Data Communications Company

DCC Price Control RY25/26 – External Costs

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In this chapter, DCC is reporting variances to the regulatory baseline consistent with the materiality thresholds used in previous years. However, in July 2026, DCC and Ofgem agreed to increase the reporting thresholds for the RY25/26 and RY26/27 price control review along with criteria to assess the risk (and therefore level of scrutiny required) for each cost item to ensure a focus on the most materials items.

DCC has flagged throughout this chapter where a variance is below the new threshold and/or meets the criteria to be categorised as 'low risk'. We would not expect these to be reviewed by Ofgem unless a specific concern emerges.

1. External costs

Summary

What is this and why is it important?

External costs represent the costs incurred through DCC's Fundamental Service Provider (FSP) contracts which underpin the operation of Great Britain's smart metering infrastructure. These contracts provide the core communications, data, testing and security services required to deliver a secure, stable and resilient network for over 37 million smart meters.

A significant proportion of these contracts were originally established by government prior to DCC assuming responsibility for procurement and contract management. As the operator of a national critical infrastructure service, DCC must balance operating legacy technologies and ensuring continuity of service today, while investing in the transition to more efficient and modern platforms that will deliver long-term savings and improved services for customers and consumers.

Strong commercial management and supplier challenge are particularly critical to delivering value for money for our External Costs which account for over 50% of DCC's overall cost base.

RY25/26 activities and costs

Total external costs in RY25/26 were £583.7m (including Comms Hubs and Switching), with SMETS2 remaining the largest area of expenditure. Despite continued growth in smart meter volumes, increasing network utilisation and ongoing investment in major transformation programmes, DCC delivered over £30m of savings across FSP contracts compared to initial supplier pricing through active commercial management, strong supplier challenge and improved procurement capability.

External costs continue to reflect both the operational demands of maintaining DCC's existing communication network and the required investment in the transition to future services, including DSP2.0, 4G Communications Hubs, and SMETS1 service transformation. These investments are essential to improve resilience, reduce long-term operating costs and support the future energy system.

During the year DCC delivered a significant volume of contractual and technical change across its supplier estate while maintaining strong operational performance. Across SMETS2 alone, DCC secured over £15m of savings through scope challenge, cost scrutiny and more effective allocation of risk between DCC and suppliers.

The year also saw major progress in DCC's long-term transformation agenda, including completion of key DSP2.0 mobilisation activities, successful rollout of 4G Communications Hubs, delivery of Future Service Management (FSM) and continued optimisation of SMETS1 services. These activities support the transition from fragmented legacy technologies towards a more efficient and sustainable future operating model.

Future activities and costs

SMETS 1: Following the successful launch of the new DCO service and completion of the FOC ANSO procurement, DCC will continue to focus on value for money through RY26/27 to deliver long-term efficiencies, lower operating costs and improved service resilience for customers.

SMETS 2: In RY26/27, DCC will focus on maintaining continuity of service across the existing estate while supporting the transition away from legacy technologies. This includes securing Long Range Radio (LRR) services and extending the CSP Central & South arrangements to protect continuity for approximately 11 million Communications Hubs ahead of future technology replacement activities.

DSP 2.0: The transition to DSP2.0 remains one of DCC's most significant strategic priorities. In RY26/27 activity will focus on delivery of the new platform, customer migration readiness and the transition away from the current service. Once fully implemented, DSP2.0 is expected to deliver material operational improvements and annual savings of over £20m from 2029.

Across all external costs, DCC will continue to focus on strong commercial management, supplier challenge and procurement discipline to ensure customers receive the maximum benefit from investment in both current services and future network capabilities.

1.1. Introduction

External Costs are the costs incurred by our FSPs, including those that support our core data and communication services for smart metering were either appointed by government, and therefore novated to DCC, or have been procured by DCC. They comprise the services to support the SMETS1, SMETS2, 4G CH&N, Test Automation, Switching, and ECoS Programmes.

DCC delivers its services by procuring and contracting with external service providers. Generally, these services include technology solutions, consultancy, recruitment, and auditing. For the avoidance of doubt, the sections below cover external costs incurred by our FSPs.

We achieved key milestones across our programmes such as:

- **SMETS1**: During RY25/26, DCC completed the procurement of the Final Operating Cohort (FOC) Application, Network and Security Operations (ANSO) replacement service in September 2025. DCC also extended Vodafone services to ensure device connectivity despite the sunsetting of 2G technology.

- **For CH&N**, the programme formally closed in RY25/26 with the rollout of the new 4G communications hubs. As of May 2026, over 1 million 4G comms hubs have been installed. Our CH&N service providers continue to support requirements from our other programmes, for example consequential changes required by VWAN and Future Connectivity to improve and futureproof our network coverage.

- **Future Service Management (FSM)**: Successfully transitioned into live service on 16 May 2026, with remaining activity focused on post-implementation support, handover and programme closure.

- For the **CRS / Switching** programme, the service remained in stable enduring operation throughout RY25/26, delivering 100% availability with no unplanned outages and no major incidents.

- **CGI** in RY25/26 enabled key delivery activity across Virtual WAN (vWAN), SMETS1 and 4G programmes, along with wider systems integration, release management and migration readiness services.

- **VM02** in RY25/26 enabled key testing and connectivity activity, including GBCS 4.2 release scoping, Central and South System Integration Testing (SIT)-A and User Integration Testing (UIT)-B test extensions, and provision of 2G connectivity in the North.

Over the course of RY25/26, DCC has incurred a total of £576.6m in external costs excluding the Switching programme. Including Switching, the number is £587.1m. The costs are broken down as follows:

Programme	Incurred Cost in RY24/25 (£m)	Incurred Cost in RY25/26 (£m)	Year-on-year change (£m)
SMETS2	361.3	344.6	-16.7

SMETS1	143.9	149.6	5.7
Comms, Hubs & Networks	**41.6**	75.8	34.2
Enduring Change of supplier (ECoS)	**7.9**	6.5	-1.4
Switching	**11.7**	10.5	-1.2
Total Costs (exc. Switching)	**554.7**	**576.6**	**21.9**
Total Costs (inc. Switching)	**566.3**	**587.1**	**20.7**

Table 1 – Cost breakdown of programmes

The reasons for the above change in costs for the programmes are set out in their respective cost centres and programme chapters, with this document describing SMETS2 activities only.

As part of the process of delivering services in an environment that is subject to change, DCC must agree contractual variations with its providers –CRs and PRs. These are typically the result of changes required to the mandatory services envisaged in the Smart Energy Code (SEC) or Retail Energy Code (REC), or other obligations relating to the safety and security of the network.

In RY25/26, DCC completed or progressed 32 CRs and PRs more than in RY24/25 as shown in Table 2 below. The approach for each material CR and PR and the Value for money delivered by each change are described in the Change Request and Project Request section below.

	RY24/25 complete/progressed	RY25/26 complete/progressed	Year-on-year change
Change Requests	125	117	(8)
Project Requests	164	204	40
Total Changes	**289**	**321**	**32**

Table 2 - Comparison of CR and PR volumes

DCC knows that the costs we incur to develop, test, and run the smart metering system are borne by our customers. We actively seek identifying and realising efficiencies across all parts of the business on a continuing basis whilst simultaneously maintaining steady progress against our programmes and quality of service requirements.

