities within this proposal. Currently the onshore / offshore ratio is driven by rules regarding which parts of the system can be coded, changed or tested offshore. The offshore allocation has been applied to maximise it within these rules.
- In an effort to deliver better value for money, the scope of UIT testing has been kept to a minimum on the basis that the new functionality will have been thoroughly tested in PIT, followed by further testing in SIT as described in section 2.3.4.

Future Considerations

The system integration work carried out under this PR will be delivered in accordance with the Value for Money commitments made by the Contractor and will allow DCC to transition to ServiceNow from the legacy [REDACTED] IT Service Management tool which is out of support from March 2024 and DCC will save cost in the future by procuring ServiceNow as was done for Switching utilising the opportunity to leverage economies of scale thereby improving total cost of ownership over 5 years. In addition, utilising the synergies with the ServiceNow platform for Switching with existing supplier [REDACTED] also meets the customer need to only have one system, realising potential benefits for DCC Customers in the future.

Linked CRs & PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
PR7912 - Early Engagement Systems Integration Services for the FSM Programme	PR7926 is the continuation of SI Services - PR7912 was needed to allow the post PIT activities, including Systems Integrator Programme/Project Management activity, SI Release Management services and network connectivity planning to commence to avoid delays to FSM while the full scope and cost of PR7926 was agreed.	Same rates used (PR7912 IA [REDACTED])

Table 13 – Linked CRs & PRs



DCC Price Control RY24/25 - Data Services Provider (DSP)

Version: 1.0
Date: 31.07.2025

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1. Data Services Provider (DSP)

Summary

What is this and why is it important?

The Data Service Provider (DSP) Data Service is the 'brain' of the DCC network, enabling and managing secure message flow between DCC customers and installed smart meter devices. It is a major and essential service that cannot be interrupted.

The existing DSP contract was awarded to [REDACTED] by Government in 2013 to run until 2024. It was subsequently extended until 2026, with the option for two further 1-year extensions to October 2028. The key function of the programme is to procure a new DSP solution – this re-procurement launched in October 2023.

RY24/25 activities and costs

In RY24/25 the programme completed the Best And Final Offer (BAFO) stage in July 2024, preferred bidders were down selected in August 2024, and final negotiations were concluded with contract award in March 2025. The new contract reflects a saving of £20m per year from 2029 for customers and resolves the known issues with the current DSP (including lack of transparency, undefined Systems Integrator scope, lack of flexibility in managing change, no exit plans, higher costs, and outdated technology). All costs in RY24/25 related exclusively to this re-procurement exercise.

The DSP programme incurred £8.6m, which was £7.5m above the regulatory baseline. However, the regulatory baseline does not include an allowance for payroll costs, and total DSP programme costs in RY24/25 were closely in line with forecast costs of £8.2m made as part of our RY23/24 submission.

As with any procurement on this scale and complexity, significant effort and expertise is required. A team of dedicated SMEs covering each of the core functional areas were assembled to lead on this project, supplemented with external legal, commercial and assurance expertise for tightly defined periods where necessary.

This activity, efficiently delivered, has resulted in very strong commercial and economic outcomes. The Full Business Case (FBC) shows that total Net Procurement Cost (NPC) is £33.2m better than expected in the Outline Business Case (OBC). FBC costs for ITT1 of £140m were 49% below the OBC envelope of £272m, and for ITT2, costs of £27m were 78% below the £123m in OBC.

Future activities and costs

In RY25/26, the program enters a 2-month Mobilisation period, followed by 5-month Blueprint Design commencing in June 2025. A delivery plan, governance approach and ways of working have all been established.

During mobilisation the Systems Integrator and Lot 1 will complete preparatory activities such as establishing the governance cadence, onboarding their teams, purchasing and standing-up critical tools ready for Blueprint Design. For Lots 2 and 3 there is no formal mobilisation phase as commencement of their activities will start directly after Contract Award and will be tracked through the programme governance.

1.1. DSP – RY24/25 Variances Overview

1.1.1. Internal Costs overview

This section sets out the baseline costs (as determined by Ofgem in previous years' submissions), incurred costs and forecast costs and highlights any material variances to the baseline. In the following sections, we explain the DSP purpose and our resource and non-resource costs.

The table below provides a breakdown of incurred and forecast costs in price control format i.e., mapping costs directly against the price control (GLs). Internal Costs for this programme are aggregated under Network Evolution in the Main RIGs. Network Evolution includes our DSP, CH&N, FSM, PKI-E and TAF programmes.

Programme variance by GL

Baseline			RY24/25	RY25/26	RY26/27
Total DSP		£m	1.080	0.887	-
Payroll costs	PR	£m	-	-	-
External services	ES	£m	1.080	0.887	-
Incurring			RY24/25	RY25/26	RY26/27
Total DSP		£m	8.624	8.481	8.741
Payroll costs	PR	£m	4.129	7.695	7.826
External services	ES	£m	4.495	0.786	0.915
Variance			RY24/25	RY25/26	RY26/27
Total DSP		£m	7.544	7.594	8.741
Payroll costs	PR	£m	4.129	7.695	7.826
External services	ES	£m	3.415	-0.101	0.915

Table 1 – Programme variance by GL

1.1.2. External Costs overview

We have one service provider dedicated to our existing DSP system, [REDACTED] and have reproced the new system across four lots (see Section 1.7). We have no material Change Requests (CRs) or Project Requests (PRs) for the DSP programme.

We set out CR and PR changes to our existing DSP system in our 'External Costs' chapter, as these are unrelated to the DSP programme. Schedules 4 of the RIGs Supplementary Schedules summarise our External Costs for RY24/25.

1.2. Purpose, scope and structure

1.2.1. Purpose

The Data Service Provider (DSP) platform is a foundational component of the GB smart metering infrastructure. It enables secure and reliable communications between smart meters and authorised parties including energy suppliers, network operators and service users. These communications support critical industry functions such as prepayment, billing, settlement and real-time energy monitoring.

Smart DCC's current DSP arrangements, originally procured by the Department, have become increasingly limited in their ability to meet evolving operational and commercial needs. The legacy platform presents challenges around technical flexibility, commercial transparency, and adaptability, which have prompted the need for a modernised solution. These limitations expose consumers to unacceptable risks around service continuity and cost efficiency. Ofgem has determined that costs associated with the re-procurement and transition of the DSP platform are not committed baseline expenditure. This submission therefore sets out the rationale and justification for the 2024–25 costs incurred to support this critical transformation.

1.2.2. Scope

This section outlines the scope of DSP in the following sections:

1. Limitations of Current DSP Arrangement and benefits that will be achieved.
2. Work delivered during 2024–25
3. Planned activities for 2025–26 and 2026–27, including mobilisation, Blueprint Design, ongoing programme delivery and transition/migration.

Limitations of the Current DSP Arrangement

The existing DSP solution is delivered under legacy contractual terms that reflect a “black box” model:

- DCC has no transparency of the underlying system architecture, third-party components, or associated costs.
- The System Integrator (SI) role was retrofitted into the contract without defined scope or control mechanisms.
- Intellectual Property Rights (IPR) are retained by the incumbent vendor not DCC
- High operational (Run) costs with no contractual in-life Value for Money (VfM) levers.
- Lack of enforceable exit plans and the inability to port services or stimulate competitive pressure.
- Key components have reached end-of-life, exacerbating operational risk.

This model constrains DCC's ability to manage cost, ensure continuity, or drive technological innovation—ultimately increasing risk to end consumers.

All costs reported herein relate solely to the 2024–25 DSP re-procurement programme.

Benefits of the New DSP Model

- Modern technology stack
- Approximately £20m annual Run cost reduction
- Operational and cost transparency
- Improved service availability and performance
- Improved change control and future adaptability
- Improved contract terms (IPR, exit, VfM, etc.)
- Disaggregated services that enable in-life competition and innovation

The complexity of delivering these benefits meant a multi-year procurement and delivery was required.

Key milestones 24/25

The below key milestones were achieved as part of the re-procurement process. Within each of these milestones key activities were completed which are explained subsequently.

- Best and Final Offer (BAFO): July 2024
- Preferred bidder down-selection: August 2024
- Contract award: March 2025

Industry Engagement

Throughout 2024–25, Smart DCC engaged extensively with the SEC Panel and subcommittees (TABASC, SECOps, TAG, SSC). Engagement focused on:

- Procurement approach and options
- Migration strategy
- Modular DUIS testing
- Security and system availability

DCC provided significant technical input and supported consultation responses across a wide range of stakeholders.

Business Case Submissions

- Outline Business Case (OBC) for Systems Integrator: submitted April 2024.
- Full Business Cases (FBCs) for Data Services and Systems Integrator: submitted August 2024.
- DESNZ non-objection: March 2025.

External Expertise and Assurance

As is industry standard for large scale programmes of this complexity, Smart DCC appointed expert advisors to ensure rigour and compliance:

- Legal: [REDACTED] and [REDACTED]
- Commercial: [REDACTED]
- Technical Assurance: [REDACTED] (performance and scalability assurance of the proposed solution in ITT1)

The requirement for this support stemmed from the scale and technical complexity of the procurement. As these types of procurements are rare for DCC it was deemed to be more cost effective to utilise external resource, rather than recruit permanent full-time staff who could be under-utilised over sustained periods of time.

Commercial Complexity

We had 10 interacting contracts, reflecting the necessary complexity of the service and the commercial transaction. The procurement included:

- Two Invitations to Tender (ITT1: DSP Data Services, ITT2: Systems Integrator)
- Four Master Service Agreements (MSAs)
- Ten Statements of Work (SoWs)
- 151 Annexes
- Four commercial models

All SoWs are interrelated, necessitating a coordinated, integrated approach to ensure interoperability and contract coherence. A collaborative approach was taken to deliver these however the scale of effort to complete it was significant to ensure it was conducted in a fair, transparent way aligning to government procurement practices whilst focussing on delivering the greatest value for money.

Future-Proofing and Architectural Transparency

The legacy contract left DCC without sufficient visibility of system architecture or its commercial structure. This knowledge asymmetry was retained by the incumbent vendor, not DCC. To correct this, all architecture and contract documents were disaggregated, reviewed and revised. The new arrangements:

- Ensure DCC owns or has access to core IPR
- Allow for in-life competition across DSP components

- Promote technological innovation by enabling modular procurement
- Enhance future regulatory and commercial flexibility
- Reducing reliance on specific vendors

Procurement Design and Delivery Key Activities completed in 24/25

List of key activities and these are explained in detail below.

- Vendor Engagement and Alignment
- Procurement Stages etc.

The re-procurement process required a complex commercial model, supported by a comprehensive approach to governance, fairness, and industry engagement.

The process followed a four-stage model:

1. Selection Questionnaire (SQ) – Evaluated financial standing, technical and operational capability.
2. Stage 1 – Bidders submitted outline solutions and indicative pricing.
3. Stage 2 (ITT1 only) – Collaborative Solutioning, where DCC and bidders iteratively refined service models to meet functional requirements.
4. Stage 3 – Contract Finalisation, involving integrated planning, commercial negotiation, and legal drafting.

Vendor Engagement and Alignment

Smart DCC conducted a rigorous and impartial procurement process:

- All vendors were provided with equal access to information and required due diligence.
- Technical and clarification queries were addressed comprehensively across all bidders.
- Substantial alignment effort was made to ensure consistency between contractual documents, technical requirements and service models across vendors.
- Failure to ensure contractual and technical integration would have created significant downstream risks and costs, which this thorough process was designed to mitigate.

Initial Outcomes from Re-Procurement

Commercial and Economic Impact

- Net Procurement Cost (NPC): [REDACTED] lower than the recommended OBC option over the contract term.
- Cost Efficiency:
 - ITT1: Final cost of [REDACTED] 49% under the OBC envelope ([REDACTED])
 - ITT2: Final cost of [REDACTED] 78% under the OBC envelope ([REDACTED])
 - All figures restated to 2024 prices, excluding inflation, with market risk adjustments applied.

These outcomes reflect an exceptionally competitive process and high confidence in the commercial model and technical solution.

Following competitive procurements, [REDACTED] and [REDACTED] were selected as the programme's legal partner, whilst [REDACTED] were chosen to provide commercial support. Details of the procurement outcomes and the rationale for their requirement were set out in the 2023-24 Price Control Report. We continued to use their services in RY24/25 (within their competitively appointed contractual roles) where their pre-existing expertise and knowledge developed of our specific situation over the prior regulatory year made them the best option to help us secure value for money and an appropriate contractual position from the procurement process.

Given the importance of selecting the right technology to deliver the crucial DSP service, DCC also sought professional assurance. [REDACTED] were competitively procured to independently review the solution developed in ITT 1 Core Services at the end of the Collaborative Solutioning period.

Future Activities (2025–26 and 2026–27)

Following contract award in March 2025, DCC initiated a structured delivery programme:

- Mobilisation Phase (2 months): Governance setup, team onboarding, tool deployment.
- Blueprint Design Phase (5 months): Development of delivery plans, system design, and cross-vendor integration strategies.
- Ongoing Programme Management:
 - Progress will be tracked internally and through governance tiers: Programme Board → ExCo → DCC Board.
 - Lots 2 and 3 will begin work directly post-contract award, outside of formal mobilisation, and will be governed through existing structures.
- Migration and transition.

The table below sets out the timeline for the Design, Build, Test and Migration phases of the programme.

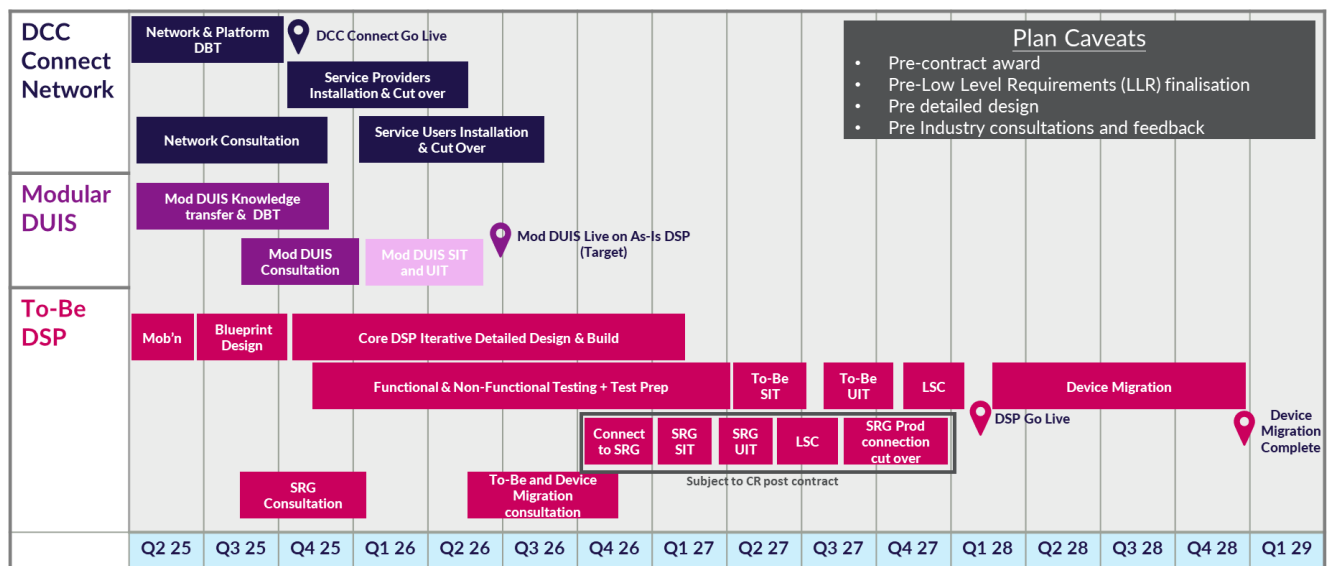


Figure 1. DBT and migration timeline

Initial Outcomes

The Full Business Case (FBC) shows very strong commercial and economic outcomes compared to the Outline Business Case (OBC). These results justify the internal and external resources committed to the programme during the procurement phase.

- Economic outcome: Total Net Procurement Cost (NPC) is [REDACTED] better than the recommended OBC option over the lifetime of the contract. Please note that the economic case includes quantified risk, sensitivity analysis and optimism biases treatment as per the Green Book Treasury framework.
- Commercial outcome: The FBC costs for ITT1 are [REDACTED]. This is 49% inside the OBC envelope of [REDACTED]. FBC costs for ITT2 are £27m, 78% inside the OBC envelope of [REDACTED] (OBC 2022 envelopes restated to 2024 prices, excluding inflation, with market risk adjustment). This is an excellent commercial result and demonstrates that future DSP services have been competitively procured and achieved value for money from the open market. This also helps to demonstrate that the combination of legal, commercial and assurance providers we selected was efficient and provided value for money.

The new contract is providing DCC with substantial service, operational and cost benefits

- Modern technology
- Operational and cost transparency
- Improved Service availability
- Managing customer impacts more effectively
- Deliver future change more effectively
- A disaggregated solution that can be competed in-life to the market
- c.£20m lower Run cost per year
- Fixed price for defined scope
- Much better Terms and Conditions such as those relating to intellectual property right

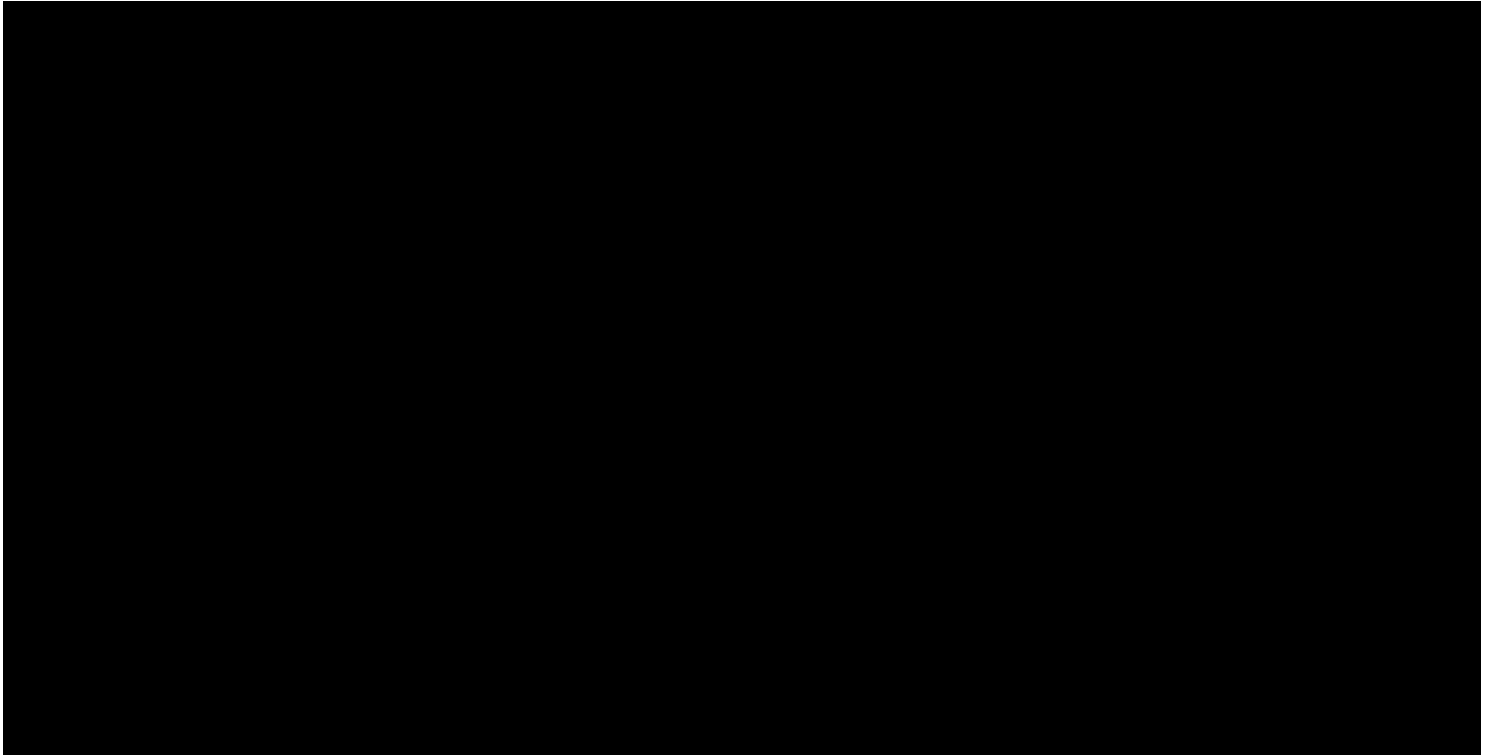


Figure 2. DSP Structure

Programme structure

RY24/25 Sub-teams	Description
Commercial and Regulation	• Sets the commercial strategy and leads on supplier engagements and negotiations. • Ensures that all procurement conforms to the regulated conditions. • Leads Requests for Information (RFIs) and Invitations to Tender (ITT) to understand the market and to procure services. • Provides guidance and oversight of legal and compliance issues and drafting of contracts. Detailed legal support is contracted to an external law firm under the oversight of the Head of Legal. • Plans, manages, and executes programme interactions with customers, including fora such as SEC Panel committees, Energy UK, and directly with customers. This is to ensure that customers are sighted on the programme and that the programme gets necessary input including to guide decisions on scope and business cases.
Design and Assurance	• Provides expertise on technical direction and definition of technical solutions, platforms, and methodologies. This is done to address current problems in delivering services and to facilitate the move to a future landscape.