DCC has built up an extensive level of knowledge and expertise around the management of external service providers over the past years. The commercial acumen and supplier management expertise, have allowed us to realise significant cost savings through long-term efficiencies across several areas, ranging from consolidating test facilities to the re-financing of external set-up costs, as well as through continuously introducing improvements to our internal systems and processes.

Where new contracts have been signed or contracts extended, these have been described in greater detail within the respective programme narratives.

2. Change Request and Project Request costs: Enduring SMETS2

For SMETS2 the main providers are Arqiva (Communications Service Provider North [S2CSP-N]) and VMO2 (Communication Service Provider Central and South [(S2_CSPCN]). CGI provides the DSP service that underpins SMETS2, therefore we have grouped these 3 core Service Providers under the SMETS2 banner. It should be noted that all external costs in relation to DCC's Programmes are set out in their respective cost centre narratives.

This section lays out a detailed view of all external CR and PR costs over the materiality threshold (£1m) that were incurred in RY25/26 for the SMETS2 programme. Table 3 below gives an overview of these activities, as grouped by Service Provider.

CR Ref #	Description	Service Provider
CR4279	GBCS 4.2 Release Scoping end to end (PIT, SIT, UIT, Pilot)	VM02
CR5563	VM02 SIT-A and UIT-B stream extension Central - South extension to CR4893	VM02
CR5641	DCC set SP Specific Schedule Read Window completion time	CGI
CR5749	UIT Base Services (Nov-25 to Oct-26)	CGI
CR5796	Provision of 2G Connectivity in the North	VM02
PR8132	GBCS 4.2 System & User Integration Testing	CGI
PR8151	November 2025 SEC System Release Delivery Support	CGI
PR8298	NECH 4G Release 2 Delivery Support	CGI
PR8312	Systems Integrator Release Management Services	CGI
PR8448	DSP Tech Refresh 3.5- Interim approach	CGI

Table 3 - CR and PR Summary for SMETS2

2.1. CGI – Data Service Provider (DSP)

Ref	Description
CR5641	DCC set SP Specific Schedule Read Window completion time
CR5749	UIT Base Services (Nov-25 to Oct-26)
PR8132	GBCS 4.2 System & User Integration Testing
PR8151	November 2025 SEC System Release Delivery Support
PR8298	NECH 4G Release 2 Delivery Support
PR8312	Systems Integrator Release Management Services
PR8448	DSP Tech Refresh 3.5- Interim approach

Table 4 - CR and PR summary for CGI

Across CGI testing-related changes of which there are a few related to the changes in table 4 above, DCC consistently applied a value-for-money approach through reuse of existing test assets, sharing of specialist resources across programmes, targeted regression testing and minimisation of UIT scope.

2.1.1. CR5641|CGI

Drivers for Change

This Change will allow the DCC to be able to specify schedule read windows (SRW) which are the time periods during which automated meter reads are performed across the smart metering network for each DCC Service Provider, thereby granting more granular control of the messaging/transactions, and traffic across the ecosystem generally.

Without this change, DCC would have limited ability to control the timing of scheduled meter reads across service providers, increasing the risk of network congestion, reduced operational efficiency and degradation of customer service. The change improves network performance and supports continued growth in smart meter volumes whilst maintaining service levels.

Scope of the Change

This change introduces improvements to how scheduled meter readings and system messages are managed and delivered. It allows each DCC Service Provider to set specific times by which scheduled readings must be completed, making the process more flexible and better aligned to operational needs.

The way scheduled read requests are handled has been redesigned. Instead of processing them directly from the database, requests are now placed into dedicated queues for each Service Provider. This makes processing more efficient, reliable, and easier to manage.

A similar queue-based approach is now used for sending responses and alerts back to service users, improving the speed and reliability of communications. To support these changes, new technology platforms have been introduced: Kafka for queueing and Redis for caching. These help ensure the system can handle higher volumes of data more effectively and operate with improved performance and resilience.

Securing Value for Money

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:

- Early Automated System Testing (EAST) is a recent initiative developed by the Contractor to support the concept of pushing quality "left" and automating more of the PIT System Testing activity. CR5641 (DCC set SP Specific Schedule Read Window completion time) will benefit from the EAST approach
- 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;
- delivering cost savings through adopting increased levels of PIT System Test Automation.

Price Breakdown

Detail	Price initial (£)	Price final (£)
Setup Labour Charges	[redacted]	
Core DSP Team Setup Expenses		
ALM Licences		
Infrastructure Third Party		
Third Party: Contingency		
Infrastructure Standard Charges		
Working Capital Charge		
Total Charges		

Table 5 - Price breakdown

Initial IA price (£)	Final IA Price (£)	Difference (%)
[redacted]		**6.7% reduction**

Table 6 - Initial vs final price

Linked CRs/PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
CR5642- – Transactions per second (TPS) Validation Process – Enduring	*This CR covers a formalised process for DCC to request and implement TPS changes. CR5641 covers the existing change requests for TPS whereas CR5742 defines an ongoing process for the changes*	*Cost cannot be compared since the scope of CR5642 was to define a change process for TPS.*
CR5812 - DSP TPS increase for contract extension	*This CR covers additional infrastructure support for the changes implemented under CR5641*	*Costs cannot be compared since CR5812 covers additional infrastructure support for improving performance of activities covered under CR5641*
PR8335- Design Phase for DCC set service parameter (SP) Specific Schedule Read Window completion time	*PR8335 covers the preliminary phase of activities to support the tasks covered under CR5641*	*Cost cannot be compared, since PR8335 covers the initial design phase which preceded the activities covered under CR5641*

Table 7 – Linked CRs and PRs

2.1.2. CR5749|CGI

Drivers for Change

CR5749 relates to the provision of User Integration Testing (UIT) Services to support Test Participants (TPs), CSPs and DCC Service Providers. These services are necessary to support industry testing and to ensure defect fixes, prior to deployment in the Production Environment, are sufficiently tested.

Any change in DSP solution must undergo UIT and the resulting additional testing requirements have been identified as incremental scope to be included within CR5749. Incremental scope refers to any new change which needs to be deployed in the production environment. (e.g.- FSM will be incremental scope post go live/ changes applied during technology refresh will be an incremental scope).

Scope of the Change

UIT is required to ensure that DSP system works as expected across multiple systems, parties, and interfaces (e.g., DSP, CSPs, DCC Service Providers). It confirms that all components interact correctly—not just individual parts. Due to involvement of multiple stakeholders, DCC is required to ensure that all the systems are integrated and compatible across the industry via UIT for each change/fixes/release applied in the DSP solution. Detailed activities in scope are provided below for reference

Core Responsibilities

- Support organisations carrying out testing (known as Test Participants) by helping them run tests, raising service requests, and resolving any issues or defects they encounter.
- Maintain and prepare test devices so they are ready for use, including updating software remotely, reinstalling security certificates, and decommissioning devices where necessary.
- Carry out testing and validation (“proving”) of new system releases, such as firmware updates and new components, before wider use.
- Provide technical support to meter manufacturers and other stakeholders, including for firmware upgrades and specialised testing.