	Ensures the integrity of the DCC solution architecture. The team guarantees that new functionality and changes to the architecture are fit for purpose and comply with the standards necessary to maintain a robust, consistent, and integrated technical infrastructure.
Finance	Budgets, forecasts, and tracks actual spend, as well as supports on business cases.
Operations	Ensures that processes required to support the future DCC service and technical landscape are coherent, efficient, and properly defined to meet the needs of in-life operations, including SLAs. This includes the processes that customers will need to access and operate DCC services.
Security	- Makes sure that any technical, data or process changes are compliant with all security protocols and tested appropriately. - Owens the relationships with the National Cyber Security Centre (NCSC) and the SEC Security sub-committee for the Programme.
Service Delivery	- Holds all functions to account to achieve the delivery plan. - Manages the governance of the programme. - Ensures the programme is delivering in line with DCC License Conditions, and proposed changes are understood and supported by DESNZ and Ofgem as applicable. - Engages and consults with DESNZ, customers, and industry to understand existing problems and future needs and ensure that DCC proposals are understood and supported. The Regulatory Affairs team supports the Programme to deliver this DESNZ, customer, industry, and SECAS engagement.
Testing	Ensures that testing methodologies and tools in the future DCC landscape are fit for purpose and utilise best practice.

Table 2 – Programme team structure

1.3. Drivers of Internal Cost variance – Payroll

Programme variance by Sub-Team

The table below shows the payroll variance by sub-team within the DSP cost centre.

Baseline			RY24/25	RY25/26	RY26/27
DSP Payroll Costs	£m	-	-	-	-
Commercial and Regulation	£m	-	-	-	-
Design and Assurance	£m	-	-	-	-
Finance	£m	-	-	-	-
Operations	£m	-	-	-	-
Security	£m	-	-	-	-
Service Delivery	£m	-	-	-	-
Testing	£m	-	-	-	-
Incurred			RY24/25	RY25/26	RY26/27
DSP Payroll Costs	£m	4.129	7.695	7.826	
Commercial and Regulation	£m	0.314	0.093	0.072	
Design and Assurance	£m	1.100	1.827	1.388	
Finance	£m	0.005	-	-	
Operations	£m	0.504	1.060	1.949	
Security	£m	0.458	1.186	1.170	
Service Delivery	£m	1.362	2.553	2.501	

Testing	£m	0.386	0.974	0.745
Variance		RY24/25	RY25/26	RY26/27
DSP Payroll Costs	£m	4.129	7.695	7.826
Commercial and Regulation	£m	0.314	0.093	0.072
Design and Assurance	£m	1.100	1.827	1.388
Finance	£m	0.005	-	-
Operations	£m	0.504	1.060	1.949
Security	£m	0.458	1.186	1.170
Service Delivery	£m	1.362	2.553	2.501
Testing	£m	0.386	0.974	0.745
FTEs		RY24/25	RY25/26	RY26/27
DSP FTEs	FTEs			
Commercial and Regulation		1.80	0.96	0.72
Design and Assurance		9.33	13.72	9.72
Finance		0.22	n/a	n/a
Operations		4.7	12.88	21.21
Security		3.7	10.68	10.88
Service Delivery		11.2	18	18
Testing		2.6	11.5	8.62

Table 3 – Programme variance by sub-team

Baseline costs were nil as they were disallowed for the DSP programme in Ofgem RY23/24 final decision. We note that we always planned to incur internal programme resource and report these based upon recorded timesheet data. The rationale for each activity is set out in the subsequent subsections.

1.3.1. Commercial and Regulation

Overview of variance

From the Onset of April 2024, the DSP was i) about to commence stage II of ITT 1 Core services (Collaborative Solutioning), and ii) set to issue the ITT, for System Integration. The Commercial and regulation spend for this activity was the coordination and completion of this complex commercial transaction. Specific activities involved running the procurement process, fully in accordance with DCC Licence conditions, and leading on direct negotiation of the commercial terms implicit in the Master Service Agreements (MSAs) and Statement of Works (SoWs).

Scope of variance and key challenges

As set out in Section 1.2, alongside the running of an end-to-end procurement process for the provision of DSP services, the DSP team have concluded the negotiation of four MSAs, 10 SoWs, 151 supporting annexes, and four commercial models. This represented an incredibly demanding workload to be managed by the DSP commercial function.

The DSP procurement was also a highly complex commercial transaction. All the SoWs were required to interrelate through individual requirements and service measures. This placed heavy emphasis on the contractually binding quality of the technical and commercial documentation set.

This intensity of effort is reflected in the Commercial and Regulation FTE profile, which peaked at 1.8 FTE in RY24/25, as the team navigated the most resource-intensive phase. FTEs then reduce to 0.96 in RY25/26 and 0.72 in RY26/27, in line with the transition from procurement execution to contract

management. This profile demonstrates a deliberate tapering of resource in step with the lifecycle of the programme.

Finally, the expenditure took place in the context of extremely challenging timelines. All major programme timelines were met up until the contract finalisation stage. Contract Award was concluded on 28th March 2025.

Securing Value for Money

The DSP was competitively procured. The results have demonstrated exceptional value for money for DCC, the Energy Industry and Energy consumers alike. The outcome is significantly below the OBC costs for the preferred option. Run costs are conservatively £[REDACTED] cheaper per year than the incumbent services.

The procurement was successfully concluded without challenge, with all documentation kept and retained for later audit. Much of the material used in the procurement has also been adopted into other procurements across the DCC, retaining the value of the collateral and improving the service capabilities in that area.

Future Considerations

Following Contract Award, the commercial team will move from procurement to contract management. Given the complexity of the commercial arrangements, this team will need to be in place over the lifetime of the contract.

1.3.2. Design and Assurance (CTO)

Overview of variance

The design and assurance team were responsible for the negotiation of the technical solution during the collaborative solutioning phase of the procurement (Stage II) of ITT 1 (Core Services). They also conducted the co-development and negotiation of the technical documentation set, including the Contractor Solution, High level designs and technical standards review of the preferred bidders for ITT 1 and ITT 2.

Scope of variance and key challenges

The Design and Assurance team played a critical role throughout the lifecycle of procurement, system design validation, and transition readiness. FTE levels have peaked at 13.72 in RY25/26, reflecting the period of highest technical engagement as suppliers progressed from collaborative solutioning into system build and assurance processes. Prior to that, 9.33 FTEs in RY24/25 were engaged in shaping and evaluating supplier design proposals. Resource then reduces to 9.72 FTE in RY26/27, aligning with the planned shift to embedded oversight during implementation. The consistency in team size over three years reflects the strategic importance of this function and careful capacity planning to avoid bottlenecks during critical review cycles.

The team led collaborative solutioning of the technical solution - a very successful innovation to support providing clear information to all bidders to help them understand the requirements while allowing them to arrive at their preferred solution which would be viable. This consisted of collating bid material from various sources and four months of interactive sessions with all bidders.

ITT2 also required working with bidders to answer questions with over 90% of all bidder questions being answered by this team including many detailed answers published to all bidders of the appropriate lot. At the end of the ITT the bid responses were scored. We delivered these vital questions and scores to timescale.

Requirements: Led the creation, and delivery of the requirements across all four lots. This included crucial re-reviews of the requirement text in Lot-2 and Lot-4. The team proposed format and quality goals and approved requirements for publication to bidders and inclusion into contract, with developed assessment criteria, which formed the basis of contractual acceptance of delivery.

FBC production: The CTO team supported FBC drafting, approval and subsequent questions with DESNZ. At a more detailed level, the FBC required support regarding the financial and technical model of the three bidders. This was followed up with response to detail questions with the Department as they sought to assess the proposed technical solutions and the risks being taken on.

Internal Governance: The Design and Assurance function also supported gateway review and challenge Phase 1 and 2, responding to all information requirements.

External engagement: leading and supporting engagements throughout the procurement period across multiple SEC Subcommittees (TABASC, SECOps, TAG, SSC) and SEC Panel itself, including: OBC/SOBC Options; Lots and SoWs; Service Provider, User and Device Migration; How to test Modular DUIS; Security and availability of the proposed solution.

Securing Value for Money

DCC has developed a new, target architecture model for the DSP that is based on best practice and has been independently validated. The target architecture introduces compartmentalised 'microservices' design and adoption of flexible vendor-agnostic cloud infrastructure, removes the current intellectual property rights, and enables the introduction of competitive in-life change. In combination, these changes will enable the following benefits:

- Improved agility and faster implementation of change
- Improved service availability, with reduced service outages and downtime
- Lower cost to operate, including lower cost of change and maintenance
- Reduced impact of change for customers

Future Considerations

The Technical solutions have been developed and readied for contract. The internal CTO team are now well positioned to take the programme through to the mobilisation and design phase, having developed a level of expertise in the supplier solutions.

1.3.3. Operations

Overview of variance

The operational engagement in ITT process and evaluation of responses and downselect was planned only for the RY 24/25 to support the DSP procurement. Through the year and given the large number of bidders that submitted responses to the ITT1 and ITT2 Operations carry out and supported separate activities to support the effective downselect and Contract award of the 4 Lots. This included:

- ITT Evaluation and Moderation
- Responses to clarification questions submitted by bidders
- 12 weeks of collaborative solutioning across 4 lots with three people supporting different lots of collaborative solutioning
- SME led contract negotiations from October 2024 to March 2025

Scope of variance and key challenges

Operational resourcing grows significantly over the three years in line with the ramp-up to live service and operational readiness. FTEs increase from 4.7 in RY24/25 to 12.88 in RY25/26, peaking at 21.21 in RY26/27 as the system moves into pre-live testing, cutover planning, and service mobilisation. The scaling profile illustrates a deliberate build-up of capability as responsibilities shift from programme design to active service ownership. This supports continuity and preparedness across system handover, while aligning resourcing with operational milestones.

During the first submission of ITT and initial downselect there were variances in assumptions made by bidders. There were also a significant number of clarifications received by bidders across all Lots. This

necessitated the DCC Operations team to provide dedicated support to bidders in the form of collaborative solutioning in line with the programme driven Collaborative Solutioning. This required the Operational Teams to take questions from bidders and provide clarification of requirements as well as actions to ensure all bidders were provided with replica information as well as internal engagement to ensure alignment to strategic direction. There had been previous clarifications provided by DCC but without collaborative solutioning effective competition would have not been achievable and bidders would have submitted bids without understanding the needs of DCC and Customers.

Contract Negotiations were supported throughout by Operational representatives in all sessions to ensure the alignment of the contractual areas to the principles set out in the ITT. This also ensured the Customer was represented in the negotiations from a view of what good performance would look like for Customers and specifically targeted at looking at reducing effort on customers and reducing downtime. There were other options considered, including the review and approval of contractual documents offline. This was trialled but proved time consuming and did not allow for effective negotiations. DCC Operations provided one person to represent DCC in the negotiations on a full-time basis and another to prepare material and carry out internal engagement to ensure aligned positions were provided to bidders and enabling effective negotiation. DCC Ops owned the specific Annexes in the SoWs for Annex I (DCC Responsibilities) and Annex E (Performance Measures) and were key contributors to all others.

Securing Value for Money

Providing a small and effective team to support the DSP collaborative solutioning meant that DCC could ensure cost risk on assumptions was not overstated by each of the bidders. This is an important value for money protection against downside financial risk exposure for DCC.

Please see section in Commercial and Regulation for outcomes of the procurement.

Future Considerations

There are activities for DBT that have been planned. Whilst the work carried out so far reduces the uncertainty of the bidders and reduces the risk of Change later on in the process, there may still be contractual changes requiring support.

1.3.4. Security

Overview of variance

The purpose of the security function is to provide security requirements into the process including why these were relevant to DSP, what they would achieve, how to ensure the future solution met security requirements, and ensuring these would meet DCC's regulatory obligations and licensing requirements. Subsequently, the function helped throughout the bid process including vendor shortlisting, final vendor(s) selection and contract award.

Though the above outputs were achieved, it required several iterations and exploratory sessions with the bidders to explain the DSP workings, its complexity, the criticality and not to undermine the migration without disrupting the UK smart metering operations. This resulted in multiple iterations of requirements clarification, rewording of documentation, and extensive bidder engagements. Following the bidder responses, various workshops were held for initial evaluations which were revised after input from the DCC security team. From security perspective, the work required cross functional engagements from Data Protection, BCDR, SOC, Architecture and Security Assurance teams. Following shortlisting of bidders, multiple, deep dive sessions were held with the bidders, uncovering and resolving technical (e.g. HSM, key management, security tooling, SOC design) and regulatory gaps. It was vital that these were understood with any concerns resolved early in the process.

Scope of variance and key challenges

Security resource is expected to more than double from 3.7 FTE in RY24/25 to 10.68 in RY25/26, holding steady at 10.88 in RY26/27. The increase correlates with both the assessment of supplier security designs and the integration of these into the final system architecture. This sustained level of investment reflects the criticality of securing national infrastructure and ensuring compliance with evolving cyber and regulatory standards. The flat profile beyond RY25/26 is due to the enduring need for strong security oversight throughout early operation.

Activities in RY24/25 included the following:

Requirements development: Ensuring internal and external requirements were captured, they were complete, feasible and compliant with regulations. Current, in progress changes to the DSP were also included to ensure they were factored in to the To-Be DSP design.

Bidder engagement: This required significant time invest to help bidders understand the specific requirements, particularly those linked to the DCCs status as CNI and overall security compliance, including the requirements within the SEC others. This was an essential to ensure that that bids were technically viable but also realistic in their design.

Evaluation and selection: Ensuring the submitted proposals were able to meet security requirements from a technical perspective and the bidder had the capabilities to implement them.

Cross Functional coordination: to leverage specialised resources to cover all security dimensions, ensuring a thorough approach and alignment with DCC's ways of working.

Whilst DCC's solutions comply with SEC and licence requirements, it is important to ensure that future solutions are fit for purpose, in line with expectations for CNI, in that they are scalable, portable, interoperable and do not introduce any security debt in the long term. Options were considered with all bidders and debated around cloud native security solutions compared to off the shelf commercial solutions, already field tested with similar volumes, threat models and operational resilience principles which took time and specialist resources.

Securing Value for Money

Our approach allowed the security team to:

- Identify issues early and resolving these through targeted sessions well in advance of any contract award. These were conducted over several days and required resource commitments, however by identifying and resolving issues before designs and any contracts were finalised, costly change control processes have been avoided
- Shape a solution that meets business and regulatory requirements, reducing future non-compliance related issues / penalties.
- Reduce long term support and remediation costs (security debt) by ensuring solution readiness and resilience from day one.

Other financial and non-financial benefits:

- Financial: early issue identification avoids future rework, and delays. Reduces long-term TCO due to better solution design and fit.
- Non-financial: improved compliance and security posture, enhanced stakeholder trust through due diligence.

Future Considerations

With the programme now moving to design, build and test phase, the security team will need to work even more closely with the suppliers and at pace until Q1 2026.

The initial thorough approach will establish a proactive rather than reactive security posture. It reduces technical and security debt, through robust and compliant solutions, and selection of mature partners who understand and already support the CNI sector in the UK. The selected solutions will prevent lock-in to any tools or vendors.

1.3.5. Service Delivery

Overview of variance

The Service Delivery function centrally coordinate activities across the programme ensuring DCC deliver to time, cost and quality. For the DSP Programme April '24 – March '25 activities in the plan included:

1. Providing internal DCC Governance, Reporting and Controls for the programme, from programme level to DCC Board
2. Input and delivery of External Governance and Reporting requirements with Customers, DESNZ and Ofgem
3. Coordination of two Final Business Cases (including tracking clarification points raised by DESNZ) through to non-objection
4. Coordination of the completion of ITT 1 Collaborative Solutioning, Down-Section for 4 suppliers, Contracting phase
5. Coordination of the of the issue (April 24) and completion of ITT 2 (Systems Integrator). Down-Section and contracting phase
6. Production and agreement of the Cooperation Agreement with the new service providers
7. Mobilisation planning to ready DCC for delivery
8. The production of an Integrated Plan across all service providers
9. Contract Award

The above points 1 – 9 were completed during RY24/25.

Scope of variance and key challenges

Service Delivery required 11.2 FTE in RY24/25, rising to 18 in RY25/26, and remaining at 18 FTE in RY26/27. The increase aligns with the point at which service transition activities intensify, and operational interfaces are established. The constant FTE level in later years reflects the need for robust service governance, supplier performance monitoring, and incident management capability post go-live. It also indicates strategic commitment to maintaining high service standards from the outset of delivery.

At the time of completion of our Annual Business Plan (ABP) we envisioned ramping up FTE for ongoing support from November 2024. We have been able to move this to April 2025 for onboarding, resulting in an underspend this year compared to the ABP.

All activities were completed on time until and including Down-Selection in August 2024.

Securing value for money

Board approval was sought to extend the contracting phase. It was recognised that the value and complexity of the programme (four suppliers, 10 contracts, 150 + annexes, four Master Service Agreements) necessitated a thorough and comprehensive contracting phase.

Future Considerations

Service Delivery will lead the next phase of the programme, coordinating and overseeing the Design, Build, Test and Deployment of the new DSP solution in 2028 (including DCC Connect in 2025/26) across the 4 primary Service Providers, wider Service Providers, Customers and across the DCC organisation. Service Delivery will also coordinate Migration to the new DSP solution and Decommissioning of the existing solution in 2029.

The scale of the team has increased in line with the demands of the programme plan to sufficiently meet this task. While the size of the task is larger, the size of the Service Delivery Team is comparable to the team which delivered Comms Hubs and Networks programme. Service Delivery will continue to be responsible for accurate and transparent reporting and managing the governance of the programme throughout the programme lifecycle.

1.3.6. Testing

Overview of variance

The testing team assumed responsibility for requirements definition and assurance activity of the proposed solution. They also led on the completion and sign off on all testing documentation sets for the procurement across all four lots.