- Manage and coordinate defect resolution, triage activities, and other technical fixes across multiple support teams.

Operational & Governance Activities

- Monitor test environments to ensure they are working correctly before and after changes or deployments.
- Produce regular reports, metrics, and analysis on testing performance, issues, and service quality.
- Attend governance forums (e.g. Change Review Board) and provide communications to customers where required.
- Chair or support meetings related to testing services and performance.

Additional Support Services

- Support industry programmes and changes, such as market-wide settlement reforms and maintenance releases.
- Help organisations set up and test new roles and capabilities introduced into the system.
- Provide enhanced monitoring of service providers to ensure service availability.
- Deliver additional testing support where participants have not completed required testing activities.
- Support automation providers and elective testing services where needed.

Stakeholder & Industry Support

- Act as a central point of coordination for test participants, engaging with them and managing their issues and requests.
- Provide technical and operational support to managed service providers, including device commissioning and configuration tasks.

Securing Value for Money

Based on the scope negotiation with DCC, the Contractor has only applied annual indexation and maintained the same level of resources to support an increased number of test participants as compared to previous years. This approach has demonstrated the Contractor's commitment to implement ongoing efficiency for Testing Services.

Price Breakdown

Detail	Price last year -CR5511 (£)	Price current year-CR5749 (£)	Comments
Setup Labour Cost	[redacted]		
Core DSP Team Setup Expenses			
ALM Licences (test tool used by Contractor and other integrated parties. Charges are defined within Schedule 2.7 of the Agreement)			
Working Capital			

UIT-B Environment Charges-CR4195	[redacted]
Pre-Integration Environment-CR4274	
Total Charges	

Table 8 - Price breakdown

Price last year -CR5511 (£)	Price current year-CR5749 (£)	Difference (%)
[redacted]		**2% increase**

Table 9 - Last year price vs current year price

Linked CRs/PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
CR5511	*CR5511 covered UIT activities for Nov 2024 through Oct 2025 and renewed under CR5749 from Nov 2025 through Oct 2026;*	*As mentioned in the write up above.*
CR4274	*Covered pre-integration environment support charges until Oct 2025, which are now included in CR5749 from Nov 2025 through Oct 2026*	*Increase due to indexation*
CR4195	*Covered UIT-B environment support charges until Oct 2025, which are now included in CR5749 from Nov 2025 through Oct 2026*	*Increase due to indexation*
CR5320 is an extension of CR4470 with a 1-year cross-over period (Nov-23 to Oct-24).	*Consolidated funding of Governance role for UIT in CR5320 has now been added under CR5749*	*Increase due to indexation*

Table 10 - Linked CRs and PRs

Future Considerations

DCC requires the UIT-B Services to meet the Smart Energy Code (SEC) obligations. In addition, UIT-B environment services are necessary to deliver ongoing enhancements to the DSP systems which the Energy industry is dependent upon, including operational fixes.

2.1.3. PR8132|CGI

Drivers for Change

Smart Energy Code (SEC) required DCC's Service Providers to incorporate functional changes in the communication hubs which were built under change CR4391 for DCC (under Great Britain Companion Specification (GBCS) program).[1] The changes were implemented for DCC's three (3) communication hubs Toshiba ("Tosh"), Meter Manufacturer of SMETS2 Devices ("EDMI") and Wistron NeWeb Corporation -

[1] Smart Energy Code (SEC) Modification Proposal (MP) 275: 'Section K changes to support 4G Communications Hubs rollout'

Communications Hub Manufacturer("WNC"). Systems Integration activities post the build was covered under separate changes - Testing (SIT) preparation activity which was undertaken under PR7879 and testing activities for SIT, and User Integration Test (UIT) covered under this PR8132

Scope of the Change

PR8132 is a programme of testing carried out before new firmware (GBCS v4.2) is introduced into the live DCC system. Its purpose is to make sure the changes work properly, don't break anything that already exists, and are safe to release.

The work begins by making sure all test devices are ready and correctly set up. Testing is then carried out in stages across different environments.

First, in System Integration Testing (SIT), the new firmware is tested to confirm that:

- the new features work as expected, and existing functionality continues to operate correctly.

During this phase, the system is also run continuously over time (soak testing) to check overall stability. Any issues found are logged, reviewed, and fixed through a controlled defect process. After fixes are applied, the system is re-tested to confirm problems are resolved and no new issues have been introduced. A final round of testing is then carried out in a separate SIT environment as a further check before moving closer to live deployment.

Following this, User Integration Testing (UIT) is completed. This focuses on making sure the system works correctly in more realistic, end-to-end scenarios. It includes testing different types of communications hubs and configurations to reflect real-world use. The exact test coverage is agreed with DCC in advance.

Additional checks are performed on key areas, including:

- the ability to update devices remotely (Over-the-Air updates), and
- the accuracy of specific data readings and timestamps.

Support is provided throughout this phase to help testers, and any issues identified are assessed and resolved or formally managed before approval to go live.

Overall, PR8132 provides a structured and controlled process to ensure the new firmware is fully tested, stable, and ready before it is deployed into the live environment.

Securing Value for Money

Value for money under this PR8132 is proposed as follows-

1. The System Integration activities were initially proposed as fixed fee, however, were negotiated to be charged under Time & material. Resources provided under PR8132 were provided on a part time basis and the DCC were charged for the actual work completed. This enabled the same resources being allocated to multiple streams of work;
2. Value for money has been achieved through minimised SIT/UIT scope and reduced re-testing, resulting in invoiced costs below the original forecast while maintaining delivery outcomes. This is

evidenced by the monthly invoicing, which is supported by agreed trackers and billing reports, provides the transparency of effort, being reduced due to minimised scope.

3. As the project is of a continuous duration with 6 months or more, the Contractor has provided a [redacted] discount in accordance with the Agreement amounting to £[redacted]

Price Breakdown

Detail	Price initial (£)	Price final (£)
Setup Labour Cost	[redacted]	
Core DSP Team Setup Expenses		
ALM Licences (test tool used by Contractor and other integrated parties. Charges are defined within Schedule 2.7 of the Agreement)		
Schedule 7.1 PR Rate Card Discount (2% for Projects of continuous duration greater than 6 months)		
Labour Contingency at 5%		
Total Charges		

Table 11 - Price breakdown

Initial IA price (£)	Final IA Price (£)	Difference (%)
[redacted]		0%

Table 12 - Initial vs Final Price

Linked CRs/PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
CR4391- SECMP0015 - Gas Proxy Function Timestamp for Reading Instantaneous Gas Values	*GBCS4.2 - Build & PIT*	*N/A as the scope covered under this CR was build, and pre-integrated testing, (first phase of the change for build, followed by SIT testing in PR7879 and UIT testing in PR8312)*
PR7879 - SIT Preparation	*GBCS4.2 - SIT prep activities*	*N/A as the scope covered under this PR was the preceding phase for PR8312*
CR5320 - Adjustments to consolidated funding	*Disaggregation of consolidated funding roles included in PR8132*	*N/A, as CR5320 did not include the cost for this change.*

Table 13 - Linked CRs and PRs

Future Considerations

The activities covered under this PR8132 are required for Industry compliance and will not be repeated (Comms Hub manufacturer to ensure compliance for SBCH and DBC).