Scope of variance and key challenges

Testing FTEs rise from 2.6 in RY24/25 to 11.5 in RY25/26, before tapering to 8.62 in RY26/27. This trajectory mirrors the increasing need for rigorous test planning, execution, and assurance as the DSP platform progresses from design into build and integration. The small reduction in RY26/27 reflects a shift from early phase testing to final validation and defect resolution. The FTE profile ensures that testing intensity is front-loaded where most critical, while enabling gradual handover to operations.

The testing team delivered against the following outputs.

- Requirements definition. Taking the bidders through the complexities of the DCC regulated environment with regards to testing. This involved multiple workshops, reviews, RTM evolution.
- Definition of RFP/ITT components, review of bids, moderation and downselect of bidders through each stage of the procurement process.
- Contract / SoW definition of testing and test-related requirements – workshops with supplier to co-produce the document set that would become the contract.
- FBC development support - required to support DESNZ non-objection decision undertaking external governance for questions related to testing.
- Workshops with stakeholders - preferred bidders, DESNZ, TAG - pre-mobilization working sessions to ensure cross-party team is aligned and effective from Day 1 of delivery.
- Tools selection and procurement activity - required to ensure that delivery plan can be achieved. Procurement of [REDACTED]

Securing Value for Money

The outcome for the procurement is set out in the equivalent section for commercial and regulations. Within this overarching context of value for money, DCC have placed all suppliers within its regulated testing environment for the build of the new solution.

Future Considerations

The specific testing requirements for the development of the new DSP solution is critical to reducing risk of incident and faults in the live environment. It is a rigorous, intensive regime that will ensure that the newly built solution can progress through each stage of the testing process, with errors spotted and amended before the next stage.

1.4. Drivers for Internal Cost variance – Payroll RY26/27 only

This is not applicable as there are no sub-teams with a variance in RY26/27 only.

1.5. Drivers for Internal Cost variance – Non-Resource

The DSP programme utilised a level of external resource. Two of these – DSP Commercial Partner and DSP Legal costs – are a continuation of activity from 2023-24 and reflect expenditure from the same procurement. There was also additional external spend activity through technical assurance of the evaluation and moderation of Bidder's proposals before down selection.

Variance	GL		RY24/25	RY25/26	RY26/27
DSP Commercial Partner - [REDACTED]	ES	£m	1.783	-	-
DSP Legal Advice	ES	£m	2.312	-	-
DSP - [REDACTED] Consultancy Support	ES	£m	0.222	-	-
DSP Programme Assurance	ES	£m	-	0.786	0.700
DSP Transition / Migration Costs	ES	£m	-	-	0.215

Table 4 – Material variance for non-resource internal costs

1.5.1. DSP Commercial Partner - [REDACTED]

Overview of Output

As part of the wider DSP programme, DCC sought support from a specialist sourcing advisory provider to help it design and run two go to market exercises. After a competitive procurement process, we selected out partner, [REDACTED]. We have detailed the procurement process and the rationale for activity in our response to the 2023-24 Price Control report.

[REDACTED] provided a team of resources operating within the programme and acted as an extension to the DCC Commercial team engaged on the programme. This year was a continuation of that activity, as the programme moved to Contract Award

The contractor has delivered against all their outputs, on time and to the required acceptance criteria.

Scope of variance and key challenges

The Key Outputs undertaken by the commercial support over the course of RY24/25 is set out in the table below. All outcomes were delivered to time against the respective acceptance criteria.

Deliverable	Acceptance Criteria	Initial Due Date	Completed Y / N
RFP 1 - Down Selection Report – preferred bidders	Development and approval of a report that describes the down-selection recommendations, evidence and logic for preferred bidder selections for RFP 1. The following Engagement Artefacts have been completed: • Pricing templates • Bid documentation and bid models • Data inputs to Final Business Case • Evaluator briefings • Evaluation and moderation workbooks • Down selection reports • Moderate and oversee that the bid and evaluation process has been correctly completed as set out in the	09/08/2024	Y

Deliverable	Acceptance Criteria	Initial Due Date	Completed Y / N
	Engagement Plan. Evaluate the commercial elements of bids received from service providers and provide a suitability score to compare service providers based upon published evaluation criteria		
RFP 2 - Down Selection Report - SQ	Development and approval of a report that describes the down-selection service provider recommendations, evidence and logic at the end of the SQ evaluation for RFP 2	15/04/2024	Y
RFP 2 - Down Selection Report – preferred bidders	Development and approval of a report that describes the down-selection recommendations, evidence and logic for preferred bidder selections for RFP 2. The following Engagement Artefacts have been completed: • Pricing templates • Bid documentation and bid models • Data inputs to Final Business Case • Evaluator briefings • Evaluation and moderation workbooks • Down selection reports • Moderate and oversee that the bid and evaluation process has been correctly completed as set out in the Engagement Plan. Evaluate the commercial elements of bids received from service providers and provide a suitability score to compare service providers based upon published evaluation criteria	09/08/2024	Y
Negotiation Strategy and Principles for RFP 1	Development and agreement of a negotiation strategy that will guide the negotiations undertaken by the joint DCC and Contractor team for RFP 1	10/05/2024	Y
Negotiation Strategy and Principles for RFP 2	Development and agreement of a negotiation strategy that will guide the negotiations undertaken by the joint DCC and Contractor team for RFP 2 The following Engagement Artefacts have been completed: • Negotiation strategy	09/08/2024	Y
Completed BATNA/ZOPA analysis for RFP 1	Completion of BATNA and ZOPA analysis for RFP 1 that will complement the joint DCC and Contractor negotiation strategy	10/05/2024	Y
Completed BATNA/ZOPA Assessments	Completion of BATNA and ZOPA Assessments analysis for RFP 2 that will complement the joint DCC and Contractor negotiation strategy	09/08/2024	Y

Deliverable	Acceptance Criteria	Initial Due Date	Completed Y / N
analysis for RFP 2	The following Engagement Artefacts have been completed: • Best alternative to a negotiated agreement / none of potential agreement assessments ("BATNA / ZOPA Assessments")		
Report detailing the recommendation to approve signature-ready SOWs and associated exhibits for RFP 1	Development and approval of a report summarising the culmination of the RFP 1 sourcing process and detailing the recommendation, evidence and logic to proceed to SOW and associated exhibit socialisation The following Engagement Artefacts have been completed: • Governance documents for contract sign-off. • Provide Lot specific project and commercial information to support DCC's the iteration and update of the eight (8) RFP 1 SOWs, managed by the Contractor through the DCC document review cycle • Advise service providers on the provision of commercial content to inform their populating of the SOWs Review those annexes requiring DCC Commercial SME input which are: (i) the provisions of the SOW front-ends and (ii) the following SOW Annexes: Performance Measures, Charges, DCC Responsibilities and Special Terms (Contractor SOW RFP Elements), and providing comments on service provider drafting of commercial aspects. The Engagement Artefacts exclude the legal drafting of the MSA and any SOWs. The Contractor will provide commercial content for the Contractor SOW Elements, but the legal drafting and final acceptance of the Contractor SOW Elements will be the responsibility of DCC.	13/12/2024	Y
Report detailing the recommendation to approve signature-ready SOWs and associated exhibits for RFP 2	Development and approval of a report summarising the culmination of the RFP 2 sourcing process and detailing the recommendation, evidence and logic to proceed to SOW and associated exhibit socialisation. The following Engagement Artefacts have been completed: • Governance documents for contract sign-off • Provide Lot specific project and commercial information to support the iteration and updates of the two (2) RFP 2 SOWs, managed through the DCC document review cycle • Support DCC (who will take the lead role) in the execution of the agreed Negotiation Strategy for RFP 2, for example by preparing data and providing	13/12/2024	Y

Deliverable	Acceptance Criteria	Initial Due Date	Completed Y / N
	insights as part of DCC's negotiation process with service providers - Advise service providers on the provision of commercial content to inform their populating of the SOWs - Review Contractor SOW RFP Elements and provide comments on service provider drafting of commercial aspects. The Engagement Artefacts exclude the legal drafting of the MSA and any SOWs. The Contractor will provide commercial content for the Contractor SOW Elements, but the legal drafting and final acceptance of the Contractor SOW Elements will be the responsibility of DCC		
DSP Risk Review Report	Report detailing an independent review of Comms Hub and Network Programme focussing on coherence of requirements, solution, disaggregation and commercial risk.	No later than 13/12/2024	Y

Table 5 – Commercial support key outputs

As set out in the DCC response to Ofgem's consultation on the draft determinations on the 2023-24 Price Control, DCC sought external support to undertake the DSP procurement, due to the extreme staff shortages at the point of programme commencement and given the complex nature of the type of procurement involved. Changing this resource to permanent staff midway through the procurement would have been extremely damaging to timelines and would have resulted in a loss of continuity of programme knowledge, which could have materially undermined the integrity of the procurement. For these reasons, DCC did not end the engagement with [REDACTED] at an earlier period. This is a complex procurement requiring technical and commercial specialism. Obtaining additional outside commercial expertise in this manner is consistent with normal industry practice for procurements of this scale and complexity, where such activities are beyond the 'day to day' of an organisation.

Securing Value for Money

The value for money from the procurement to secure Commercial Support is set out in the in the 2023-2024 Price Control Report. In short, the results of the competitive procurement exercise demonstrate that we achieved value for money through the advisor procurement process.

The value for money from the DSP procurement is set out earlier in this document. The savings against the OBC assumptions justify the expenditure of specialist resource to conclude the procurement, demonstrating that we were able to achieve exceptional commercial outcomes through the combined efforts of our in-house team and external advisors. Our judgement is that it would not have been possible to obtain these outcomes in the absence of this expert support.

Future Considerations

The engagement with [REDACTED] has ended now that we are no longer in the procurement phase of the programme. Much of the material produced has been repurposed and is being actively used across other DCC procurements, retaining the intellectual property and providing additional value for money.

The procurement process itself was not challenged by any of the unsuccessful bidders and was generally well received in the OPR Audit.

1.5.2. DSP – Legal advice

Overview of variance

At the onset of the procurement, the DSP programme sought external legal advice to support the re-tender of the DSP. Given the scale, complexity and importance of DSP to our network, DCC was unable to undertake this type of work in-house. Moreover, it would not represent value for money to have this latent in-house capability, as procurement of this scale and nature are by exception.

The Price Control report in 2023-24, set out the rationale for the procurement of these services. All work undertaken in 2024-25 was a continuation of that activity. It is standard industry practice to engage external lawyers for large scale procurements and commercial negotiations, to reduce risk and enhance expertise.

Scope of variance and key challenges

The Contractors carried out the following Services:

- Performed assurance and expert input on the procurement process: Reviewing procurement materials, ensuring that DCC stayed fully within its licence conditions and ran a clean, transparent, open procurement.
- Negotiation of the MSA terms: Legal lead for the negotiation of the large and complex contractual legal framework within which DCC will do business.
- Contract Production: Contractual drafting of the technical documentation set that formed the appendices for the Statements of Work. This involved co-creating c 151 appendices, with suppliers and the DCC, making them contract ready and appropriate for the delivery of services. This was a very large-scale undertaking requiring substantial legal resources.

Securing Value for Money

Legal services were provided pursuant to a Call-Off Contract under the DCC Legal Framework (which was put in place following a competitive tendering process). Having conducted these competitive processes, DCC appointed two law firms to perform these services: [REDACTED]

DCC has demonstrated that the cost for these services is in line or better than the market, specifically: [REDACTED] LLP agreed an 11% discount in comparison to the current agreed Legal Framework rates, as well as a 2% rebate for spend >£500k. [REDACTED] provided a 15% discount against the current agreed Framework rates. These Framework rates are themselves the product of previous competitive processes.

The contracts are call off agreements on a time and material basis, allowing us to only pay for what we need and cannot be delivered at lower cost and to the right quality level in-house. The benefits of using specialist legal providers to negotiate the MSA and enhance the quality of the SoWs was that it:

- Provides greater detail of the solution with less ambiguity pre-Contract Award
- Earlier identification of risks and mitigations
- Early Legal engagement reduces risk of significant rework prior to contract award
- Improved confidence in the delivery plan
- Ensuring as a disaggregated solution the E2E contracts hang together
- Reassurance to external stakeholders (DESNZ, Ofgem) that DCC is managing risk pre contract.

Future Considerations

Now the MSAs have been completed, DCC will not be required to repeat the contractual negotiations of the legal framework for 15 years (plus an additional five). This is materially different to the previous use of model service contracts, which could be renegotiated every time DCC procured new services with the supplier.

Future procurements will be done through a Statement of Work only, which will significantly reduce legal costs, procurement costs and resources, through quicker timelines to market.

1.5.3. DSP – [REDACTED] Consultancy Support

Overview of variance

The outcome of the evaluation and moderation of Stage II for the ITT for DSP Core Services would determine the technology for the most critical infrastructure within the DCC. Given the importance of the technology choice, DCC wanted to attain assurance that the procurement process has selected the preferred bidder with the best technology outcome.

To achieve this, DCC required an independent evaluation and moderation of bidder responses, conducted to the same timelines of the DCC SME's evaluation. The output would be used as an assurance exercise that will either validate the scoring undertaken by DCC SMEs or provide an alternative outcome and rationale for the DCC Executive Committee to consider.

Scope of variance and key challenges

The Contractor carried out the following Services:

Phase 1 - Evaluation of bidder responses: Provide an independent SME review of each key quality evaluation areas, in addition to this a collaborative cross functional will be provided.

Develop and maintain a CRAID log, to facilitate and moderate cross-functional review with relevant SMEs where cross-functional considerations are identified. Where multiple cross-functional reviews must be held simultaneously, members of the cross functional flex team will moderate the reviews.

Phase 2 - Reporting findings and recommendations: On conclusion of evaluation review sessions, a report was compiled, containing minutes and outcomes of each evaluation review, this ensured traceability of process. Had the Contractors recommendation or scoring been different to that of the DSP programme, the programme would have traced back through the report and evaluation minutes to review each SME's initial scoring and any risks and considerations raised in subsequent discussions.

Review the CRAID log, maintained by the Engagement Lead throughout phases 1 and 2 and a set of prioritised cross-functional risks against each bid will be articulated in the report with mitigating recommendations.

Phase 3 - Comparative review of evaluation outputs: A fully endorsed report of the Contractors evaluation process and outcome, and a fully endorsed report of findings comparing the Contractors findings and the DSP programme's evaluation of the bid responses.

Securing Value for Money

A summary of the commercial proposals received during the procurement process is outlined below.

As DCC only received one bid for this work, a benchmarking exercise has been carried out against the rates agreed under DCC Consultancy Framework with both [REDACTED]. This benchmarking exercise has been calculated using the estimated number of days proposed by the winning bidder [REDACTED] and benchmarked against the [REDACTED] DCC Consultancy Framework agreed rates and against the specific role profile proposed by [REDACTED]. This demonstrated the bid was appropriate value for money.

We consider the service provided was excellent value for money – it provided an external validation at relatively low cost for a very large and complex programme which is financially material for DCC and our customers.

Future Considerations

The independent assurance concluded in the same outcome as DCC evaluators. This result was a powerful product for validating the procurement process and providing comfort to the DCC Board and stakeholders that the preferred bidders were selected on the basis that their chosen technology outcome was the best option to deliver DSP services. Now this role is completed there is no requirement for ongoing support.

1.5.4. DSP – Programme Assurance

Overview of Variance

The variance in 2025/26 and 2026/27 reflects new and necessary costs for DSP Programme Assurance, which do not appear in the zero-cost baseline. These costs have been introduced to support the delivery of the DSP2 programme a major system and service transition critical to the continuity and evolution of the national smart metering infrastructure.

This assurance activity covers the cost of independent oversight and assurance functions, ensuring the DSP's delivery is on track, compliant, and fit for purpose. These costs are proportionate to the scale, complexity, and regulatory risk profile of the transition and are essential to managing programme-level risk and maintaining stakeholder confidence.

Scope of variance and key challenges

The scope of assurance includes:

- Independent programme reviews and delivery health checks
- Risk and issue assurance across deliverables, timelines, and cost controls
- Security, technical and delivery assurance, particularly where interfaces with critical national infrastructure are involved
- External assurance partners (where specialist skills are required) and/or allocation of internal team resources

This level of scrutiny is essential during a high-risk period involving supplier transition, system integration, and the ramp-up to full DSP2 service capability. The key challenge is managing delivery risks without compromising service continuity, while operating within tight programme timescales and regulatory expectations. We note that economic regulators are increasingly expecting internal and external assurance of programmes and projects in this manner, for example Ofwat's assurance requirements for projects in the water industry in PR24.

Securing Value for Money

DCC's approach to assurance is targeted, risk-based, and cost-controlled. Internal capabilities are used where appropriate, with external expertise deployed only where specialist independent assurance is justified. This mitigates high-impact risks early, reducing the likelihood of:

- Delivery failure or significant delays
- Rework and commercial disputes
- Non-compliance with licence or regulatory obligations

Investment in assurance at this stage avoids more substantial costs later in the programme lifecycle and ensures delivery remains auditable and defensible from a regulatory perspective.

Future Considerations

These costs are temporary and are expected to reduce significantly once the DSP2 programme concludes. From 2027/28 onwards, assurance activity will return to business-as-usual levels, focused only on ongoing performance monitoring and routine audit. Any further uplift will be subject to a risk-based assessment and governance approval.

1.6. Drivers for Internal Cost variance – Non-Resource RY26/27 only

Variance	GL		RY24/25	RY25/26	RY26/27
DSP Transition / Migration Costs	ES	£m	-	-	0.215

Table 6 – Material variance for non-resource internal costs for RY26/27 only

1.6.1. DSP Transition / Migration costs

Overview of Variance

The variance in 2026/27 reflects the one-off cost of transitioning from the incumbent DSP to the new DSP2 provider. These costs are not present in prior years, hence the comparison to a zero baseline. This activity is essential to ensure the secure, stable and coordinated migration of services without disruption to the smart metering ecosystem.

DSP transition is a core delivery obligation within the wider DSP2 programme and includes the planning and implementation of new service architecture, data migration, decommissioning of legacy systems, and dual running during cutover phases. These are not recurring operational costs, but time-bound activities required to complete the supplier change successfully.

Scope of variance and key challenges

The scope of transition and migration activity includes:

- Detailed planning of transition strategy and migration pathways
- Service continuity and fallback planning
- Testing and integration of new systems and interfaces
- Execution of cutover, including data migration and user coordination
- Dual running of old and new platforms to ensure seamless changeover
- Knowledge transfer and decommissioning of legacy DSP systems

The primary challenge is managing this transition without service disruption to DCC users or compromising national infrastructure operations. Complexity is driven by multiple technical dependencies, data integrity requirements, and regulatory oversight expectations. This is a high-risk delivery period requiring close coordination and resource mobilisation.

Securing Value for Money

These costs are governed under DCC's programme delivery controls and commercial assurance processes. Activities are competitively procured or internally delivered wherever feasible, and subject to integrated cost and schedule governance. Transition and migration investments protect against far greater costs that could arise from:

- Service outages or instability
- Non-compliance with licence obligations
- Delayed benefits realisation from the new DSP2 contract

Spending at this point ensures controlled delivery, avoids rework, and enables a smooth cutover to a future-proofed DSP environment.

Future Considerations

These costs are time-bound and non-recurring. No DSP transition costs are expected beyond 26/27. Once the new provider is fully operational and the migration is complete, associated costs will cease. Post-transition service costs will fall under business-as-usual operations, with no ongoing uplift anticipated.

1.7. Drivers for External Cost – DSP Re-Procurement

Drivers for Change

The Data Service Provider is fundamentally the ‘brain’ of the DCC network, enabling and managing secure message flow between DCC customers and installed smart meter devices. The existing DSP service contract was awarded to [REDACTED] by the Department (then DECC) in September 2013 and expired in October 2024. An extension is in place to October 2026 with an option for two further 1-year extensions to October 2028.

In parallel, DCC needed to secure operation of the service beyond 2025 to meet the needs of our customers and enable DCC’s strategic vision. Requirements for the future DSP include:

- Meet agreed customer needs including improved performance and reduced service outages
- Enable DCC’s strategy for increased flexibility, reduced cost, and service innovation
- Maintain continuity of service and minimise transition risk
- Meet mandatory Licence and SEC compliance criteria

Scope of Change

Five options for the future DSP service were identified in the Strategic Outline Case (SOC) submitted to the department in May 2022, as outlined below:

1. Continue current DSP service with as-is architecture, operated by [REDACTED]
2. Continue current DSP service with limited, specific changes, operated by [REDACTED]
3. Phased transformation from current DSP to target DSP architecture, delivered by [REDACTED]
4. Competitive procurement and development to target DSP architecture, maximising re-use of code
5. Competitive procurement and development of a new DSP to target architecture with no re-use

Options 3, 4, and 5 each enabled a transition to a new DSP target architecture which would modernise the DSP infrastructure, remove the current single service provider monopoly and introduce competitive in-life change, and enable performance, flexibility, and cost benefits. Option 3 was based on a direct negotiation approach with [REDACTED] to deliver the transformation stage. However, Ofgem wrote to the DCC in April 2023 with a view that Option 3 would be non-compliant with its Licence conditions. Options 4 and 5 were based on a competitive procurement and Option 4 became the preferred option as it had the lower NPV.

DCC launched the Procurement process of a new DSP solution October 23, running a full competitive procurement process, BAFO’s were submitted in July 24, preferred bidders were down selected in August 24 and approved by the Board in October 24. Negotiations with our preferred bidders have now concluded ahead of Contract Award with the final position as follows:

- Lot 1 (Core DSP) [REDACTED] - DBTM (SoW 1) plus 8 years run (SoWs 2-6), [REDACTED]
- Lot 2 (DUIS) [REDACTED] - DBT + plus 8 years run, [REDACTED]
- Lot 3 (Networks) [REDACTED] - DBT + plus 8 years run, [REDACTED]
- Lot 4 (DSP Systems Integrator) [REDACTED] - DBTM (Sow1) plus 8 years run, [REDACTED]

Securing Value for Money

The FBC shows very strong commercial and economic outcomes compared to the OBC. These results justify the internal and external resources committed to the programme during the procurement phase. These are set out in detail in Section 1.2 and summarised here.

Economic outcome: Total NPC is [REDACTED] better than the recommended OBC option over the lifetime of the contract. Please note that the economic case includes quantified risk, sensitivity analysis and optimism biases treatment as per the Green Book Treasury framework.

Commercial outcome: (please note that the following information is commercially sensitive) The FBC costs for ITT1 are [REDACTED]. This is 49% inside the OBC envelope of [REDACTED]. FBC costs for ITT2 are [REDACTED], 78% inside the OBC envelope of [REDACTED] (OBC 2022 envelopes restated to 2024 prices, excluding inflation, with market risk adjustment). This is an excellent commercial result demonstrates that future DSP services have been competitively procured and achieved value for money from the open market.

The new contract is giving us substantial service, operational and cost benefits

- Modern technology
- Operational and cost transparency
- Improved Service availability
- Managing customer impacts more effectively
- Deliver future change more effectively
- A disaggregated solution that can be competed in-life to the market
- [REDACTED] lower Run cost per year than the existing DSP solution.
- Fixed price for defined scope
- Much better T&Cs (IPR, exit, change, value for money drivers etc.)

Future Considerations

DCC are set to embark on a DBT and Migration programme for approximately three years, before eight years of run. The diagram below sets out the high-level plan for the DBT period.

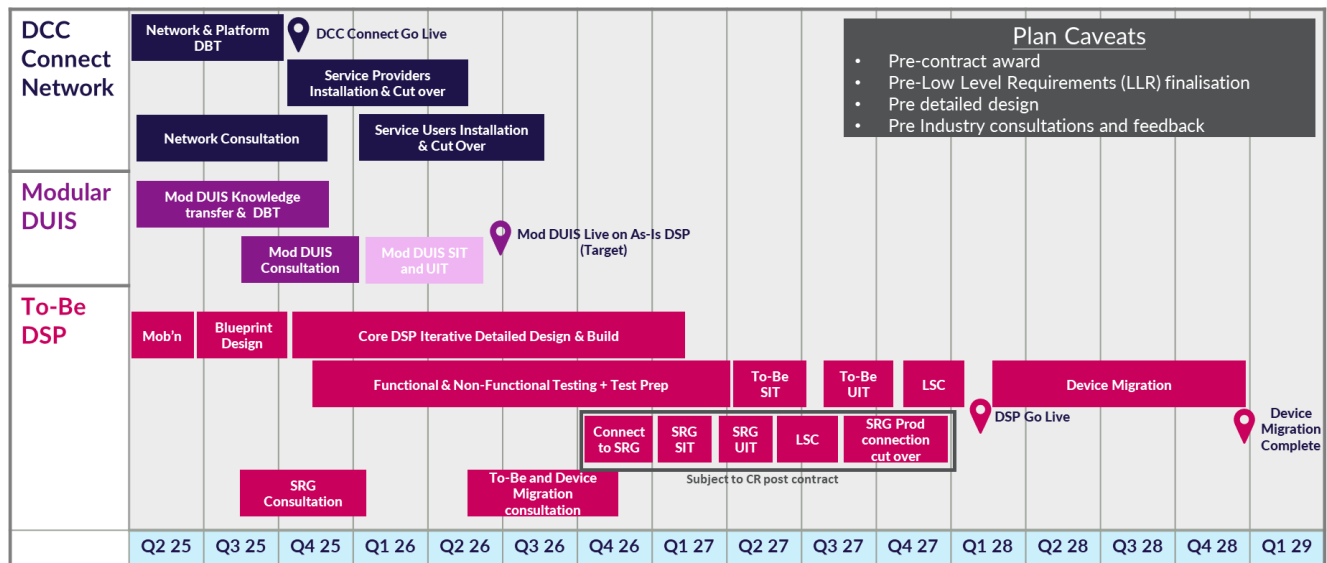


Figure 3. DBT high-level plan



DCC Price Control RY24/25 – Public Key Infrastructure - Enduring

Version: 1.0
Date: 31.07.2025

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1. Public Key Infrastructure - Enduring (PKI-E)

Summary

What is this and why is it important?

The PKI-E programme was created to competitively re-procure the system which protects the cyber security of DCC's smart metering services, known as the Trusted Service Provider (TSP). The TSP is fundamental service that maintains and generates key certificates. The PKI-E programme is essential to secure communication between devices, reducing the risk of security attacks.

As part of our ongoing obligations, DCC re-tendered the whole platform contract during RY24/25. In addition to maintaining a reliable and stable service for our customers, the new solution will improve value for money, by increasing portability, reducing complexity, allowing for PKI consolidation, and addressing technology obsolescence risk.

RY24/25 activities and costs

In RY24/25, we incurred £3.7m on the PKI-E programme, £0.6m above the regulatory baseline, and £0.2m below the cost forecast in our RY23/24 submission. The regulatory baseline included a zero allowance for payroll costs in RY24/25, with the £0.8m incurred payroll costs therefore driving the variance.

During the year, we completed the tendering process (through a full RFP), negotiation, contract and legal aspects of the procurement, driven by our project management specialists in Service Delivery. Following this, we began the architecture and design phase for the new platform and the project moved into a full delivery phase. The last two months of the year were focused on finalising an updated plan and completing the high-level design.

The OBC and FBC require a fair competitive procurement, with the current contract continuing until March 2026. In RY24/25, DCC also therefore negotiated a specific contract extension.

Future activities and costs

RY25/26 will see the main Design, Build, Test phase for the new platform with targeted 'go-live' in March 2026. As such, costs are forecast to increase from £3.7m in RY24/25 to £4.7m in RY25/26 before falling back to £0.1m in RY26/27.

DBT activities in RY25/26 include completing design, test environments, testing, migration plans, performing all security architecture, review and assurance activities, and stakeholder engagement. Forecast costs reflect the ongoing engagement of internal resources in particular from Service Delivery, Security and Testing.

In RY26/27 the new platform will move to an ongoing operational support phase with internal payroll costs reducing significantly with remaining programme activities mostly be focused on securely decommissioning the old platform.

1.1. RY24/25 Cost Variances Overview

1.1.1. Internal Costs

This section sets out the baseline costs (as determined by Ofgem in previous years' submissions), incurred costs and forecast costs and highlights any material variances to the baseline. In the following sections, we explain the programme purpose and our resource and non-resource costs.

The table below provides a breakdown of incurred and forecast costs in price control format i.e., mapping costs directly against the price control (GLs). Internal Costs for this programme are aggregated under Network Evolution in the Main RIGs. Network Evolution includes our DSP, CH&N, FSM, PKI-E and TAF programmes.

Programme Variance by GL

Baseline			RY24/25	RY25/26	RY26/27
Total PKI E		£m	3.139	3.341	-
Payroll costs	PR	£m	-	-	-
External services	ES	£m	3.139	3.341	-
Incurred			RY24/25	RY25/26	RY26/27
Total PKI E		£m	3.690	4.671	2.968
Payroll costs	PR	£m	0.842	1.436	0.043
External services	ES	£m	2.848	3.235	2.925
Variance			RY24/25	RY25/26	RY26/27
Total PKI E		£m	0.550	1.330	0.043
Payroll costs	PR	£m	0.842	1.436	0.043
External services	ES	£m	-0.291	-0.106	-

Table 1 – Variances by GL

1.1.2. External Costs

We have one Fundamental Service Provider (FSP) dedicated to our programme, [REDACTED] has the role of Trusted Service Provider (TSP) for PKI-E. Annex 3ab of the RIGs sets out the new Design, Build and Test contract.

1.2. Purpose, Scope, and Structure

1.2.1. Purpose and scope

The PKI-E Services Programme was established to conduct a full competitive re-procurement of the TSP, and to assess opportunities to consolidate other PKI applications within DCC's estate.

The current contract with [REDACTED] for the SMKI (Smart Metering Key Infrastructure) and IKI (Infrastructure Key Infrastructure) services, also known as TSP, expired in March 2025, and an extension has been secured to allow for the improved platform to be built. The extension has been part of the plan since the OBC stage to allow for a fair and competitive procurement.

SMKI is used for securing all messages sent between DCC users and smart metering devices installed at consumer premises. IKI is used to authenticate and sign service users but also smart meters firmware versions to avoid installation of unverified or untested software and used for securing interfaces to SMKI (including the SMKI Portal and the SMKI Web service).

Both services contracts must be maintained in order to meet our licence requirements. Through completing the programme, we will continue to be able to provide a reliable and stable service for our customers and meet our licence obligations.

The Strategic Outline Case (SOC) was submitted to DESNZ on 30 May 2023, and following discussions with DCC, DESNZ responded on 26 June 2023 stating that they were content for DCC to progress to the Outline Business Case (OBC) stage. Proposals from suppliers have been evaluated in 2024 following an RFP process and a Full Business Case (FBC) was submitted at the end of the same year and obtained a non-objection letter in January 2025.

The incumbent was selected as the best bidder and a contract has been signed in March 2025. At the time of writing the project is reviewing all relevant Joint Industry Plan (JIP) milestones with DESNZ and will be update them as per the revised plan.

Following workshops with key DCC stakeholders where a range of options were assessed, DCC opted for a tailored approach that safeguarded existing investments while providing a more future looking portable and flexible platform.

Investments were safeguarded by maintaining the existing Hardware Security Model (HSM) estate, while flexibility and portability of the platform has been implemented by moving computing and front end (the part the users connect to such as the SMKI portal) to a public cloud provider.

The platform maintains the high level of resilience by expanding geographic resilience into cloud with a multi-region approach.

Key planned events and objectives driving future activity and costs

As illustrated in the FBC, the new PKI-E platform is a hybrid platform that leverage public cloud capabilities. The main enhancement is on platform portability which will reduce costs in case DCC elect to switch supplier in the future but also to disaggregate some of the costs.

The new framework allows for a much simpler integration of additional services at a much faster pace; this will provide greater visibility and reduce implementation costs.

In RY24/25 the PKI-E programme will evaluate possible change requests to add/host additional services in TSP. One service that is forecasted for being hosted as a new Certification Authority (pending impact assessment and contractual negotiations) is the VWKI (VWAN certification authority).

The main programme will complete in RY25/26 with residual and decommissioning activities in early RY26/27. It is expected that the programme will close in early RY26/27 or be focused on delivering new capabilities still be negotiated at the time of writing.

Programme Structure

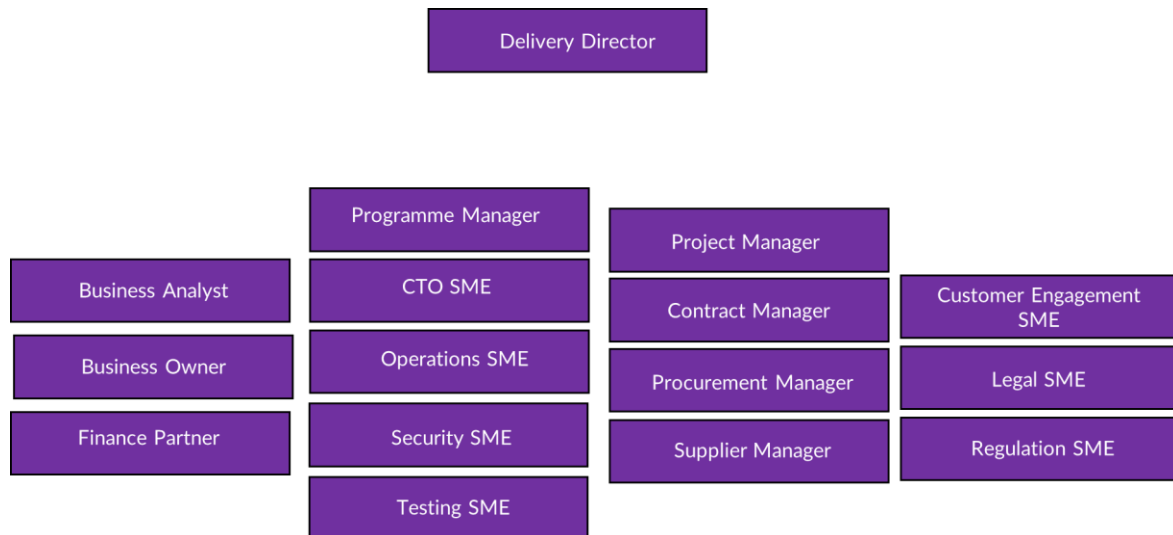


Figure 1 – Programme organisational structure

RY23/24 Sub-teams	RY24/25 Sub-teams	Description
Commercial (Commercial & Regulation)	Commercial and Regulation	- Plays a key role in cost management throughout the procurement process. This includes analysing pricing structures, identifying cost- saving opportunities, and ensuring that procurement activities are conducted within budgetary constraints. - Ensures that PKI-E programme is delivering in line with DCC License Conditions and the SEC. This includes the development of consultations on delivery plans under LC13B. Helps to identify any changes required to the SEC and ensures that any proposed changes are understood and supported by our customers, DESNZ and Ofgem as applicable.
Architecture (Design and Assurance)	Design and Assurance	- Provides expertise on technical direction and definition of the overall PKI technical solution, platform, and methodologies adopted. This is done to improve DCC's capabilities for delivering efficient and value for money services and to facilitate the move to a desired, strategic future landscape. - Will assure the integrity of the DCC solution architecture, including assurance that any new functionality and changes to the architecture are fully comply with the standards necessary to maintain a robust, consistent, and integrated technical infrastructure that are fit for purpose.
Finance	Finance	- Budgets, forecasts, and tracks actual spend, as well as supports on business cases. - Review legal aspects, such as intellectual property rights, data, and security. Evaluation of bids, in particular bidders' markup of contractual documents e.g. the term sheet, and subsequently full contract. Upon selection of preferred bidder, lead the contract negotiation.
Operations	Operations	- Ensures that processes required to support the future DCC service and technical landscape are coherent, efficient, and properly defined to meet the needs of in-life operations, including SLAs. This includes the processes that customers will need to use to access and operate DCC service, support wrapper agreed with all parties and implemented. - Ensure transition plan has been created and approved and in line with security and regulatory requirements and operational standards.

		All acceptance criteria and deliverables are met and evidenced prior to go/no go decision, including all defects agreed, reviewed, and accepted by DCC operations.
Security	Security	- Makes sure that any controls protecting the data or process changes are compliant with all security protocols and tested appropriately. - Owns the relationships with the National Cyber Security Centre (NCSC) and the SEC Security Sub-Committee.
Service Delivery	Service Delivery	- Ensures that programme is delivering in line with DCC Licence Conditions, and proposed changes are understood and supported by DESNZ and Ofgem as applicable. - Engages and consults with DESNZ, customers, and industry to understand existing problems and future needs and ensure that DCC proposals are understood and supported. The Regulatory Affairs team supports the Programme to deliver this DESNZ, customer, industry, and SECAS engagement.
Testing	Testing	Ensures that testing methodologies and tools in the future DCC landscape are fit for purpose and utilise best practice.

Table 2 – PKI-E sub-team roles

1.3. Drivers for Variance – Resource

Programme Variance by Sub-Team

The table below shows the payroll variance by sub-team within the PKI-E cost centre.

Baseline			RY24/25	RY25/26	RY26/27
PKI E Payroll Costs		£m	-	-	-
Commercial and Regulation		£m	-	-	-
Design and Assurance		£m	-	-	-
Finance		£m	-	-	-
Operations		£m	-	-	-
Security		£m	-	-	-
Service Delivery		£m	-	-	-
Testing		£m	-	-	-
Incurred			RY24/25	RY25/26	RY26/27
PKI E Payroll Costs		£m	0.842	1.436	0.043
Commercial and Regulation		£m	0.081	0.062	-
Design and Assurance		£m	0.153	0.147	-
Operations		£m	0.059	0.070	-
Security		£m	0.241	0.449	0.022
Service Delivery		£m	0.256	0.498	0.021
Testing		£m	0.051	0.210	-
Variance			RY24/25	RY25/26	RY26/27
PKI E Payroll Costs		£m	0.842	1.436	0.043
Commercial and Regulation		£m	0.081	0.062	-
Design and Assurance		£m	0.153	0.147	-

Operations	£m	0.059	0.070	-
Security	£m	0.241	0.449	0.022
Service Delivery	£m	0.256	0.498	0.021
Testing	£m	0.051	0.210	-

Table 3 – Variances by sub-team

1.3.1. Design and assurance

Overview of variance

The CTO architecture team performs several roles in the PKI-E project delivery:

- Architecture lead. Overall DCC design ownership and assurance. Although the high-level design (HLD) and low-level designs (LLD) are delivered by the supplier, DCC own the overall architecture strategy and coordinate the various parts of the design process. Some of the elements (i.e. network connectivity or testing) are implemented by different 3rd parties.
- Network architecture. Integration and connectivity into the current DCC estate requires changes and the implementation of new solutions. DCC owns the overall architecture and decision process of these solutions.
- Business Analysis. Provides alignment between technical and business requirements in particular for the RFP phase that was run in RY24/25.

Our baseline for each reporting year was set to zero, therefore our full team costs show as a variance.

Scope of variance and key challenges

Architecture, business analysis and engineering resources have been heavily involved in the RFP evaluation process which took place in 2024. In total, 1.4 FTE have contributed to the delivery of the full business case and the negotiation process with the preferred supplier during the RY24/25.