2.1.4. PR8151|CGI

Drivers for Change

PR8151 was raised in line with the SEC Release Management policy to ensure Service Providers prepared for and supported the November 2025 SEC system release. The SoW covered end-to-end release activities, including preparation and execution of SIT and UIT, coordination of integration support teams (PIT, SI Triage, and Infrastructure), and delivery of Systems Integrator services such as release and environment management. It also included transition-to-operations activities to enable a controlled and successful go-live.

The release delivered key system and process updates, including:

- MP252[1] (CR5414 and CR5599): Enhancements to the Communications Hub Returns process, including amendments to return handling and updates relating to DSP smart metering system management interface (SSMI) changes.
- GBCS 4.4: Implementation of the latest version of the Great Britain Companion Specification, introducing updated smart metering functionality and compliance changes.

Overall, PR8151 ensured that all necessary testing, coordination, and operational readiness activities were completed to support the safe and effective deployment of these changes into the live environment.

Scope of the Change

PR8151 covered the work needed to prepare for, test, and successfully deliver the November 2025 SEC system release. In simple terms, it required Service Providers to carry out testing, provide support throughout the release, and ensure everything was ready to go live and operate smoothly afterwards.

This included:

- Getting ready for and running testing in both system testing (SIT) and user testing (UIT) environments, to make sure all changes worked as expected.
- Producing test reports during and after testing to show that the system met the required standards before moving forward.
- Providing hands-on support during testing, including specialist teams to investigate issues (triage), resolve problems, and offer technical expertise where needed.
- Managing and coordinating the overall integration work, including project and programme management activities.
- Overseeing release management and maintaining test environments across all Service Providers involved.
- Supporting the move from testing into live operations, including business acceptance testing, handing over knowledge to operational teams, and making final system updates as part of a coordinated go live.

[1] smartenergycodecompany.co.uk/documents/sec/mp252-modification-report-v1-0/

- Providing supporting infrastructure services to ensure systems were stable and available.
- Preparing for and testing the GBCS 4.4 update as part of the release.

The scope also allowed for additional weekend or extended working (up to two weekends) for the SIT team if needed, subject to agreement, to help keep testing on track.

Overall, the scope was about ensuring the system was fully tested, well-supported, and ready to go live safely and with minimal disruption.

Securing Value for Money

The scope outlined in this PR8151 SoW has been progressively refined at each major SEC release, making further savings increasingly difficult to identify and negotiate. After reviewing resource levels, a saving of over £[redacted] was secured across the 'Governance – Finance and Trackers' and 'Governance – PMO' teams, reducing total labour spend in this section by 26.0% to £[redacted] Labour demand decreased from [redacted] days to [redacted] days, representing a 33.1% reduction. This also lowers associated 'Expenses' and 'Contingency' costs, though it reduces any benefit gained from the Schedule 7.1 PR Rate Card Discount set at [redacted] for Projects longer than [redacted] in duration.

Price Breakdown

Detail	Price initial (£)	Price final (£)
Labour cost	[redacted]	
Expenses		
ALM licences		
Schedule 7.1 PR rate card discount ([redacted] for projects longer than [redacted] in duration)		
Contingency		
Total Charges		

Table 14 - Price breakdown

Initial SoW price (£)	Final SoW Price (£)	Difference (%)
[redacted]		2.8% reduction

Table 15 - Initial vs Final Price (1)

The Time and Materials (T&M) pricing structure provided a mechanism for DCC to realise financial efficiencies where actual implementation effort was lower than the estimated efforts. As a result of efficient programme delivery, a further 25.2% saving was achieved against the signed Statement of Work (SoW). The reduction in cost was driven by the successful execution of activities in line with the agreed delivery plan and schedule, together with a lower-than-anticipated level of programme complexity and implementation challenges for a project of this scale and scope.

Initial SoW price (£)	T&M Price- Actuals (£)	Difference (%)
[redacted]		27.2% reduction

Table 16 - Initial vs Final Price (2)

Linked CRs/PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
MP252 (CR5414) – Amending the Communications Hub Returns	*Modifications that needed to be incorporated into the SEC release.*	*N/A, separate scope to this PR*
MP252 (CR5599) – Amending the process for Communications Hub Returns and the DSP SSMI Change	*Modifications that needed to be incorporated into the SEC release.*	*N/A, separate scope to this PR*
PR8149 – Test Heat Map – Nov-25 SEC Release	*Heat Map production which was required for Testing*	*N/A, as PR8149 covered Heat map production only.*
PR8150 – SIOB Attendance & SIT Prep - Nov25 SEC Release	*SIT preparation activities to support PR8151*	*N/A, as PR8150 covered SIT preparation activities which were different to the activities covered in PR8151*

Table 17 – Linked CRs and PRs

Future Considerations

This is the latest of the major SEC Releases where the approach and the deliberation for delivering value for money has focused over time.

2.1.5. PR8298|CGI

Drivers for Change

The 4G Release 2 project is delivering new features that are critical to industry (including DCC) along with several recommended enhancements to the 4G Comms Hubs. This PR has been raised to implement and test those new features: Comms Hubs Heartbeat and Software changes to improve device performance monitoring but also to apply possible fixes to open issues identified during various test phases (including PIT and SIT). This project will enable VWAN mass manufacture go-live and is a critical DCC initiative.

Scope of the Change

This change covers the work required to prepare for, carry out, and support system testing to ensure the release is delivered safely and performs as expected.

In summary, the work to be done includes:

- Preparing all necessary test documentation (plans, scenarios, and scripts), agreeing these with DCC, and ensuring everything is in place before testing begins.
- Creating and setting up the right test data and making sure all tests are loaded and ready to be executed in the test systems.
- Running system testing in stages across different environments to check that systems and interfaces work correctly and producing reports to show whether testing has been successfully completed.

- Planning and executing user-level testing to confirm the system works properly from a business and operational perspective, while managing and resolving any defects that arise.
- Providing a dedicated triage function to investigate issues, prioritise fixes, and support all parties involved in testing on a day-to-day basis.
- Supporting testing activities with technical expertise, including environment setup, system validation, and issue investigation.
- Monitoring the underlying infrastructure throughout testing to ensure systems remain stable, performing well, and available, and resolving any technical issues that occur.

Overall, the scope ensures that testing is properly organised, executed, and supported, with appropriate controls, reporting, and technical oversight in place to deliver a stable and reliable system release.

Securing Value for Money

The Contractor's SIT team and SI Triage team has provided the same resources from previous NECH CRs and PRs to carry out activities under this Project to provide continuity and limit the need for knowledge transfer and handover; 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 SIT. A 'mix and match' approach has been be taken with the tests spread across different meter sets in each UIT test environment, e.g. in UIT-B the CoS test will be conducted on a FOC meter set and in UIT-A the CoS test will be conducted on a MOC meter set; 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; and efficiencies have been leveraged by incorporating the VWAN enhancements into the scope of 4G NECH 4G Release 2 in relation to test management and governance, where if this was planned as two (2) separate releases, a significant additional cost would have been incurred. Similarly, considerations have been made when impact assessing the number of device sets required and estimating the extent of functional regression required.

On the 22 October 2025, DCC Change Owner requested the VWAN requirements, originally raised under CR5742, to be included in PR8298. The VWAN Enhancement Technical requirement document was uploaded to CMS by DCC, and the Contractor's response incorporates these requirements. DCC raised PR8359 on 19th November 2025 to cover the SI PPM activities, that were originally in scope of this PR8298, all scope and associated costs for the SI PPM activities have, therefore, been removed from this PR8298.

Price Breakdown

Detail	Price initial (£)	Price final (£)
Setup Labour Cost	[redacted]	
Core DSP Team Setup Expenses (see UK Expenses tab) - Discounted due to reduced travelling, subject to ongoing review		
ALM Licences		
Schedule 7.1 PR Rate Card Discount ([redacted] for Projects of continuous duration greater than [redacted])		
Contingency as referenced in SoW section 3.1***		
Total Charges		
Schedule 8.8 Charges		
Grand Total		

Table 18 - Price breakdown

Initial IA price (£)	Final IA Price (£)	Difference (%)
[redacted]		20.0% reduction

Table 19 - Initial vs Final Price

Linked CRs/PRs

N/A

Future Considerations

4G Release 2 will deliver the second 4G firmware release, including major enhancements to the VWAN switching capability. The project will implement an improved VWAN solution at mass to our customers that will support a significant improvement to DCC services, giving customers the flexibility to connect to the DCC network via home broadband in low WAN areas.

2.1.6. PR8312|CGI

Drivers for Change

PR8312 is for the provision of release management services covering the planning, co-ordination, and management of any technical change releases from DCC Service Providers for the period 01/11/2025 to 31/10/2026. This is a continuation of PR8007, which covered these services for the previous period from 01/11/2024 to 31/10/2025.

Scope of the Change

PR8312 covers the coordination, governance, and oversight activities needed to manage changes, releases, and maintenance across the DCC systems, ensuring they are planned, controlled, and delivered without conflict or disruption.

In simple terms, the work to be done includes:

Planning and Coordination of Maintenance Windows

- Manage and coordinate planned maintenance activities and infrastructure changes through formal checkpoints.
- Assess whether different changes and releases can safely take place at the same time and identify any dependencies.
- Monitor progress of all changes as they move through test environments into live production, escalating any risks or delays.
- Maintain long-term schedules (up to 2–3 years ahead) for planned maintenance windows and key release activities.

Governance and Stakeholder Engagement

- Organise and run weekly forum meetings with Service Providers to gather updates and track upcoming changes and releases.
- Ensure all parties are aligned on plans, risks, and dependencies through regular governance discussions.

Change Control and Approvals

- Run daily Change Review Boards (and emergency sessions when required) to review and approve deployments into test environments.
- Review and approve release documentation provided by Service Providers to ensure quality and readiness.

Managing Releases Across Environments

- Coordinate and oversee the deployment of changes into test and live environments, ensuring the right support is in place.
- Monitor progress of releases during testing and maintenance windows.
- Ensure all deployments follow agreed processes, including pre- and post-checks and basic validation (e.g. smoke testing).
- Review and align deployment plans (runbooks) with DCC and Service Providers before execution.

Reporting and Documentation

- Provide regular reporting (daily, weekly, monthly) on release progress and status.
- Maintain shared documentation and produce summary reports for each maintenance release.

Environment Management and Code Alignment

- Manage how changes are moved and aligned between different test environments (A-Stream and B-Stream).
- Ensure test environments remain in sync with each other and with the live production system where required.

PR8312 ensures that all system changes and releases are carefully planned, reviewed, coordinated, and monitored, with strong governance and reporting in place. This helps reduce risk, avoid conflicts between changes, and support smooth and controlled deployments into live service.

Securing Value for Money

Historically, change releases for both streams were managed by separate teams under different CRs/PRs. This approach often led to duplicated effort in assessing the impact of updates and deploying the same changes across each stream.

Under the new commercial model, both streams are now managed under a single PR/CR, with one team overseeing the entire process. This has enabled DCC to realise efficiencies and cost savings by utilising a single release window for both streams, alongside a unified governance and support function.

As part of maintaining up-to-date and aligned environments, DCC holds regular monthly sessions with the service provider. These sessions are used to review the volume and complexity of each release, ensuring that costs remain proportionate to the effort involved. Where appropriate, DCC challenges the service provider to maximise the volume of deliverables within each release window.

CGI has also committed to ongoing investment in delivering value for money to DCC. This is achieved through initiatives such as:

- **'Juniorisation'** – deploying more junior team members where appropriate to optimise resource costs; and
- **Release consolidation** – grouping multiple changes into a single release window to drive efficiency.

Price Breakdown

There has been no material change in the labour profile for the SI Release scope compared to the previous year (PR8007). The observed 11% increase in total fees is attributable to contractual indexation and the inclusion of governance resources, which were previously funded under CR5320.

Detail	Price initial (PR8007 Price) (£)	Price final (£)
Setup Labour Cost	[redacted]	
Core DSP Team Setup Expenses		
Schedule 7.1 PR Rate Card Discount ([redacted] for Projects of continuous duration greater than [redacted])		
Total Charges		

Table 20 - Price breakdown

Initial IA price (£)	Final IA Price (£)	Difference (%)
[redacted]		**11% increase**

Table 21 - Initial vs Final Price

Linked CRs/PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
PR8312 – CGI SI Release Management (Nov 25-Oct 26) follows PR8007	*PR8312 is a renewal of PR8007 for the following period of Nov 25 through Oct 26*	*To note that there is no material change in labour profile for the SI Release scope from last year (i.e., PR8007). There's a 11% increase in total fees due to indexation and inclusion of governance resources which were previously funded under CR5320.*

Table 22 - Linked CRs and PRs

Future Considerations

SI Release Management is a key component for maintenance activities undertaken by the Contractor's System for every Change released into the Production Environment. As the planning, co-ordination, and management of releases from DCC Service Providers, will be an ongoing activity, DCC would incur these costs on an ongoing basis

2.1.7. PR8448|CGI

Drivers for Change

The DSP solution is based on a design that is now several years old. As a result, elements of the current hardware estate have either reached, or are approaching, End of Vendor Support (EOVS). Once technologies reach this point, they no longer receive vendor updates or security patches, significantly increasing the risk of cyber-attacks, system vulnerabilities, and potential service failures.

To ensure the continued security, stability, and compliance of the platform, it is critical to upgrade these technologies before they reach EOVS.

To address this risk, it is necessary to progress a number of early activities originally planned under related initiatives, including:

- Tech Refresh – HSM and DataPower upgrades (CR5743)
- DPS TPS increase (CR5812)
- F5 upgrade (PR8305)

Advancing these activities now will support timely security risk mitigation for infrastructure already at EOVS and ensure appropriate alignment of funding and delivery for these early phases.

Scope of the Change

The scope of works covers the initial activities required to support the upgrade of critical infrastructure nearing or at End of Vendor Support. This includes the procurement of Hardware Security Modules (HSMs) and associated components, as well as coordinating their secure delivery to the Celtic Technology Centre and Waterton data centres in collaboration with the vendor. Upon receipt, the equipment will undergo quality checks before being installed (racked) in accordance with established change management processes and data centre access control procedures.