Although the formal contract has been signed at the very end of the RY24/25 financial year, in order to meet the expected go-live milestone of March 2026 DCC has engaged in an early design phase. This has allowed DCC to meet the design milestone of end of March 2025 and has required a heavy involvement from the DCC architecture and design team to coordinate and review the HLD and LLD documentation.

Securing value for money

Design and assurance internal resources provide architecture guidance and oversight; these activities align designs with internal requirements and processes. They also ensure that the overall solution is consistent with the overall DCC Strategy and with other capabilities.

For instance, they are responsible for interface specifications toward other systems, or for the overall oversight of network interconnection with the Total System.

Future considerations

The new platform is being designed to be portable and to host additional capabilities, in the near future another two Certification Authorities are scheduled to be added and will use the same framework.

1.3.2. Security

Overview of variance

Security team acts also as the Exco Sponsor (namely the company CISO) and the programme owner. Security is accountable for the whole programme of work and for the 'standard' security activities in the programme itself.

Security has provided several roles to the PKI-E programme:

- **ExCo Sponsor.** The sponsor is the Exco level accountable person and the most senior businessperson in the programme. Acted as a point of contact with the Board but also as an escalation point during contract negotiations.
- **Business Owner / SRO - Senior Responsible Owner.** The business accountable person on the programme, to ensure work is delivered on time and on budget.
- **Governance representatives.** Security provides resources at the programme/project governance level in forums such as PGBs.
- **Security architects.** They provided pre-contract and negotiation security support to align legal and security framework, they also provide security inputs during the implementation phase. Security architects also liaise with major security stakeholders outside DCC to align expectations and risks to the governing bodies.
- **Security Assurance.** They assure the implementation of the project align with the framework and security risk posture agreed by security architects and governing bodies
- **Security BCDR.** Business Continuity and Disaster Recovery provide oversight in the contract phase and during the implementation phase to ensure the platform conform with DCC expected availability SLAs.

Our baseline for each reporting year was set to zero, therefore our full team costs show as a variance.

Scope of variance and key challenges

During FY24/25, 2.1 FTEs supported the programme. Security provided advice into the extension of the existing SMKI contract and new PKI-E DBT contract have been negotiated, the incumbent and preferred supplier requested several changes to the security framework.

In addition, from November to March, several resources covered the definition and implementation of:

- Full Business Case and consequent DCC board papers and meetings
- Contract extension
- New contract MSA
- New contract SOW

In February 2025 Security supported the design phase of the project to ensure it could meet the planned March 2026 go-live date. This led to the in-project engagement of security architects and assurance to contribute and review in the design phase.

In FY25/26 the programme moves to the DBT phase, the overall programme SRO, Security Architecture, Security Assurance and Business Continuity are covered by Security. Security also provides strategic alignment with other platforms. The TSP platform is considered one of the most important systems (i.e. a SEC live system) and is subject to governance from multiple SEC bodies, Security need to update and inform bodies such as SSC and PMA. Security also coordinates and evaluate security testing, CIO reports and final security approval for go-live. Security act as the interface to the tScheme accreditation with recertification of the existing platform and gap analysis for the future platform performed in RY25/26. We forecast 4.22 Security FTEs will be needed to support through to the planned go-live.

Securing value for money

Security provides SEC Section G and Section F mandated activities via internal resources, only security testing and CIO (as per SEC) are outsourced. Internal resources interfaces with the programme and the security governance bodies to proactively align the design and build phases with DCC compliance obligations and to actively identify and suggest mitigation for security risks.

Future considerations

In RY26/27 security activities will move to ongoing in-life assurance and tScheme will focus on the platform changes. We forecast 0.3 FTE of resources to support the transition and decommissioning of the old platform.

1.3.3. Service Delivery

Overview of variance

For RY24/25 the variance is mainly due to internal costs incurred during a resource-intensive period in the last part of the year, during which DCC was simultaneously negotiating two contracts and initiating the design phase. In RY25/26, DCC will be supporting the DBT phase of the new platform.

Our baseline for each reporting year was set to zero, therefore our full team costs show as a variance.

Scope of variance and key challenges

In RY24/25, we had 1.9 FTEs coordinating across the finalisation of the business case, contract negotiations, managing internal and external meetings, internal governance and also the commencement of the design phase from February 2025.

In RY25/26, we forecast our resource requirements to increase to 4 FTEs across the DBT phase. Service Delivery is responsible for managing the various workstreams within DCC and with our supplier, ensuring all requirements are met before the programme progresses through to the next phase. This team is also responsible for all stakeholder planning and engagement, particularly where solutions need to be taken through SEC committees. The team is also responsible for managing our internal governance and any requests for DESNZ.

Securing Value for Money

The new PKI-E contract follows the Green Book approach, most of the variance is due to internal costs that were required in the negotiations.

In alignment with the OBC, DCC ran an RFP and further negotiation phases with the purpose of completing the contract phase and kick off the new project in FY24/25.

- The initial plan has been broadly followed, however two major issues emerged during the year:
- The existing contract had to be renewed; this activity was part of the initial plan because a 'gap' year was scheduled in the plan to allow fair competition at the RFP phase. However, the incumbent supplier asked for several changes in the contract that drove a separate negotiation phase that lasted for about two months and caused delays to the main contract negotiation schedule.
- Some delays were experienced in the FBC and legal negotiation phase. Most delays were due to negotiations on specific security aspects that DCC have to comply with. Such delays were at some point exacerbated by the overlap of the contract extension.

To be able to maintain the original implementation plan DCC elected to add additional resources to the project, in particular to close the extension and new contract negotiations with the supplier. The overall programme has been reviewed at the different business cases milestones with the FBC obtaining a non-objection in January 2025.

By the end of the year DCC completed:

- Contract extension to guarantee the continuity of the existing service while the new project rolls out
- Contract negotiated and signed by March 2025. This required not only the contract negotiation itself but also the creation of the Full Business Case and approval of the DCC Board.
- The kick off for the new design phase which was anticipated to align with the project plan and maintain the agreed JIP milestones.

While these activities were taking place the incumbent supplier had to make some changes to the existing platform that required DCC support. In particular in delivering support to move part of the platform to a different location. While this sort of activities are 'standard' occurrences they generate additional costs, in particular on the security team that has to support and witness some of the onsite activities.

Future Considerations

The main programme will complete in RY25/26 with residual and decommissioning activities in early RY26/27. It is expected that the programme will close in early RY26/27 or be focused on delivering new capabilities still be negotiated at the time of writing.

1.3.4. Testing

Overview of variance

Our RY25/26 requirements for our Testing team increase as the programme moves into the DBT phase. In RY24/25, our test assurance resource provided testing SME input in support of the business case and pre-contract signature activities.

Our baseline for each reporting year was set to zero, therefore our full team costs show as a variance.

Scope of variance and key challenges

In RY25/26, we forecast 2.77 FTEs to support across DBT phase, where test assurance activities ramp up to support definition and agreement of mandated testing artefacts. This includes:

- defining the test approach and scope of testing to be conducted by the Service Providers (i.e. [REDACTED] and any connected systems)
- ensuring that the plans for each align with the scope and approach
- assuring test preparation and execution
- defining SEC changes for testing
- consulting with DESNZ and industry on changes to regulatory requirements
- obtaining approval from industry on the approach and scope of testing through engagement with the SEC Test Advisory Group
- evidencing test execution, supporting testing issue resolution
- managing changes to testing scope and approach
- preparing and presenting to industry for approval test results and completion reports.

Securing value for money

Test Assurance is integral to the delivery of the DBT. Working closely with Service Delivery, our team ensure that the supplier delivers a solution that meets our requirements. We allocate our members from testing SMEs pool to the programme only when required during the project lifecycle.

Future considerations

The main programme will complete in RY25/26 with residual and decommissioning activities in early RY26/27. It is expected that the programme will close in early RY26/27 or be focused on delivering new capabilities still be negotiated at the time of writing.

1.4. Drivers of Internal Cost Variance – Payroll RY26/27 only

Not applicable for this chapter.

1.5. Drivers for Internal Cost Variance – Non-Resource

There are no non-resource variances greater than £150k for the PKI-E programme.

We note that we signed an extension for our existing SMKI contract and have set out this information below.

1.5.1. CR5603 (PKI-E) - Contract Extension

Drivers for Change

The existing contract for Smart Meter Key Infrastructure (SMKI) and Infrastructure Key Infrastructure (IKI) services expired at the end of March 2025, currently managed by (the Trusted Service Provider).

As the PKI underpins the security of the Smart Metering system it was imperative that the current contract was extended to ensure service continuity and safeguard the platform post the 12-month extension period, which ends 31st March 2026. A 6-month contract extension was negotiated beyond this date as a safeguard should there be any delay to the implementation of the new PKI Enduring solution. Without this safeguard there is a risk to the security of the service. Accordingly, we have not forecast costs for RY26/27 due to the uncertainty.

DCC consulted with Ofgem and DESNZ in November 2024 regarding the approach to extending the current contract.

Scope of the Change

- Extend the Term of the Agreement for a “Transition Extension Period” from 1 April 2025 to 31 March 2026;
- Provide for an Additional Optional Extension period of up to six (6) months after the Transition Extension Period in case the New Solution has not gone live on or before the final date of the Transition Extension Period;
- Update specific security obligations including a number of the observations made in the CIO Assurance Report dated 31 January 2025;
- Provide for the decommissioning of the current SMKI platform and all associated assets subsequent to the ‘go live’ of the new solution; and
- Document the agreement between the Parties in regard to the unsupported HP Platform pending BT’s transfer of the platform to Rack Space.

Securing Value for Money

In the negotiations for the Additional Optional Extension (AOE), it was agreed that DCC would pay an uplifted additional monthly charge to to cover the increased costs of the services that Digicert provide on behalf of in respect of the device certificates (i.e., £13,200 per month uplift during the Additional Optional Extension Period). This is due to the terms agreed between Digicert and under which Digicert agrees to extend their contract with for any period after the 12-month extension, i.e. if DCC needs to use the new six-month safeguard. This approach mitigates risk to the service and ensure continuity in the event of delays or during the transitional period.

Specifically, DCC has gained certainty on pricing for the six-month Additional Optional Extension period if that option needs to be exercised due to delay in delivery of the replacement solution. This represents risk mitigation versus the current contract terms because under the existing contract, DCC would only be left with the option of invoking the Termination Assistance Period (“TAP”) once 31 March 2026 is reached and running the Services under TAP would be on a T&M basis, which would be an additional c£0.5m of costs on top of the monthly operational charge.

DCC scrutinised the scope of the decommissioning element of this change to understand the charges and realised that there were many assets that are still to be utilised in the new PKI enduring solution, DCC negotiated the initial charge for this down by £130,000.

Table 5 – Initial vs Final Price

Future Considerations

Many of the existing assets will be utilised in the new solution and will not need to be decommissioned until six years into the operation of the new PKI solution. This contributes to DCC’s strategic objective of being a responsible and efficient business.

Linked CRs & PRs

None applicable.

1.6. Drivers of Internal Cost variance – Non-resource RY26/27 only

Not applicable for this chapter.

1.7. External Costs

There are no material CRs and PRs that incurred costs of more than £1m in RY24/25.

We have signed the new contract for the PKI-E Design, Build and Test phase, and we summarise the contract approach and value in the following section.

1.7.1. SMKI / PKI-E DBT (PKI-E) – New Contract

Drivers for Change

PKI comprises of a set of roles, policies, hardware software and procedures used to facilitate the secure electronic transfer of information between parties, be they devices, organisations or individuals. This is typically done through issue of digital certificates, by a trusted 3rd party organisation (a “**Certificate Authority**” or “**CA**”), to those parties so they can prove their identity (authentication) to other parties and validate the others identify and the integrity of the messages received from them.

The essential objectives for the programme were to implement a service that:

- 1. Completes its service transition before the legacy contract lapsed (31 March 2025, or 31 March 2026 if the optional extension period was utilised), ensuring there is a seamless transition to live operations without impacting service users.
- 2. Allows DCC to continue operating without a degradation in service quality and whilst delivering to mandatory regulatory requirements,
- 3. Offers re-usability to comply with DCC licence conditions and provide DCC with options for improving service longevity.

Scope of Change

The scope of the project was to re-procure the aforementioned contract that was due to expire in 2025. Due to both the anticipated contract value and FSC classification, the project was subject to the HM Treasury Green Book Business Case process.

The preferred option set out in the Outline Business Case (“**OBC**”) was to conduct an open competitive procurement to implement a signing service arrangement by 31 March 2026, securing the SMKI and IKI certificate authority services, the associated portal and workflows and the retention of any customisable elements for portability purposes. This option was supported by DCC Customers, who were engaged via the SEC Sub-Committees and SEC Panel, and the market who were engaged via a Request for Information.

DCC published the RFP opportunity on the website under the Work with Us section to generate further interest in the market, offering the services to the market as a single lot and for a term of circa 11-years, with three, six-month optional extension periods, and break points starting from 8.5 years. The long-term nature of the contract was influenced by various factors, most notably that changing a PKI solution increases the cost to industry due to the requirement for Service Users to manage multiple organisational certificates and undertake extensive governance. Furthermore, moving HSMs is a security sensitive operation which introduces risk. It is therefore beneficial to limit the frequency of changes were possible. Including break points at the latter end of the contract would provide DCC with sufficient flexibility to assess performance and make a strategic assessment of whether upgrading the incumbent solution is likely to deliver better value than re-procuring the solution. These break points were strategically placed in the early 2030s as this is the point at which the impacts of quantum computing are estimated to be felt by NCSC, which is the main external threat to PKI.

A total of four proposals were received for this procurement. Following evaluation and moderation, the two highest scoring bidders (■■■ and Accenture) were selected to proceed to stage 2 of the process.

In June 2024, Accenture and ■■■ were presented with both Technical and Commercial feedback, along with the MSA and SOW¹ with the objective to refine and resubmit proposals based on this feedback. DCC undertook the initial commercial negotiations with both bidders, targeting key points of their MSA and SOW submissions to a) ensure compatibility, and b) to validate assumptions. These took place over a series of negotiation sessions where feedback on key material positions was provided and discussed. Bidders were also asked to revise their pricing based on targeted feedback. Updated proposals were received in September 2024, and following evaluation and moderation, ■■■ were selected as the preferred bidder, ranked first on both Quality and Commercial scoring.

Following this, parallel activities were undertaken to:

- Negotiate a new contract with ■■■ that offered value for money and was capable of signature.
- Negotiate a one-year extension to the exiting ■■■ contract, inclusive of an optional six-month extension period to be used as mitigation for any potential delays to the development phase.
- Draft and obtain draft and non-objection to the Full Business Case (“FBC”) from the Department of Energy, Security and Net Zero (“DESNZ”)

DESNZ provided non-objection to the FBC on 31 January 2025, and contract signature followed on 28 March 2025.

¹ Master Services Agreement and Statement of Work

Securing Value for Money

Value for money was a key consideration when designing the procurement:

- The lotting structure (single lot) was considered most attractive to the market, aligning with their skills and capabilities, and resulting in cost efficiencies due to limited operational handoffs and streamlined management costs.
- The long-term contract term was anticipated to result in a lower Total Cost of Ownership (TCO) as it minimises the number of transitions to new solutions, which mitigates significant cost and operational risk for industry.
- The procurement process was designed to ensure that competitive tension was maintained via the inclusion of a refinement stage which included multiple bidders, prior to selection of a preferred bidder.

The following outcome achieved for this procurement demonstrates value for money:

- BT's solution meets all DCC's requirements and is a more modern architecture than the current solution, enhancing DCC's ability to port the solution.
- BT's have historically delivered a high-quality service and solution to DCC which provides confidence in their ability to continue this under the new contract and minimises any transition risk.
- Cost avoidance of £1.1m, achieved via negotiation of BT's initial proposal. This has been driven by the competitive procurement process.
- Cost saving for the operational charges of £2.3m over the Absolute term (initial term plus optional extensions).
- 11% increase in device certificate capacity and price protection to expand above the committed baseline (72m vs 80m). DCC will benefit fixed pricing on certificate license for the Absolute term, achieving a cost benefit of £552k over the lifecycle of the contract.
- Estimated future technical refresh charges are included (which have been scrutinised by DCC SMEs) and pass-through of hosting charges where ■■■ makes no profit margin. The expected discount rate for Microsoft Azure related products is 62% off-list and 10% for the non-reserved instances (and as expected by DCC Commercial).
- Contracted under DCC's new MSA which contains streamlined processes which should provide administrative efficiencies and includes enhanced positions compared to BTs existing agreement for important terms and conditions such as Limits of Liability, Value for Money and Performance Management.

The table below sets out the total charges for the Agreement.

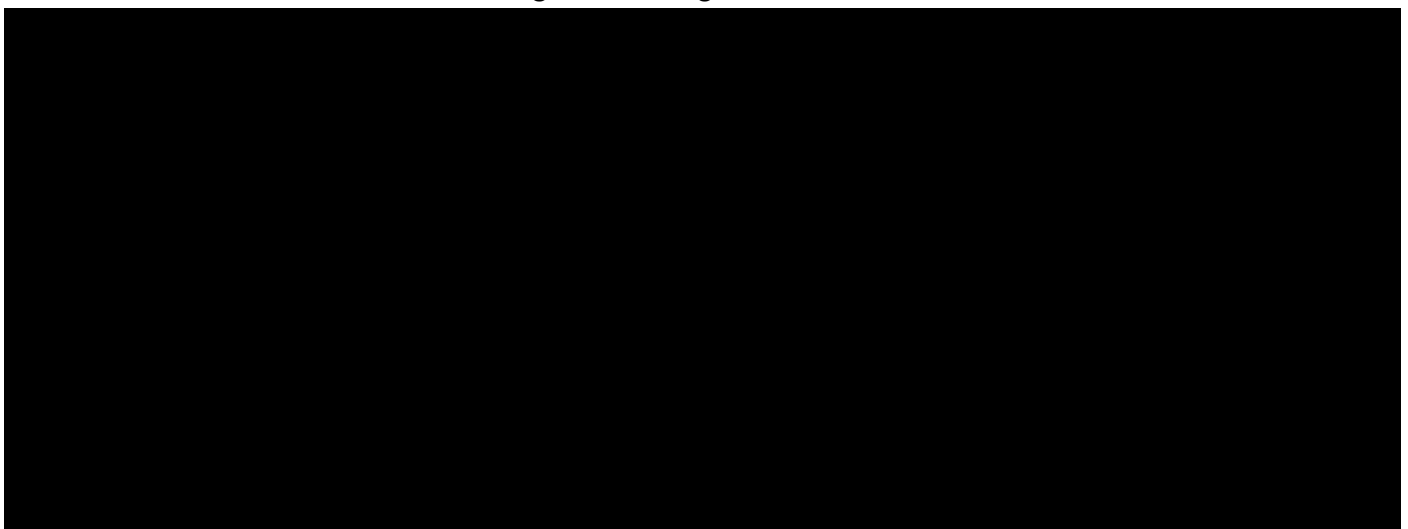


Table 6 – Total agreements charges

Future Considerations

As set out in the value for money section above, DCC has secured favourable commercial terms for this deal, including capacity that is unlikely to be breached based on current forecasts. Fixed price expansion packs for certificates are included in the Agreement in the unlikely event that additional capacity is required.

The contract term has been designed strategically to align with the roadmap for PKI, which includes the potential impact of quantum computing in the early 2030s, and when the new root keys will need to be generated for the solution (2036).



DCC Price Control RY24/25 – Virtual Wide Area Network (vWAN)

Version: 1.0
Date: 31.07.2025

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1. Virtual Wide Area Network (vWAN)

Summary

What is this and why is it important?