The work will be carried out in close coordination with the Contractor's Security Architect to ensure full compliance with Chain of Custody requirements, with all handling, transfer, and installation activities documented appropriately. The Asset Register will be updated to reflect the new equipment, ensuring accurate and auditable records are maintained. In parallel, mobilisation and planning activities will be undertaken to support the F5 upgrade under PR8305.

Securing Value for Money

The total third-party charges under PR8448, relating to the Hardware Security Modules (HSMs) previously within the scope of CR5743 and CR5812 amounted to £[redacted] This represents an overall saving of approximately £2.8m when compared to the applicable list pricing for the HSM procurement.

The cost reduction was achieved through a combination of volume-based discounts and time-limited commercial incentives. Specifically, the procurement was aligned to the third party's end of year sales cycle ahead of the UK financial year end, which created a commercial opportunity to secure enhanced discounts beyond standard pricing arrangements. These discounts were actively negotiated by CGI in collaboration with DCC, leveraging both the scale of the requirement and the timing of the order to maximise value for money.

Price Breakdown

Detail	Price initial (£)	Price final (£)
HSM procurement	[redacted]	
HSM Procurement		
F5 mobilisation and planning		
Total Charges		

Table 23 - Price breakdown

* Reduction in cost due to bulk order of HSMs before financial year end. Quote attached as evidence.

** As the total ROM for CR5812 included other infrastructure cost estimates, this cost is calculated based on the original quote (as attached for evidence) plus relevant margins.

Initial IA price (£)	Final IA Price (£)	Difference (%)
[redacted]		36% reduction

Table 24 - Initial vs Final Price

Linked CRs/PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
CR5743 - DSP Extension Technology Refresh 3.5- HSM and DataPower	*This CR covers upgrade for HSM's which were procured under a discounted rate under PR8448. Part of in life and end of life standalone.*	*As the procurement of HSM's was descoped from CR5743 and added under PR8448, the charges cannot be compared.*
PR8305 - DSP F5 Firmware Upgrade to v17.5	*Mobilisation of the F5 upgrade program was included under PR8448 to avoid any security risks while the governance approvals were in progress for PR8305. Part of in life and end of life standalone.*	*As mobilisation of F5 upgrade was descoped from PR8305 and added under PR8448, the charges cannot be compared.*

Table 25 - Linked PRs and CRs

Future Considerations

This will not be applicable since the services will be transitioned to DSP 2.

2.1.8. New Contracts & Other Contracts

Not applicable

These items meet the criteria to be deemed as 'low risk' and we would not expect this to be scrutinised by Ofgem unless a specific concern emerges.

2.1.9. Grouped CRs and PRs with an incurred cost >£1m

Below contains a list of smaller PRs that are linked and sum to greater than £1m.

GBCS 4.2 | CGI

Five PRs totalling £[redacted] (PR7879, PR8045, PR8101, PR8132* **(***also individual material***)**, PR8381). DCC is mandated to deploy updated firmware to all operational Communications Hubs in line with each iterative version of the Great Britian Companion Specification (GBCS). The PRs make up a variety of SIT /UIT support.

The programme's objective is to deliver on DCC's mandate under the SEC to deploy and maintain Communications Hub firmware in line with evolving versions of the GBCS (currently v4.2), ensuring that all devices continue to meet the detailed technical, security and interoperability requirements governing communications between smart metering devices and the DCC network, and therefore remain compliant with the national smart metering system architecture.

Scaling and Optimisation | CGI

CRs totalling £ (CR5614, CR5641* *(section 2.1)*). CR5614 addressed a scheduling issue that can cause artificial network congestion by clustering Service Requests, with the solution aimed at improving distribution and reducing this risk. CR5641 introduced configurable scheduling controls and a redesigned, queue-based processing architecture to improve the handling and distribution of Service Requests across CSPs and Service Users. This is designed to enhance the management of TPS and overall network capacity.

2.1.10. RIGs cost variances

These items meet the criteria to be deemed as 'low risk' and we would not expect this to be scrutinised by Ofgem unless a specific concern emerges.

Programmes have requirements from CGI to make changes to the DSP to support the delivery. In RY25/26, variations >£1m are visible in the RIGs for CGI, which are described below:

RIGS Annex 3 reference	RY25/26 variance	Description
3a-DSP – Network Evolution – FSM	[redacted]	See chapter FSM: The variance for 'Network Evolution – FSM' is driven by new PRs all under the £1m threshold for individual CR/PR reporting.
3a-DSP – vWAN		See chapter vWAN. The variance is driven by CR5303 and PR8298 – NO-WAN CADg post PIT activities. PR8298 spans a couple of categories, therefore is explained in section 2.1.5 in this chapter.
3a-DSP – User gateway connections		The variance is driven by changes associated with DCC User Gateway connectivity and related industry-facing tools.
3a-DSP – CH&N – systems integrator		This cost variance is due to allocation of add-back financing, value of [redacted].
3a-DSP – SMETS2 PRs/CRs		Material CRs/PRs described in Section 2.1. Excludes [redacted] of future change that was not yet allocated CR/PR numbers and therefore is a reduction compared to forecast.

Table 26 - Other material RIGS cost variances – CGI

2.2. VMO2 - Communication Service Provider Central and South

Ref	Description
CR4279	GBCS 4.2 Release – PIT, SIT, UIT and Pilot activities
CR5563	VM02 SIT-A and UIT-B stream extension Central - South extension to CR4893
CR5796	Provision of 2G Connectivity in the North

Table 27 - Summary of Material CRs/PRs for VMO2

2.2.1. CR4279|VMO2

Drivers for Change

DCC is mandated by SEC Licence to deploy new firmware to all operational Comms Hubs in line with each iterative update of Great British Cert. Standards (GBCS).

The purpose of this single Change Request (CR) is to enable efficient commercial process management for GBCS 4.2 which will oversee end to end implementation from Design, Build, Testing and subsequent implementation / rollout into live service.

Scope of the Change

The requirement of this CR is for Communication Service Providers (CSP's) to provide timeline and costs for the GBCS (Great British Cert. Standards) 4.2 end to end plan, meaning the entire release from design, Build, Pre-Integration Testing (PIT), System Integration Testing (SIT), User Integration Testing (UIT) and Pilot (not including the design and build work covered by PR7529) with appropriate risks and assumptions.

Contrary to the commercial approach adopted for GBCS 4.1, which utilised separate PIT and Post-PIT change requests (CRs), this release will adopt a single CR approach. The previous model was assessed to be administratively high, introducing additional complexity in accurately identifying and tracking run costs, and resulting in extended timelines and duplication of commercial processes. The single CR approach is therefore considered a more efficient and controlled method of delivery. Any deviations relating to scope, timeline, or quality will be managed through the formal change control process, with escalation routed via the Programme Manager and, where required, to the SIOB for review and decision.

CSPs are required to develop their planning assumptions based on experience from previous GBCS releases. These assumptions must be validated directly with DCC Functional Leads, including key elements such as phase entry and exit criteria and indicative phase durations. Governance and oversight will initially be provided through the existing GBCS 4.1 SIOB until the GBCS 4.2 SIOB is formally established.