There are around 328,000 premises which fall outside of the cellular/radio coverage that the DCC licence requires us to provide. This would prevent a Smart Metering System from being able to communicate via the DCC network, with customers unable to gain the benefits of smart metering. These are known as “No WAN premises”.

DESNZ is driving a solution – Virtual WAN (VWAN) - to provide an alternative option, by allowing premises to connect via their home internet service. The proposed delivery approach saves c.£6m (and is far less complex and risky) compared to developing a brand-new solution. We have engaged extensively with stakeholders across industry and Government to align in an approach.

RY24/25 Activities and Costs

In RY24/25, we incurred a total of £1.2m on the VWAN programme. Given this is a new programme, there is no regulatory baseline.

This spend includes developing conceptual designs, conducting industry engagement and running commercial and procurement activities. This enabled the programme to secure financial approval and to mobilise the programme for Design, Build and Test.

The programme has made substantial progress in RY24/25, including completing substantial customer consultation on the delivery approach. Key approvals including the high-level design have been obtained from industry, and financial approval has been provided by the Department, Ofgem and DCC Board in February 2025. Implementation milestones have been agreed with the Department, and several more detailed documents, such as testing approaches, have been approved by the relevant forums.

The programme is making rapid progress, with all suppliers now mobilised for Design, Build and Testing, and the upgraded 4G comms hub having formally entered PIT testing.

Future Activities and Costs

Cost in RY25/26 are forecast to remain broadly stable as we complete activities necessary for a soft launch in January 2026, including:

- Full Design, Build and Testing of VWAN solution.
- Conducting regulated testing to confirm assurance that the product is fit for launch.
- Completing live service and operational transitional activities.

1.1. vWAN – RY24/25 Variances Overview

1.1.1. Internal Costs

This section sets out the baseline costs (as determined by Ofgem in previous years' submissions), incurred costs and forecast costs and highlights any material variances to the baseline. In the following sections, we explain the programme purpose and our resource and non-resource costs.

The table below provides a breakdown of incurred and forecast costs in price control format i.e., mapping costs directly against the price control (GLs).

Programme Variance by GL

Baseline			RY24/25	RY25/26	RY26/27
Total vWAN		£m	-	-	-
Incurred			RY24/25	RY25/26	RY26/27
Total vWAN		£m	1.216	1.302	0.106
Payroll costs	PR	£m	0.958	1.302	0.106
External services	ES	£m	0.258	-	-
Variance			RY24/25	RY25/26	RY26/27
Total vWAN		£m	1.216	1.302	0.106
Payroll costs	PR	£m	0.958	1.302	0.106
External services	ES	£m	0.258		-

Table 1 – Programme Variances by GL

1.1.2. External Costs

We have no fundamental services providers dedicated to our programme. Schedules 4 of the RIGs Supplementary Schedules summarise our External Costs for RY24/25 our CH&N programme including VWAN elements.

1.2. Purpose, Scope and Structure

1.2.1. Purpose and scope

The Wide Area Network (WAN) provided by the DCC is required to cover 99.5% of premises in the North Region and 99.25% of premises in the Central and South Regions of Great Britain. The Department for Energy Security and Net Zero (DESNZ) estimates, based on DCC's Smart Meter Wide Area Network (SMWAN) Coverage Checker, that there are currently approximately 328,000 premises at which it is not expected that an SMWAN connection would be available were a Smart Metering System to be installed, and hence where smart metering devices would not be able to communicate via the DCC.

The Department is increasingly receiving requests from members of the public to enable connectivity so that consumers can access smart metering services in areas where there currently is no SMWAN coverage, from consumers with internet access.

DCC has taken a competitive tender approach in accordance with LC16 to the procurement of the Virtual WAN element of the Virtual WAN Service. The outcome of the process is that expansion of the 4G WAN provides best value for money representing a £4.2m reduction in the total cost of ownership compared to the nearest competitor. DCC also explored numerous delivery options to optimise the schedule and identified further savings of £1.8m by combining the testing with CHN Maintenance release 2 before Mass rollout Decision in Q2 2026.

The decision to extend the 4G WAN service delivered by the Comms Hub and Network Programme was presented to Ofgem in November 2024. No challenges were made to the procurement process or the decision taken.

Further to discussions between DESNZ and the DCC, DESNZ is of the view that it would be appropriate to progress the development of a solution that would enable such premises to have access to the benefits of smart metering. The proposed solution would allow smart metering devices installed in consumer premises to be communicated with by the DCC securely over the internet using the consumer's broadband connection. In areas where such premises are located, broadband coverage is sufficient to support the arrangements without inconvenience to the consumer (speeds of 2Mb/s or greater) to on average around 95% of those premises.

Customer engagement

On the 24th of October 2024 DCC submitted its estimated costs of implementation as being £16.3m and set out an explanation of this cost estimate in addition to an analysis of the benefits developed by DESNZ. Views were invited on DESNZ's proposal to proceed with implementation of the Virtual WAN Arrangements and, on the assumption that it was appropriate to proceed, on DESNZ's proposal to direct the DCC to produce a SEC Variation Testing Approach Document (SVTAD) for the programme of work.

The consultation closed on 21st November 2024 and 13 responses were received. All of those who responded to the consultation itself agreed that it was appropriate to proceed with implementation of the Virtual WAN Arrangements. Furthermore, all those respondents either agreed with, or did not comment upon, both the proposal to direct the DCC to produce an SVTAD and on the form of the direction to do so. Considering the consultation responses received, the Department has decided to proceed with the implementation of the Virtual WAN Arrangements.

A Secretary of state Direction in relation to a SEC Variation Testing Approach was issued to Smart DCC's Chief Strategy and Regulatory Officer on the 24th of November 2024.

DCC has been working with DESNZ and our Service Providers to develop a solution, to address the challenge of No WAN. The solution proposal is known as the Virtual WAN Device (VWD).

The VWD, with a consumers' consent, can connect via their home internet service, enabling a fully capable Smart Meter service experience. DCC are near to launching the next generation Communications Hub, the 4G Comms Hub (4G-CH). The 4G-CH will be released in January 2026 and will be utilised for the development and rollout of a virtual WAN service.

The development of a virtual WAN service will address the challenge of No WAN premises, enabling all those who want a smart meter to have one. Energy Suppliers have voiced their support for the development and delivery of a solution as quickly as possible.

DCC has received Impact Assessments from all our relevant Service Providers. This report provides a summary of the build and implementation options for a virtual WAN service as well as the ongoing support and maintenance alongside the 4G service.

DESNZ has collaborated with DCC to design and optimise a virtual WAN solution utilising 4G Communication Hubs. The enduring solution impacts various components and will require:

- Changes to the Data Services Provider (DSP)

- Changes to the Device Manager (DM)
- Changes to the 4G Communications Hub firmware (4G-CH FW)
- A Virtual WAN Key Infrastructure (VWKI) to enable required security controls between VWD and VWP communications
- Data exchange with DCC's Data Science & Analytics team (DS&A) and Security Operations Centre (SOC) for service monitoring and reporting
- SEC changes for provisioning of the Virtual WAN service

In addition to the changes to existing 4G components, DCC will need to develop a new service called Virtual WAN Provider (VWP) that will integrate with Virtual WAN Devices (VWD). DCC conducted a thorough market engagement as set out in the sourcing strategy published in May 2024.

Ofgem Engagement

DCC carried out extensive engagement with Ofgem, culminating in the submission of an Intention to Fund document in January 2025. This document included a formal stakeholder approval table, inviting DESNZ, SEC, and Ofgem to confirm agreement on the rationale, scope, procurement approach, and cost structure of the programme. This structured engagement ensured alignment and accountability across all key parties. The document also detailed a 20% cost reduction from initial estimates, achieved through supplier negotiations and integration with existing 4G CHN maintenance releases. These efficiencies were validated through stakeholder engagement and supported by DESNZ and Ofgem. In addition, the procurement decision to appoint [REDACTED] as the Virtual WAN provider was presented to Ofgem. No challenges were raised, reinforcing confidence in the procurement process and the value-for-money assessment underpinning the decision.

1.2.2. Our Programme Structure

The project Senior Responsible Owner is DCC's Managing Director of In-life change. There is a Programme Director leading the project with the support of a project team who are progressing work on a day-to-day basis. Key roles that are being fulfilled on the team are shown below.

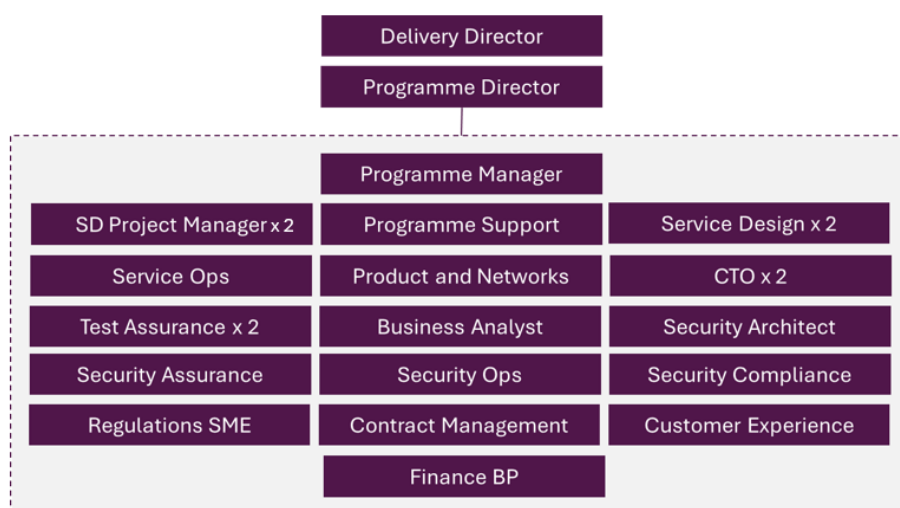


Figure 1. Program

Key events and objectives driving activity and cost in RY24/25 and RY25/26

In the lead up to the formal approval of funding in February 2025 by DCC board, the programme has engaged extensively with the Department, Ofgem and DCC suppliers in responding to the Department's requirements, collaborating with the Department to formalise requirements while

working on high level concepts for a technical solution with DCC suppliers. The DCC programme also devised a procurement and commercial strategy to ensure compliance with Licence Condition (LC) 16 conditions and engaged Ofgem throughout the process. Below is a timeline of key events:

- In June 2024 the Department published its formal requirements in a Project initiation document enabling DCC to complete the commercial and procurement process.
- In October 2024 DCC completed the procurement process and submitted formal costs to the Department to support their consultation with Industry.
- A Secretary of state Direction in relation to a SEC Variation Testing Approach was issued to Smart DCC's Chief Strategy and Regulatory Officer on the 24th of November 2024.
- In January 2025, DCC submitted an Intention to Fund document to key stakeholders, including Ofgem, outlining the rationale, scope, and procurement approach for the VWAN programme.

This early engagement provided stakeholders the opportunity to raise concerns or provide feedback prior to funding commitment, demonstrating DCC's commitment to transparency and regulatory assurance.

Plans for RY25/26

The following milestones are planned for this year:

Title	Description	Due date
Low Level Design (LLD) complete	All DCC service providers low level designs certified via DCC's Cross Functional Design Authority.	30/05/2025
PIT start	Start of PIT phase for DCC Service Providers following DCC's PIT entry checklist.	11/08/2025
PIT exit	Test Approval Board (TAB) approval complete	23/09/2025
Release of VWD certificate	Virtual Wan Key Infrastructure Service is ready for Subscribers to request certificate	30/09/2025
SIT start	Virtual Wan Key Infrastructure Service is ready for Subscribers to request certificate	07/10/2025
Initial soft-launch orders	Orders for Virtual WAN enabled Comms Hubs (VWCH) placed with [REDACTED] for Soft Launch	07/11/2025
SIT exit	SEC TAG will have approved the Completion of SIT phase	09/12/2025
UITB start	Start of UIT in UITB environment for two weeks, closing on 20 th of January ahead of LS1 submission.	06/01/2026
LSC1 submission	Live Services Criteria defined by DESNZ for consideration prior to start of soft launch.	22/01/2026
LSC1 decision	Decision from DESNZ on meeting of LSC criteria and agreement for deployment of changes to Live systems	29/01/2026
DCC ready for soft launch	Virtual WAN Solution Go-live, DCC confirms readiness to start soft launch	30/01/2026
LSC2 Submission	Live Services Criteria 2 submission to DESNZ for consideration	TBC
LSC2 Decision	Decision from DESNZ on meeting of LSC2 criteria	TBC
DCC Ready for Mass Roll out	DCC confirms readiness to merge vWAN firmware into production	TBC

Table 2 – Milestones

The timeline graphic below outlines the forward looking plan for the vWAN programme:

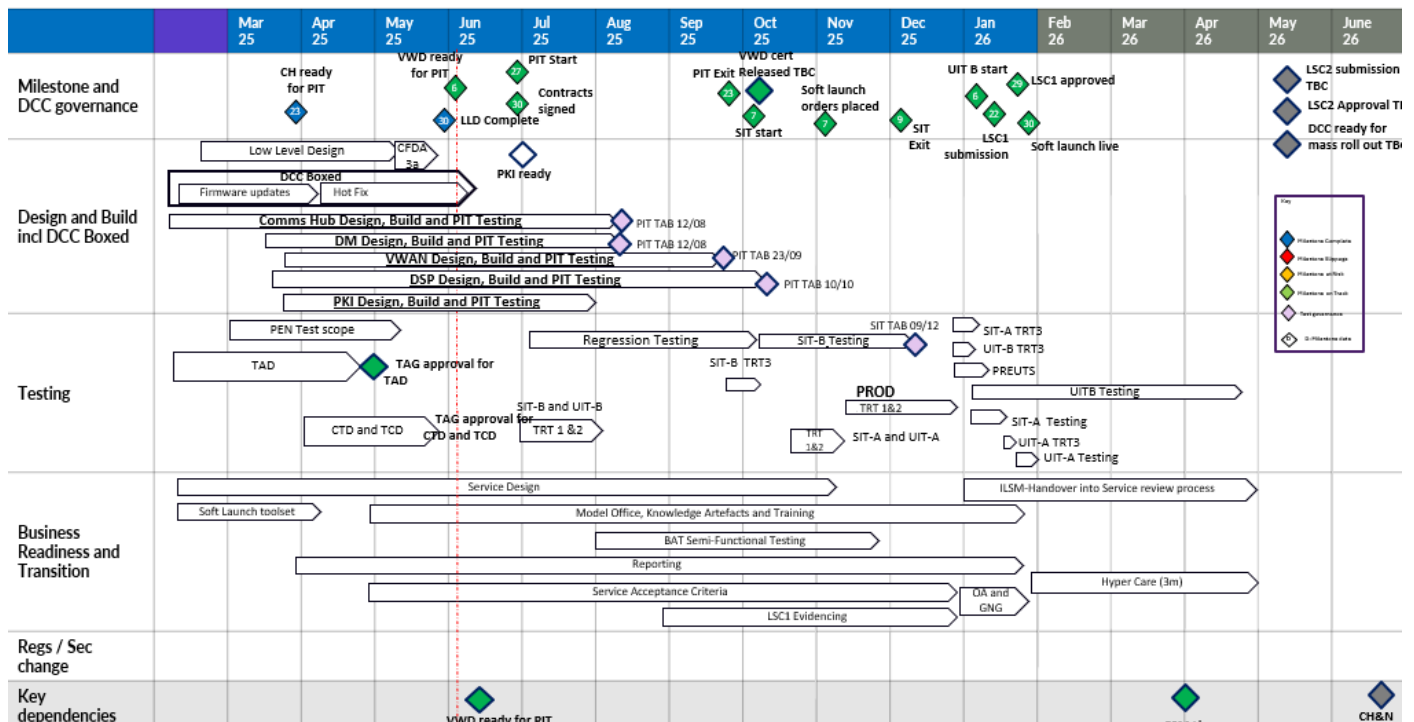


Figure 2. vWAN programme timeline

1.3. Drivers of Internal Cost variance – Payroll

Programme variance by Sub-Team

The table below shows the payroll variance by sub-team within the vWAN cost centre.

Incurred			RY24/25	RY25/26	RY26/27
vWAN Payroll Costs	£m		0.958	1.302	0.106
Commercial and Regulation	£m		0.057	0.061	-
Design and Assurance	£m		0.318	0.196	-
Finance	£m		0.000	-	-
Operations	£m		0.081	0.156	-
Security	£m		0.121	0.303	-
Service Delivery	£m		0.334	0.582	0.106
Testing	£m		0.047	0.004	-
Variance			RY24/25	RY25/26	RY26/27
vWAN Payroll Costs	£m		0.958	1.302	0.106
Commercial and Regulation	£m		0.057	0.061	-
Design and Assurance	£m		0.318	0.196	-

Finance	£m	0.000	-	-
Operations	£m	0.081	0.156	-
Security	£m	0.121	0.303	-
Service Delivery	£m	0.334	0.582	0.106
Testing	£m	0.047	0.004	-

Table 3 – Programme Variances per sub-team

Baseline costs were nil as they were disallowed across the Network Evolution programmes in Ofgem RY23/24 final decision. We note that we always planned to incur internal programme resource and report these based upon recorded timesheet data.

1.3.1. Design & Assurance

Overview of variance

The DCC technical team have been engaged with developing the conceptual architecture for the solution in RY24/25. The role for DCC technical architect will focus on assurance of the low-level designs delivered by suppliers in RY25/26.

Scope of variance and key challenges

The Chief Technology Office (CTO) has been driving the conceptual design, documenting the technical requirements, engaging DESNZ to develop solution strategy and supporting the programme requirements capture. This has led to creation of a solution strategy to conduct commercial and procurement exercise, enabling DESNZ to complete industry consultation in October 2024.

- Design and Development of a VWAN Comms hubs for testing in DCC Boxed, Early design proving testing by Virtual WAN device manufacturers as a pilot for the solution.
- Development of High-level design
- Working with suppliers to develop low level designs.
- Assurance of the designs received from suppliers.

The programme utilised 3.4 FTE for RY24/25 (from July onwards) which did not have a baseline. These costs relate to the critical skills and experience brought by the Design and Assurance team to the programme during RY24/25, which continue to be drawn on in RY25/26.

Securing value for money

The Virtual Wide Area Network Solution (VWS) design focuses on enhancements and adoption of existing capabilities. This reduces complexity and provides a reduction of £6m from the total cost of ownership against other options identified during the procurement process.

Future considerations

In 25/26 DCC will continue to go through Design and Build phase, specifically testing activities ahead of go-live as per the plan below. This will lead to an FTE forecast for Design and Assurance of 1.8 FTE.

Low-Level Design complete:

- All DCC service providers' low-level designs certified by 30 May 2025.

PIT (Provider Integration Testing) phase:

- Starts 27 June 2025; PIT exit milestone is 23 September 2025.

Virtual WAN readiness:

- VWD Certificate available for request from 7 October 2025.
- WAN Key Infrastructure ready for service certification on the same date.

Initial soft-launch preparation:

- Orders placed with [REDACTED] for VWCH devices on 7 November 2025.
- SIT (System Integration Testing) approval expected by 9 December 2025.

Testing & certification:

- UIT (User Integration Testing) to run across two weeks from 6 January 2026.
- LS1 (Live Services 1) criteria submitted for approval by 22 January 2026.

Soft launch readiness:

- DCC readiness confirmed post-approval of LSC criteria by 29 and 30 January 2026.

Further phases (dates TBC):

- LS2 and LS2C submissions pending.
- Mass Rollout readiness will follow a confirmed firmware integration

1.3.2. Operations

Overview of variance

DCC operations will be managing the service when it transitions into live service. The role of operations is to ensure ops teams are ready to run the service. Ops deliverables will include training material, updates to ops tools and running the operational acceptance.

The reason for the Operations variance is due to the forecast not being baselined, however the spend to date is in line with resource forecast as part of the financial planning process of the programme.

Operations resources have been involved with supporting the procurement and commercial activities, engaged in conceptual design, developing the high-level service design for the service. This includes engaging with DESNZ and DCC suppliers.

Scope of variance and key challenges

- Defining operational requirements in the requirements traceability document
- Supporting commercial and procurement activities including review and scoring of supplier responses.
- Conducting workshops to define future service design including with suppliers, DCC users and regulators.
- Developing the high-level service design for future operating model.

The Programme forecast of 1.3 FTE required from the Operations team during the delivery of programme has not been exceeded, this did not have a baseline, noting utilisation only commenced from Q3 24 onwards.

Securing value for money

The cost of adapting the existing 4G WAN service costs £6m less than developing a new virtual WAN over 5 years. Using a new supplier would have been more expensive for both Design, Build, Test and run costs. It would also introduce more architectural and integration complexity leading to increased costs. The RFP process identified [REDACTED] as the preferred supplier for the virtual WAN.

Future considerations

Financial forecast for 1.6 FTE includes transitional activities to ensure the solution is embedded into production with full operational and service wrap, this includes:

- Preparation and training of operational staff to manage the service
- Conducting full live service criteria
- Deployment of operational and service management tools

1.3.3. Security

Overview of variance

The DCC Security team have focussed on ensuring the solution complies with all security requirements for this critical service – this includes ensuring service is subject to extensive penetration testing in testing and production.

Scope of variance and key challenges

The DCC security team have been involved in supporting the creation of conceptual design and low-level designs. They have also provided the requirements for ensuring the solution meets the strict security standards that DCC must adhere to.

Since Q3 24, 1.1 FTE have been utilised by the programme as anticipated, against which there was no baseline.

Securing value for money

Our security approach for the solution depends on the adoption of existing security tools, processes, and practices. By reusing existing assets, we can therefore reduce costs and meet the aggressive timeline for launch of the service in January 2026.

Future considerations

We have forecast 2.75 FTE for RY25/26. The security team will be conducting risk reviews and assurance to ensure the developed solution adheres to strict security protocols to protect DCC services from security threats, this includes:

- Reviewing all technical designs
- Scrutinising test reports
- Leading on the penetration testing

1.3.4. Service Delivery

Overview of variance

The programme team intends to engage existing suppliers through contract modifications to support the design, development, and testing of vWAN components. This includes establishing commercial agreements with the suppliers responsible for the key elements of the solution, specifically:

- [REDACTED] Updating 4G Communications Hubs to incorporate vWAN capabilities.
- [REDACTED]: Enhancing DSP and conducting systems integration testing.

- [REDACTED]: Updating the Device Manager.
- [REDACTED]: Delivering a new Virtual WAN service.
- [REDACTED]: Providing secure communication certificates.
- [REDACTED]: Upgrading DCC Boxed with new vWAN functionalities.

Scope of variance and key challenges

Following the approval of vWAN funding in February 2025, with the management of the Service Delivery team, the programme has achieved the following milestones:

- **Established commercial cover** for all suppliers under interim arrangements.
- **Designed and built an early Communications Hub**, which is now undergoing product integration testing after initial testing against DCC Boxed.
- **Upgraded DCC Boxed** to the latest technical specifications to support vWAN testing.

The programme utilised 2.9 FTE commencing in Q3 24 to deliver this work. We are on track to finalise the Design phase by May 2025. Our commercial team is actively leading discussions to ensure contract sign-off is completed by the end of May 2025.

The cause of variance is due to a lack of baseline allowed for this programme.

Securing Value for Money

DCC, DESNZ and DCC service providers have collaborated to design and optimise a virtual WAN solution utilising 4G Communication Hubs. The enduring solution impacts various components and will require:

- Changes to the existing Data Services Provider (DSP)
- Changes to the existing Device Manager (DM)
- Changes to the existing 4G Communications Hub firmware (4G-CH)
- A new Virtual WAN Provider (VWP) that will integrate with Virtual WAN Devices (VWD)
- Changes to existing Public Key Infrastructure (PKI) to enable required security controls between VWD and VWP communications
- Data exchange with DCC's Data Science & Analytics team (DS&A) and Security Operations Centre (SOC) for service monitoring and reporting
- SEC changes for provisioning of the VWS

Utilisation of existing capabilities developed under the CHN 4G programme – this has led to significant cost savings of 25% in DBT and run cost of £1.5m over 5 years.

DCC has several projects routing through to production over the next 12 months, which will follow a similar testing assurance route as the VWS. Joining up a testing cycle offers significant cost savings to our customers of £3m.

As programme owner, DESNZ owns the business case. DCC has submitted full cost estimates to the Department in October 2024 for consultation with industry.

Resources are robustly monitored through time sheet submissions. Opportunities to reduce costs (both internally and with suppliers) as well as threats to increase costs (such as requests to change / expand scope) are assessed regularly by the Programme Team.

Future Considerations

We have forecast 4.25 FTE for RY25/26 to manage the programme until completion with the FTE reducing in RY26/27. The technical solution has been designed with scalability at its core, ensuring that every component can be expanded on demand to accommodate future requirements.

1.4. Drivers of Internal Cost variance – Payroll RY26/27 only

There were no variances relating to payroll in RY26/27 only.

1.5. Drivers of Internal Cost variance – Non-Resource

Variance	GL		RY24/25	RY25/26	RY26/27	Procurement Type
██████████ - PR7878 CADg	ES	£m	0.194	-	-	
██████████ - Test Assurance	ES	£m	0.036	-	-	

Table 4 – Internal cost variances – non-resource

1.5.1. ██████████ - PR7878 CADg

Overview of Variance

This work was to upgrade our design proving tool as way to deliver the first phase of programme delivery as specified by the Department. DCC boxed is an essential tool being used to expedite the design, build and testing of the Virtual WAN device a core component of the Virtual WAN solution.

VWAN / VWD is a solution to No WAN scenarios – i.e. consumer properties where our 4G Smart Meter Wide Area Network does not provide service.

Scope of variance and key challenges

It provided an environment for device manufacturers to create the devices to work within our new service. Without this, the industry would not have been capable of building the devices required to run on the service.

It is also the design baseline for our VWAN suppliers to reference when building their solutions – this will reduce the instances of suppliers interpreting the design and causing gaps and/or issues. With upfront proving of the design we can have a working design, use it, fully understand it and find limitations or issues before committing resource to build production versions.

Securing Value for Money

In preparation for the PIT phase, we encountered design and implementation issues and issues with the devices being created – this was the ideal time to find issues as none of the suppliers had even started their design work. A reasonably small change (<£100k) to fix these issues was applied to Boxed and only effected 1 supplier (██████████ who carries out the development work for Boxed) – if this issue was encountered after our suppliers had started work it would have meant CRs for ██████████, ██████████ and ██████████ which would have been much more costly.

Future Considerations

DCC Boxed is the trusted tool for testing and developing with DCC. As such, it must be kept in line with the current functionality of DCC in order to achieve this. Further investments in upgrading DCC boxed as core capabilities evolve over time will therefore be required.

1.5.2. [REDACTED] – Test Assurance

Please refer to the explanation of [REDACTED] services in the Design and Assurance chapter for our procurement approach and scope of the contract.

1.6. Drivers of Internal Cost variance – Non-Resource RY26/27 only

There were no variances relating to non-resource costs in RY26/27 only.

1.7. Drivers of External Cost – CRs and PRs

We describe the one material Change Request (CR) and Project Request (PR) that is of more than £1.000m signed in RY24/25. As in prior years, we explain the background, drivers, scope and how we secured value for money.

1.7.1. CR5177: [REDACTED] - NO-WAN – CADg (CH&N_CH)

Drivers for Change

There is an increasing demand from consumers wanting a smart meter, however some areas fall outside of the cellular/radio coverage that the DCC licence requires the DCC to provide, resulting in a lack of connectivity via the DCC. The Department for Energy Security and Net Zero (DESNZ) estimates that there are currently approximately 328,000 premises where connection would not currently be available if a Smart Metering System was installed, and hence where smart metering devices would not be able to communicate via the DCC “No WAN”.

At present those living in No WAN premises are not able to benefit from the functionality of a smart meter, such as Time of Use (ToU) tariffs and accurate billing. The aim of VWS programme is to provide a service in relation to fulfilling Users’ needs.

DESNZ has proposed that DCC provides core capability such that an internet-connected Virtual WAN Device (VWD) could be connected to a modified Communication Hub of a Smart Metering System and communicate via the consumers internet connection.

DCC, DESNZ and our Service Providers have developed a solution, to address the challenge of No WAN. The solution proposal is known as the Virtual WAN Solution (VWS). The VWS – subject to a consumer consent - can connect via their home internet service, enabling a fully capable Smart Meter service experience. This will enable consumers with No WAN premises who want a smart meter to have one. The [REDACTED] 4G comms hub released in December 2024 will be the basis for the development and rollout of a VWS. This will ensure that all future connectivity requirements (cellular and WIFI) can be supported by a single comms hub.

Scope of the Change

DCC, DESNZ, Ofgem and [REDACTED] have collaborated to design and optimise a virtual WAN solution utilising 4G Communication Hubs. The enduring solution impacts various components and will require:

- Changes to the existing 4G Communications Hub firmware (4G4G-CH FW)
- ZigBee pairing with VWD where:
- 4G SMWAN is not available.
- 4G SMWAN is available.
- ZigBee Tunnel creation with VWDs

- Support additional metadata (similar to in NE UDP data packets) required in ZigBee Tunnel between CH and VWD communication.
- Comms Hub birthing and installation process using ZigBee connection with VWD device.
- receiving GBCS messages and Device Manager Module (DMM) commands via ZigBee tunnel with Virtual WAN Device.
- sending GBCS Response, DMM Command Response, and Alerts via ZigBee tunnel with Virtual WAN Device.
- Firmware download for both Comms Hub and HAN Device firmware (excluding VWD firmware) via Virtual WAN Devices.
- The capability in the Comms Hub to switch from 4G WAN to Virtual WAN (via VWD) or vice versa based on pre-determined algorithm.
- CH to support additional GBCS, DMM and HAN messages to support the WAN capability via VWD.
- A capability using “existing LEDs” to indicate CH operating via VWD instead of 4G SMWAN. This requirement may be considered as optional requirement for the stage 1 & 2.
- CH to support message encryption and decryption capability.
- SEC changes for provisioning of the VWS

Stakeholder Engagement

Throughout 2024, DCC have been working closely with the Department for Energy Security & Net Zero (DESNZ) on the proposed solution. DESNZ has published two industry consultations to seek views from key stakeholders and customers – the first in December 2023 and the second in October 2024.

Several delivery options have been explored at trilateral meetings between the Department, DCC and DCC suppliers in September 2024. The recommended option, following those meetings, is to build out the changes on the 4G Comms Hubs and release these changes alongside the first maintenance release for the 4G Comms Hub service (MR1). This will allow devices to be tested in production in a small cohort of friendly consumer houses in 12 months of contract signatures with DCC suppliers. Subject to successful trial, the solution will be ready for mass rollout alongside the second 4G Comms Hub maintenance release (MR2) estimated in 2026. This approach maintains a single comms hub variant for full rollout.

On the 24th of October 2024 DCC submitted its estimated costs of implementation and set out an explanation of this cost estimate in addition to an analysis of the benefits developed by DESNZ. Views were invited on DESNZ’s proposal to proceed with implementation of the Virtual WAN Arrangements and on DESNZ’s proposal to direct the DCC to produce a SEC Variation Testing Approach Document (SVTAD) for the programme of work. The consultation closed on 21 November 2024 and 13 responses were received. All of those who responded to the consultation itself agreed that it was appropriate to proceed with implementation of the Virtual WAN service Arrangements. Furthermore, all those respondents either agreed with, or did not comment upon, both the proposal to direct the DCC to produce an SVTAD and on the form of the direction to do so. Considering the consultation responses received, the Department decided to proceed with the implementation of the Virtual WAN Arrangements. It published its conclusion on 26th November 2024.

Securing Value for Money

██████ achieved around 50% reduction in cost from the 1st IA 25/04/24 whilst delivering more work in a shorter timescale. This has been achieved through a combination of discounted rates,

improvements in test efficiency i.e. via ability to better automate testing via the use of [REDACTED] emulator, reduction from 9xDMC to 4xDMC and finally 1xDMC, the implementation of a dev-ops approach enabling the ability to run development and pre-PIT effort to same timescale, moving the code merge costs into MR2 and moving CPA certification into MR2.

The above cost reduction is underpinned by the use of existing 4G [REDACTED] Agreement and [REDACTED] 4G resource, re-assigned from the 4G CH&N Programme, maintaining continuity and reducing time and cost.

Price Breakdown

[REDACTED]		
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Table 5 – Price Breakdown

[REDACTED]		
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Table 6 – Initial vs Final Price

Future Considerations

DCC has a Licence obligation to take steps to reduce WAN coverage exemption levels through technically practicable and cost proportionate solutions. Many consumers in WAN exempt areas want smart meters. It is now urgent that steps to progress a solution are taken, including due to the ending of the RTS (Radio Teleswitch Service).

The VWS will increase the total number of potential installed meters and therefore contributes to the 'cost per meter' strategic objective. By delivering solutions to address failed or intermittent connectivity on already installed devices (No WAN) this initiative also contributes to the '99.5% availability' strategic objective.

Linked CRs & PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
CR5673 – VWAN Post PIT	VWAN Pre PIT contracted under CR5177	[REDACTED]

Table 7 – Linked CR's & PRs



DCC Price Control 24/25 - Future Connectivity

Version: 1.0
Date: 31.07.2025

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1. Future Connectivity

Summary

What is this and why is it important?

The Future Connective programmed encompasses the Future Connectivity North (FCN) Project and the Long-Range Radio Committed Term (LRRCT) Programme.

The Future Connectivity North (FCN) Project aims to scale DCC's network in the North Region from 5 million to 10.5 million premises. The chosen approach, extending the existing 4G solution from the Central and South regions into the North, delivers the best value for money, being the most economic and efficient option once the current 5 million volume limit is reached. This solution will enable Energy Suppliers to install 4G Communication Hubs in the North providing parity with the Central & South Regions and cost savings of 30% compared to the next best alternative solution.

The Long-Range Radio Committed Term (LRRCT) Programme aims to produce a Business Case to address the issue arising from the Long-Range Radio (LRR) service contract with [REDACTED] expiring in 2028, ensuring continuity of service to DCC customers. This activity is time-critical due to the long lead times associated with the technology refresh and replacement.

RY24/25 activities and costs

In RY24/25, we incurred £1.6m on the Future Connectivity programme (compared to a zero regulatory baseline). £1.4m of this cost related to payroll, driven by resources required from the Operations, Design and Assurance, and Service Delivery teams.

For the 4G FCN Programme, the key RY24/25 activities included supplier contract changes, solution Design, Build and Testing (DBT), and supply of 4G Coverage Data via the DCC DUIS Self Service Application. This programme is ahead of schedule, with the 'go-live' date brought forward by three months to May 2025, reducing payroll costs by £0.3m. Through strong negotiation with four key suppliers, we are reducing costs by £12.8m compared to the programme OBC.

For the LRRCT Programme, the key RY24/25 activities included developing the Outline Business Case (OBC) and Full Business Case (FBC).

Future activities and costs

The 4G FCN programme will be concluded in 2025 and will move into DCC Operations to support the 4G Communication Hub roll out and costs reflect this.

The LRRCT Programme will extend into 2026, with forecast costs to be confirmed through the OBC and FBC process.

1.1. RY24/25 Cost Variances Overview

1.1.1. Internal Costs

This section sets out the baseline costs (as determined by Ofgem in previous years' submissions), incurred costs and forecast costs and highlights any material variances to the baseline. In the following sections, we explain the programme purpose and our resource and non-resource costs.

The table below provides a breakdown of incurred and forecast costs in price control format i.e., mapping costs directly against the price control (GLs).

Baseline			RY24/25	RY25/26	RY26/27
Total Future Connectivity		£m	-	-	-
Payroll costs	PR	£m	-	-	-
External services	ES	£m	-	-	-
Incurred			RY24/25	RY25/26	RY26/27
Total Future Connectivity		£m	1.556	2.666	1.901
Payroll costs	PR	£m	1.394	2.666	1.901
External services	ES	£m	0.162	-	-
Variance			RY24/25	RY25/26	RY26/27
Total Future Connectivity		£m	1.556	2.666	1.901
Payroll costs	PR	£m	1.394	2.666	1.901
External services	ES	£m	0.162	-	-

Table 1 – Future Connectivity Variance by GL

1.1.2. External Costs

We have no fundamental service provides dedicated to this programme.

Schedules 4 of the RIGs Supplementary Schedules summarise our External Costs for RY24/25, where 'RIGs category' is denoted as Future Connectivity.

1.2. Purpose, Scope and Structure

1.2.1. Purpose and scope

The Future Connectivity North (FCN) purpose and scope is to scale connectivity in the North Region from 5 million to 10.5 million premises by 2035. To achieve this, DCC will extend the existing 4G solution currently deployed in the Central and South regions.

The purpose of the LRRCT (Long-Range Radio Committed Term) programme is to produce a Business Case to resolve the issue of the [REDACTED] contract expiry in 2028 and a solution is required to maintain continuity of Service in the North Region.

Cost Centre Structure

The cost centre structure consists of:

- DCC internal resources
- Supplier costs

Our Programme Structure

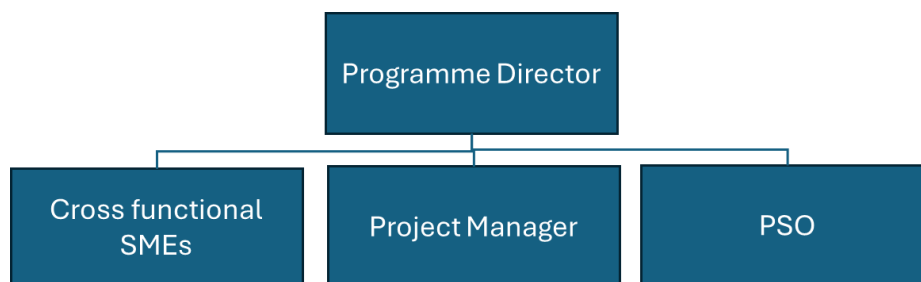


Figure 1. Programme organisational structure

Role	Sub-Team RY24/25	Description
Programme Director	Service Delivery	Overall Leadership of the Programme.
Project Manager	Service Delivery	Oversees the delivery of the day-to-day project management.
Programme Support Analyst	Service Delivery	Provides project support to standards, policies and procedures.
Regulation, Engagement and Commercial & Legal SMEs	Commercial and Regulation	Functional support including external engagement and regulatory matters.
Business Analysis	Design and Assurance	Comprehensively captures requirements, informing the solution to be delivered.
Early Life Support Device Management Transition	Operations	Designs and manages the structure of the service transition. Manages and operates Data Science and Analytics function.
Solutions Architecture Service Design	Design and Assurance	Provides solution architecture and planning of initial design.
Testing and Test Assurance	Testing	Manages and provides testing services of the designed solution and assurance of system interoperability across service providers.
Security Architects and Assurance	Security	Specify design, build, and testing of security requirements to ensure that the process is designed so that data remains secure through the change of supplier process.

Table 2 – Description per sub-team

Key events and objectives driving activity and cost in RY25/26

- 4G FCN Programme
 - Objective: Go live with 4G CH installations from 1 June 2025 when DCC will have provided the Industry with Coverage Data Capability. Key events include:
 - Design Build Test – 6 May 2025
 - System Integration Testing – 21 May 2025

- User Testing – 30 May 2025
 - Coverage Checker Go Live 30 May '25
- LRRCT Programme
 - Key dates include
 - Outline Business Case (OBC) – August 2025
 - Full Business Case (FBC) – December 2025
 - Non objection – Q1 2026

1.3. Drivers of Internal Costs variance - Payroll

Programme variance by Sub-Team

The table below shows the payroll variance by sub-team within the Future Connectivity cost centre.