CSPs must also identify and document detailed delivery risks using the same format and templates applied in GBCS 4.1. A summary of these risks must be presented to and validated by the GBCS 4.1 SIOB.

In addition, CSPs are required to provide clear and unambiguous cost information, broken down by delivery phase, including Design, Build, PIT, SIT, UIT, and Pilot. This should exclude any Design and Build activities already covered under PR7529. This level of clarity is required to support DCC's need to demonstrate transparency of programme spend and value for money to industry stakeholders.

CSPs must also explain how lessons learned from previous GBCS releases have been applied to their planning approach.

DCC will raise a Project Request (PR) for the CGI Heatmap at the earliest opportunity. In the interim, CSPs should engage with the DCC Product Lead and the CGI Programme Manager to confirm and align on the baseline assumptions for SIT entry.

Securing Value for Money

DCC is required to maintain compliance with the latest version of GBCS under the SEC and therefore must ensure that CSPs (Arqiva and VMO2) deploy updated firmware across all operational Communications Hubs to meet GBCS 4.2 requirements. As this is a mandatory regulatory change, DCC has taken steps to ensure that associated costs represent value for money.

To achieve this, DCC conducted detailed technical engagement sessions with the suppliers to define and validate the scope of work, ensuring that requirements were clearly understood and accurately captured. The Statement of Work was subject to robust internal challenge and review, across multiple DCC functions to remove ambiguity, confirm alignment to requirements, and ensure that only necessary activities were included.

This process resulted in a clearly defined and agreed scope that is directly aligned to delivery requirements, with costs assessed as reasonable, proportionate, and consistent with expected budget baselines, thereby supporting a strong value-for-money position.

Price Breakdown

The £[redacted] spend for CR4279 is included in the DCC forecast and Annual Business Plan 2025-26, and comprised of the following Board-approved amounts:

- £[redacted] approved under the November 22 SEC Release Board paper
- £[redacted] apportioned from the underspend on the Arqiva £[redacted] approved under the November 21 & November 22 SEC Release Board papers

The remaining £[redacted] apportioned from the contingency pot in the November 22 SEC Release Board paper.

Detail	Price initial (£)	Price final (£)
Telefonica	[redacted]	
TEF Contractors		
Accenture		
Toshiba		
WNC		
Other Non-Resource Setup		
Total Direct Charges		
Non-Direct Charges		
Total Charges		

Table 28 - Price breakdown

Initial IA price (£)	Final IA Price (£)	Difference (%)
[redacted]		**5% reduction**

Table 29 - Initial vs Final Price

Linked CRs/PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
PR8465	*WNC OTA +1 Image File* *Additional Requirement from Test Assurance to prove upgrade pathway*	[redacted]
PR7529	*Design and Build* *Main CR covers testing; this PR covers the design and build of the firmware*	
PR7768	*D&B (Updated based on WNC MR)* *This was a small-scale maintenance release to deliver 31 defect fixes from prior GBCS releases, 12 WNC internal fixes, 2 other fixes and 1 Change Request.*	
PR8063	*Toshiba Expedited Maintenance Release* *This was a small-scale maintenance release to fix a single, low-complexity defect,*	
PR7993	*PIT Resource Mobilisation* *After customer engagement, this PR was to condense delivery timelines by bringing in more VMO2 dedicated resources to mobilise the project.*	

Table 30 - Linked CRs and PRs

Future Considerations

This is a SEC requirement to maintain latest firmware versions of communications hubs and will continue to be required for the life of the contract.

2.2.2. CR5563|VMO2

Drivers for Change

DCC has an obligation under the SEC to maintain two streams of test environments, Stream A and B, for Pre-Integration Testing (PIT), System Integration Testing (SIT) and User Integration Testing (UIT), to assure changes to DCC's infrastructure before the changes go live. For the CSP Central and South region, Stream A environments were included as a service in the original Telefonica contract since 2013, whereas Stream B environments were introduced by VMO2 as a new service via change control in 2016, after a cross-industry workshop.

SIT A and UIT B were last extended under CR4893 for a 24-month period from 1st August 2023 to 31st July 2025. CR5563 now seeks to extend these for a further 18-month period from 1st August 2025 to 31st January 2027, to allow sufficient time for VMO2 contract extension negotiations to conclude, where DCC will seek to include the provision of these environments as an ongoing service within the extended contract.

Scope of the Change

The VMO2 System Integration Test (SIT A) and User Integration Test (UIT B) environments are required to support the ongoing testing of new releases. This change extends the current provision of these environments to 31 January 2027 to ensure continuity of testing capability.

Subject to CAN approval, VMO2 will continue to provide and support the SIT A and UIT B environments for the duration of this extension. In parallel, VMO2 will undertake the migration of selected supporting services, specifically Mesh, MeshCA, DNS, HSM, and the DSN Firmware File Store. To a cloud-based infrastructure as a preparatory step towards full cloud migration. It should be noted that testing within these environments and the transition to live operation as a cloud-based solution will be subject to a future Change Request and are explicitly out of scope for CR5563 and this CAN.

Securing Value for Money

This CR continues the provision of SIT A and SIT B, an existing service. DCC challenged and compared the cost increase from the previous CR, as there was an annual uplift by c£[redacted]

From challenge, DCC understood these to be viable cost increases due to indexation and the increase of third-party costs. DCC had forecasted for these uplifts, and the price was £100k below initial budget, indicating value for money.

Price Breakdown

Detail	Price initial (£)	Price final (£)
Previous Contract charges	[redacted]	
New contract (1.5-year contract)		
Set Up (One off)		
Total Charges		

Table 31 - Price breakdown

*This relates to the total current charges for the contract and does not include the previous contract charges.

Current Charges (under CR4893)	New Charges (under this CR5563)	Difference (%)
[redacted]		**6.28% increase**
		6.37% increase

Table 32 - Initial vs Final Price

*Pro-Rated Costs per annum for [redacted]-year agreement.

Linked CRs/PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
CR4893	*SIT A and UIT B were last extended for a [redacted] period from 1st August 2023 to 31st July 2025*	[redacted]

Table 33 - Linked CRs and PRs

Future Considerations

The current testing provision has been extended for [redacted] months only to allow any future requirement to be incorporated into the overall contract extension through to 2033 as Fixed Operating Costs (FOC) charges to mitigate future CR extensions. This provision also aligns to a cloud first approach to infrastructure provisions.

2.2.3. CR5796|VMO2

Drivers for Change

This Change formalises the activation, connectivity, and support of up to 100,000 VMO2 Communications Hub devices installed by DCC Service Users in the CSP North region (currently provided by Arqiva), and importantly, outside VMO2's contractual Coverage Area in the Central Region. These devices have been deployed non-compliantly by industry and outside of DCC's control, due to the perceived strong performance associated with the use of VMO2 Communications Hubs within the North Region.

This Change has received endorsement via OFGEM and led to the introduction of SEC MP308[1] which mandated the costs being proportioned out to industry. This Change was also subject to Ministerial and DESNZ instruction for DCC to contract with VMO2 to enable to service continuity.

Reason for change: These Hubs require activation, connectivity, and ongoing support through VMO2 to maintain continuity of service, especially during the winter period, until such time as they are decommissioned and replaced by DCC Service Users.

Activation, connectivity, and ongoing support services for the Communication Hub units fall outside the scope of the current Agreement with VMO2 and are excluded from its provisions.

Scope of the Change

Provide network coverage and support of 2G devices in the North, outside of current contractual requirements of VMO2, to support Service Users in achieving connectivity of these devices.

Following CAN approval, VMO2 will continue to provide support for Out of Region devices on the VMO2 network for a minimum 5-month term and then on a monthly arrangement thereafter until those devices are decommissioned or changed to 4G devices up to a maximum of 100,000 devices.

Securing Value for Money

DCC was mandated by SEC to provide this service, seeking agreement via the appropriate governance that customers are happy with the charges. The charges are a direct pass through to our energy customers, with no markup.

Customers wanted flexibility in this agreement as they anticipated removing the devices to avoid incurring this additional cost from VMO2. However, VMO2 insisted on a fixed cost of £[redacted] per month until the end of the contract Term (31 October 2028) and wanted to ensure the devices were accounted for on a permanent basis. DCC were able to negotiate the service to be in place for an initial 5-month term with the optionality of moving to a rolling contract, should the services be required beyond this period.

Price Breakdown

[1] Ofgem decision to approve SECMP308: Out of Region Communications Hubs

Pricing: The total charge for a minimum of [redacted] for implementing this change under CR5796 is £[redacted] This charge is comprised of the following elements:

- A monthly charge of £[redacted] for an initial [redacted] period from 1 January 2025
- Should the requirement remain after the initial [redacted] term monthly charges will continue at a charge of £[redacted]
- DCC must give 30 days' written notice to terminate the agreement

Detail	Price initial (£)	Price final (£)
Monthly charge for max 100,000 Comms Hubs	[redacted]	
Total Charges		

Table 34 - Price breakdown

In negotiating away VMO2's request to contract with the devices on an enduring basis and in line with the contractual term, DCC was able to secure **c.**[redacted] in cost avoidance at the point of contract signature.

Linked CRs/PRs

N/A

Future Considerations

Impact if not changed: Such Communication Hub units fall outside the CSP Central Coverage Area and, being designed for exclusive operation within the Contractor's Solution, are not interoperable within the CSP North Coverage Area which is operated by another DCC Service Provider.

Consequently, impacted energy customers will be unable to undertake top-up transactions or access the functionalities and benefits associated with smart metering under this Agreement.

DCC will also not have any contractual mechanism to provide connectivity or support in respect of Out of Region Communication Hub installations.

2.2.4. New Contracts

Not applicable.

2.2.5. Other key contracts

Not applicable.

2.2.6. RIGs cost variances

These items meet the criteria to be deemed as 'low risk' and we would not expect this to be scrutinised by Ofgem unless a specific concern emerges.

Programmes have requirements from CGI to make changes to the DSP to support the delivery. In RY25/26, variations >£1m are visible in the RIGs for VMO2, which are described below:

RIGS Annex 3 reference	RY25/26 variance	Chapter and description
3d – CSPS - Comms Hub Monthly Asset Charge	[redacted]	See Supplementary Schedules – Tab 6.

Table 35 - Other material RIGS cost variances – VMO2

2.3. Arqiva - Communication Service Provider North

There were no CRs/PRs with a value above £1m signed with Arqiva during RY25/26.

2.3.1. RIGs cost variances

These items meet the criteria to be deemed as 'low risk' and we would not expect this to be scrutinised by Ofgem unless a specific concern emerges.

In RY25/26, variations above £1m are visible in the RIGs for Arqiva, which are described below:

RIGS Annex 3 reference	RY25/26 variance	Description
3b – CSPN – SMETS2 PRs	[redacted]	The majority of this cost variance is PR8117 with a value of £[redacted] (as contracted). In last year's price submission, we explained PR8117 was to complete the delivery of S&O Phase 2 Drop 2. This contract was signed late in RY24/25 and therefore value was not included in our forecasts. The net variance for SMETS2 CRs & PRs is (£[redacted] when accounting for reductions in 'Future Change/Project cost' and lower than expected CR costs. Other new PRs for Arqiva do not meet the £1m materiality threshold.

Table 36 - Other material RIGS cost variances - Arqiva

3. Appendix

The following table sets out all CRs and PRs signed in RY25/26 with a value greater than £1 million, and the chapter in which the write-ups are located.

Ref	Description	Supplier	Chapter	RIGs category / FSP
CR4279	GBCS 4.2 Release Scoping end to end (PIT, SIT, UIT, Pilot)	VM02	This chapter	S2 CRs / CSPN
CR5303	NO-WAN - CADg - Post PIT Activities	CGI	vWAN	4gCRs / CH&N_DM
CR5534	Future Connectivity - North Requirements and Delivery Plan	Accenture	Future Connectivity	4gCRs / CH&N_DM
CR5534	Future Connectivity - North Requirements and Delivery Plan	Vodafone	Future Connectivity	4gCRs / CH&N CH
CR5563	VM02 SIT-A and UIT-B stream extension Central - South extension to CR4893	VM02	This chapter	User integration: testing / CSPC
CR5641	CC set SP Specific Schedule Read Window completion time	CGI	This chapter	S2 CRs / DSP
CR5664	Vodafone Permanent Ops Support	Vodafone	SMETS1	S1 CRs / CSP
CR5673	Toshiba Post PIT - NO-WAN - CADg - Delivering SMART METER services to consumers where no DCC SMWAN available	Toshiba	vWAN	vWAN / CH&N vWAN
CR5749	CR5511 (UIT Base Services (Changes to CR5511 for Contract Year Nov 25 to Oct 26)	CGI	This chapter	User integration: testing / DSP
CR5796	Provision of 2G Connectivity in the North	VM02	This chapter	S2CRs / CSPC
MSAC0003	Policy Enforcement Point (PEP)	IBM	DSP	Set-up / DS_MF
MSACC0002	Two SRG Releases (Pass Through and Full)	IBM	DSP	Set-up / DS_MF
PR8132	GBCS4.2 - SIT/UIT Support	CGI	This chapter	S2 CRs / DSP
PR8151	Post-PIT PR - SITB only - Nov25 SEC Release	CGI	This chapter	S2 CRs / DSP
PR8208	DCO Re-procurement - SI/TRT/Testing Support & Gamma work	CGI	SMETS1	S1 PRs / DSP
PR8254	Statement of Work - SMETS1 ANSO FOC TRT support	CGI	SMETS1	S1 PRs / DSP
PR8298	NECH 4G Release 2	CGI	This chapter	4g PRs / DSP
PR8312	CGI SI Release Management (Nov25 - Oct26) - follows PR8007	CGI	This chapter	S2 PRs / DSP
PR8326	Incumbent SI and DSP support to DCC Connect cutovers	CGI	DSP	Network evolution - DSP /DSP
PR8333	Toshiba MR2 Design & Build (Interim Cover for CR5717 - Mid Oct 2025 - Mid Jan 2026)	Toshiba	CH&N	4g PRs / CH&N_CH
PR8448	DSP Tech Refresh 3.5- Interim approach	CGI	This chapter	S2 PRs / DSP

Table 37 - CR and PRs with contract values greater than £1m