Baseline			RY24/25	RY25/26	RY26/27
Future Connectivity Payroll Costs		£m	-	-	-
Commercial and Regulation		£m	-	-	-
Design and Assurance		£m	-	-	-
Operations		£m	-	-	-
Security		£m	-	-	-
Service Delivery		£m	-	-	-
Testing		£m	-	-	-
Incurred			RY24/25	RY25/26	RY26/27
Future Connectivity Payroll Costs		£m	1.394	2.666	1.901
Commercial and Regulation		£m	0.077	0.079	-
Design and Assurance		£m	0.393	0.474	0.102
Operations		£m	0.314	0.474	0.415
Security		£m	0.035	0.419	0.158
Service Delivery		£m	0.557	1.192	1.225
Testing		£m	0.017	0.027	-
Variance			RY24/25	RY25/26	RY26/27
Future Connectivity Payroll Costs		£m	1.394	2.666	1.901
Commercial and Regulation		£m	0.077	0.079	-
Design and Assurance		£m	0.393	0.474	0.102
Operations		£m	0.314	0.474	0.415
Security		£m	0.035	0.419	0.158
Service Delivery		£m	0.557	1.192	1.225
Testing		£m	0.017	0.027	-

Table 3 – Programme variance by sub-team

In summary, the identified people resource variance is a necessary investment to ensure DCC can meet its responsibilities and deliver the FCN project successfully. Without adequate resourcing, there would have been significant risk to delivery timelines, quality, regulatory compliance, and the realisation of expected benefits.

1.3.1. Design & Assurance (CTO Resource)

Overview of variance

On average four FTE were utilised to support the delivery of the 4G FCN targeted to Go Live on 30 May 2025. The resource was also required to deliver the LRRCT programme which was in the business case phase with expected FBC submitted to DESNZ on 19 December 2025. The variance has manifested due to the costs associated with this Programme not being included in the annual DCC business plan, therefore all costs are treated as variance.

Scope of variance and key challenges

The scope of the CTO resource variance is limited to the below roles:

- Architecture Team
- Engineering Team
- Design Assurance Team

The variance is over the three-year time frame and for both the FCN programme and LRRCT Programme are:

- 24/25 - £0.393m (4 FTE)
- 25/26 - £0.474m (4.6 FTE)
- 26/07 - £0.102m (0.9 FTE)

Securing Value for Money

DCC's preferred option was to extend the 4G solution developed for the Central South region to achieve this scaling and therefore value for money by not starting a technical solution from scratch utilizing the work down on the CHN programme. This represents best value for money and is the most economic and efficient way to scale the North region once it reaches the current scale limit of 5m premises now forecast to be H1 2027.

The economic analysis has assessed that while the cost case for extending the 4G solution to the North is marginal (compared to scaling up Long Range Radio, the 4G option offers significant additional benefits. For customers the service performance benefits are significant and estimated to be worth between £93m - £416m. 4G at scale can deliver up to 30% savings when compared to LRR directly. Further, costs of c.£179m (due to dual running of 4G & LRR networks) can be avoided if the terminal date of replacing all LRR Comms Hubs is brought forward to 2037.

The 4G option offers significant additional benefits for customers. The service performance benefits are significant and estimated to be worth between £93m - £416m. 4G at scale can deliver up to 30% savings when compared to LRR directly.

Furthermore, costs of c.£179m (due to dual running of 4G & LRR networks) can be avoided if the terminal date of replacing all LRR Comms Hubs is brought forward to 2037.

To deliver a timely solution, DCC extended the current 4G services from the Central & South Regions to the North by exercising its existing contract rights to add the North region. DCC has used the Change Request (CR) route with its Service Providers. In its procurement approach, DCC has established that it has the contractual right to add the North Region coverage under existing contracts in scope: [REDACTED] 4G WAN, [REDACTED] 4G CH, [REDACTED] 4G CH Logistics and [REDACTED] 4G Device Manager, [REDACTED] System Integrator. DCC is seeking to extend the CH&N contracts with no material changes to the terms.

DCC considers this to be the optimal way of meeting the required timescales whilst at the same time demonstrating compliance with the Licence Condition 16 (LC16) Principles, including delivering value for money.

Future Considerations

DCC has forecast 4.6 FTE for Design and Assurance resource in RY25/26 and 0.9 FTE in RY26/27. DCC is in parallel, working on a separate Business Case, the LRR Committed Term Outline Business Case, which will evaluate Arqiva's LRR contract options beyond 2028, to ensure continuity of service for existing premises on the LRR network. In its economic case for FCN DCC has modelled the costs of maintaining the LRR network beyond the current final contract end date of 2033 to ensure these 'dual running' costs are accounted for and do not adversely affect the FCN preferred option.

Delaying the activity would result in potentially prolonging of DCC operating costs associated with existing service providers, increase the risk and uncertainty to DCC customer and decrease the benefits of adopting the most cost effective, and value for money option early.

1.3.2. Operations

Overview of variance

The programme utilised 2.5 FTE to support the delivery of key strategic programmes. Specifically, the variance is driven by the need for operational personnel to enable the successful implementation of the 4G Future Connectivity North (FCN) Programme, which is on track for Go Live on 30 May 2025.

In parallel, the same operational resources are contributing to the development of the LRRCT Programme, currently in the Business Case Phase, with the FBC submission scheduled for 19 December 2025 to DESNZ.

This variance has arisen because the associated resource costs were not included in the approved annual DCC business plan. As a result, the full cost profile linked to these programmes is being treated as an operational variance. This reflects the critical need to align resource planning with emerging strategic priorities while maintaining delivery assurance across the portfolio.

On 30 August 2024, DCC informed Ofgem of its intention to use existing CH&N contract provisions to introduce 4G in the North region. Ofgem agreed with DCC's proposals, recognising it would be disproportionate to build a separate Device Manager or procure Comms Hub and Logistics services before 2026. Ofgem supported extending the current Device Manager and CH&N capabilities to the North, provided this does not hinder a full competitive procurement before 2028.

DCC initiated a project to develop a Coverage Checker for 4G installations in the North. The 4G rollout is expected to deliver major service improvements and potential savings of £93m – £416m, with up to 30% cost reduction compared to LRR. Additionally, advancing the replacement of all LRR Comms Hubs to 2037 could avoid £179m in dual-running costs.

To meet timelines, DCC leveraged existing contract rights and Change Requests to extend 4G services from the Central and South to the North. Contracts in scope include [REDACTED] (WAN), [REDACTED] (CH and Logistics), [REDACTED] (Device Manager), and [REDACTED] (System Integration), with no material contract changes. DCC believes this approach meets the programme timeline while ensuring compliance with Licence Condition 16 and delivering value for money.

Scope of variance and key challenges

The scope of the Operations variance is limited to the below roles:

- Contract Management Team
- Core Operations Team
- Data Analytics Team
- Change Team
- Service Assurance Team

The variance is over the three-year time frame and for both the FCN programme and LRRCT Programme are:

- 24/25 - £0.314m (2.5 FTE)

- 25/26 - £0.474m (3.4 FTE)
- 26/07 - £0.415m (2.8 FTE)

Securing Value for Money

The 4G option offers significant additional benefits for customers the service performance benefits are significant and estimated to be worth between £93m - £416m. 4G at scale can deliver up to 30% savings when compared to LRR directly.

Furthermore, costs of c.£179m (due to dual running of 4G & LRR networks) can be avoided if the terminal date of replacing all LRR Comms Hubs is brought forward to 2037.

To deliver a timely solution, DCC extended the current 4G services from the Central & South Regions to the North by exercising its existing contract rights to add the North region. DCC has used the Change Request (CR) route with its Service Providers. In its procurement approach, DCC has established that it has the contractual right to add the North Region coverage under existing contracts in scope: [REDACTED] 4G WAN, [REDACTED] 4G CH, [REDACTED] 4G CH Logistics and [REDACTED] 4G Device Manager, [REDACTED] System Integrator. DCC is seeking to extend the CH&N contracts with no material changes to the terms.

DCC considers this to be the optimal way of meeting the required timescales whilst at the same time demonstrating compliance with the Licence Condition 16 (LC16) Principles, including delivering value for money.

Future Considerations

DCC has forecast 3.4 FTE for RY25/26 and 2.8 FTE for RY26/27. From an operational standpoint, further considerations are being made regarding the anticipated impact of the FCN Programme and the industry's transition towards 4G Communications Hubs (CHs) over the current Long-Range CHs. These developments will directly inform the Business Case for continued LLR service provision beyond 2033, when the current contract with [REDACTED] is due to expire.

The operational resource requirements to deliver the LLRCT Programme have been estimated; however, these will ultimately depend on which strategic option receives a Non-Objection from DESNZ, expected in Q1 2026.

Delaying this programme would likely result in extended reliance on existing service contracts, leading to sustained or increased operational costs. It would also heighten risk and uncertainty for DCC customers and reduce the ability to realise the operational benefits of transitioning early to a more cost-effective and value-for-money solution.

1.3.3. Security

Overview of variance

The programme utilised 0.3 FTE of Architecture and Governance resource to support the delivery of the 4G Future Connectivity North (FCN) Programme, which is targeting Go Live on 30 May 2025; and the same DCC Security Architecture resource, plus additional DCC Security Team resources, being essential to progress the LLRCT Programme. The LLRCT Programme is presently in the Business Case phase, with FBC submission to DESNZ scheduled for 19 December 2025.

For the LLRCT Programme, and beyond this date, there will be a need to supplement the assigned DCC Security Architecture resource, with DCC Security Assurance and DCC Business Continuity and Disaster Recovery (BCDR) resources will be required to deliver:

- Supplier assurance reviews and audits
- Operational service process and procedure reviews
- Provide oversight of the necessary independent technical security evaluation (penetration testing) and any resultant remediation activities, and

- Review, audit and test the LRRCT network, including the Service Provider's BCDR policies, processes and procedures

These DCC Security resources will be needed through to the transition into business-as-usual phase.

The variance has arisen due to the associated costs for both programmes (FCN and LRRCT) not being included as line items in the original Annual Business Plan. Therefore, a full cost profile will now be treated as a variance.

The requested resources are critical to ensure successful delivery of these strategic programmes and to maintain alignment with key governmental and stakeholder commitments, and ensuring the programmes meet DCC Strategic Pillar 1: maintaining "critical national infrastructure levels of security, stability, and resilience within the system".

Scope of variance and key challenges

The scope of the resource variance is limited to the below roles:

- DCC Security Architecture Team
- DCC Security Assurance Team
- DCC Business Continuity and Disaster Recover Team

The variance is over the three-year time frame and for both the FCN programme and LRRCT Programme are:

- 24/25 - £0.035m (0.3 FTE)
- 25/26 - £0.419m (3.7 FTE)
- 26/27 - £0.158m (1.6 FTE)

Securing Value for Money

DCC's preferred option was to extend the 4G solution developed for the Central and South regions. A principal benefit of this is that by scaling the current solution it removes the necessity to develop a technical solution from scratch which mirrors the work already completed by the CH&N Programme. At a programme-level this represents best value for money and is the most economic and efficient way to scale the North region once it reaches the current scale limit of 5m premises which is forecast to be H1 2027.

From a DCC Security viewpoint, the scaling of the 4G solution, and the utilisation of the activities already carried out as part of the CH&N programme means the requirement of repeating the activities identified within the section above, is removed for the 4G solution. The focus of the assigned DCC Security resources would be on the LRRCT Programme and, therefore, the resource costs will also be significantly reduced.

DCC considers this to be the optimal way of meeting the required timescales whilst at the same time demonstrating compliance with the Licence Condition 16 (LC16) Principles, including delivering value for money.

Future Considerations

DCC has forecast 3.7 FTE for RY25/26 and 1.6 FTE in RY26/27. The increase in resource reflects the increased activities expected as the programme intensifies with the resource supporting the production and submission of the separate Business Case, the LRRCT Outline Business Case, in parallel. This will evaluate Arqiva's LRR contract options beyond 2028, to ensure continuity of service and the mandatory levels of security, stability, and resilience for existing premises on the LRR network. In its economic case for FCN DCC has modelled the costs of maintaining the LRR network beyond the current contract end date of 2033 to ensure these 'dual running' costs are accounted for and do not adversely affect the FCN preferred option.

Delaying the activity would result in potentially prolonging of DCC operating costs associated with existing service providers, increase the risk and uncertainty to DCC customer and decrease the benefits of adopting the most cost effective, and value for money option early.

1.3.4. Service Delivery

Overview of variance

In summary the Service Delivery variance is limited to DCC people resources required to support the delivery of the 4G Future Connectivity North Programme (FCN) targeted to Go Live on 30 May 2025. The resource is also required to deliver the Long-Range Radio Committed Term Programme which is in the Business Case Phase with expected FBC submitted to DESNZ on 19 December 2025. The variance has manifested due to the costs associated with this Programme were not in the annual DCC business plan. Therefore, the totality of the cost profile is treated as a variance.

Scope of variance and key challenges

The Service Delivery variance scope in RY24/25 is limited to the below resources at a total of 2.7 FTE:

- Programme Director
- Project Manager
- Programme Support Analysts

The variance is over the three-year time frame and for both the FCN programme and LRRCT Programme are:

- 24/25 - £0.356m
- 25/26 - £0.956m
- 26/07 - £0.987m

Securing Value for Money

For the FCN Programme DCC wrote to Ofgem on 30 August 2024, informing them of the intent to utilise the contractual provisions in the CH&N contracts to introduce 4G into the North. Ofgem noted "DCC's proposal to use 4G connectivity in the North region. Ofgem also accepted that it is not proportionate to design and build a second Device Manager, separately for the North region, and thus agreed with "DCC's proposal to extend the existing Device Manager capability to the North Region on the premise that this does not impede DCC's ability to conduct a full competitive procurement before the first breakpoint, in 2028, in the existing [REDACTED] Device Manager contract". Similarly, Ofgem agreed that it would be disproportionate and not practical to competitively reprocure the Comms Hub and Logistics services before 2026. Based on this a Project was stood up to produce a Coverage Checker capability for the North which would enable the installations of 4G CHs in the North. The 4G option offers significant additional benefits for customers the service performance benefits are significant and estimated to be worth between £93m - £416m. 4G at scale can deliver up to 30% savings when compared to LRR directly.

Furthermore, costs of c.£179m (due to dual running of 4G & LRR networks) can be avoided if the terminal date of replacing all LRR Comms Hubs is brought forward to 2037.

To deliver a timely solution, DCC extended the current 4G services from the Central & South Regions to the North by exercising its existing contract rights to add the North region. DCC has used the Change Request (CR) route with its Service Providers. In its procurement approach, DCC has established that it has the contractual right to add the North Region coverage under existing contracts in scope: [REDACTED] 4G WAN, [REDACTED] 4G CH, [REDACTED] 4G CH Logistics and [REDACTED] 4G Device Manager, [REDACTED] System Integrator. DCC is seeking to extend the CH&N contracts with no material changes to the terms.

DCC considers this to be the optimal way of meeting the required timescales whilst at the same time demonstrating compliance with the Licence Condition 16 (LC16) Principles, including delivering value for money.

Future Considerations

DCC has forecast 9 FTE for RY25/26 and RY26/27. Further considerations are focused on the likely impact of the FCN Programme and Industry adoption of 4G CHs over the Long-Range CHs and how this would inform that Business Case which addresses the issue of LLR service provision beyond 2033 when the current with [REDACTED] comes to an end. The resource profile to deliver the LLRCT Programme is estimated given that it will depend on the option that gets a Non-Objection from DESNZ in Q1 2026.

Delaying the activity would result in potentially prolonging of DCC operating costs associated with existing service providers, increase the risk and uncertainty to DCC customer and decrease the benefits of adopting the most cost effective, and value for money option early.

1.4. Drivers of Internal Cost variance – Payroll RY26/27 only

There were no variances relating to payroll in RY26/27.

1.5. Drivers of Internal Cost variance – Non-Resource

Variance	GL		RY24/25	RY25/26	RY26/27
[REDACTED] - Fibre Trail Phases 1&2	ES	£m	0.160	-	-

Table 4 – Material variance for non-resource costs

1.5.1. [REDACTED] - Fibre Trial Phases 1&2

Overview of Variance

Under Licence Condition 17, DCC is required to have a “Statement of Service Exemptions”, which sets out the scope of the WAN. Within this report, DCC is required to set out steps to secure the eventual provision of a Communication Service to exempt premises or geographies through technically practicable and cost proportionate solutions.

Given the above requirements and, in parallel growing frustrations from consumers in No WAN areas at their inability to adopt Smart metering, DCC and DESNZ made a commitment to have a solution for No WAN areas by the end of 2024.

Two options were proposed as solution for No WAN:

- CADg (now referred to as VWAN): A solution that leverages an enhanced Consumer Access Device (CAD) to transmit messages over domestic Wi-Fi and then through a Virtual Private Network (VPN) to the DSP. DCC would have no service obligations for this solution between the Comms Hub and the VPN Concentrator provided by others within the retail supplier community. This assumes the consumer has an active broadband solution in the home
- FTTP (Fibre to the Premises): A solution which creates an alternative WAN by using the fibre network (provided by infrastructure providers like [REDACTED] with DCC able to enforce service obligations. Therefore, DCC would have visibility and management of the entire end to end solution thus offering parity with the current DCC SMWAN service offering.

DESNZ were clear that they preferred the CADg option given its lower cost and perceived faster adoption by customers. However, DCC believed that FTTP offered a more strategic long-term solution given upcoming challenges of sunsetting / swap out and throughput. This option also has greater parallels to DCC’s existing service wrap. Therefore, DCC proposed progressing with a modest development of the solution in parallel (and leveraging the requirement for DSP and Comms Hubs updates required to progress CADg). A trial was seen as the best means of demonstrating the benefits of this solution.

Following a strategy session with DESNZ, DCC initiated a set of activities to progress both options to deliver on the ambition to provide a solution for No WAN. SEC Panel was also made aware of the efforts in this area.

Scope of Variance

DCC entered into a collaboration agreement with [REDACTED] for the purpose of exploring the FTTP solution, as a means of proving a new WAN solution.

Securing Value for Money

To ensure the selected methodology met the Licence Condition 17 objective, delivering a solution for No WAN, the approach prioritised value for money at every stage. Rather than committing to a full end-to-end FTTP WAN deployment, a more cost-effective and controlled trial process was adopted to evaluate feasibility.

This phased trial approach, comprising two lab-based testing phases followed by a field trial in Orkney, was deliberately chosen to deliver the highest value for money. It enabled robust technical assessment while avoiding the significant upfront investment and potential cost overruns associated with a full-scale FTTP WAN rollout, which is known to carry a premium.

By limiting spend to targeted testing rather than committing prematurely to an expensive implementation, the programme effectively managed risk and funding. After completing Phases 1 and 2, it became clear that the FTTP solution did not offer a viable value for money outcome. As a result, the trial was stopped before further investment beyond the committed £0.160m, clearly demonstrating a disciplined, evidence-led approach to optimising costs and ensuring responsible decision-making.

Future Considerations

As stated above, the trial was stopped before further investment was made. This trial was a useful exercise in testing potential routes forward for a new WAN solution.

1.6. Drivers of Internal Cost variance – Non-Resource RY26/27 only

There were no variances relating to non-resource costs in RY26/27 only.

1.7. Drivers of External Cost – CRs and PRs

There are no material CRs or PRs for this programme.