



DCC Price Control RY24/25 – Proposal for Relevant Adjustment to the BM values

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1. Executive Summary

Summary

What is this and why is it important?

The Baseline Margin Adjustment (BMA) mechanism allows DCC to apply for additional Baseline Margin each year to reflect additional work undertaken, or forecast to be undertaken, by DCC.

RY24/25 application

This year we are applying to increase the BM by £[REDACTED] over the next 2 years and 7 months. For RY24/25 we are applying for an adjustment of £[REDACTED]. We propose that the adjustment date is 1 April 2026 – therefore recovered from RY26/27 charges. This application reflects the additional activity that DCC has had to undertake since 1 April 2024 until the estimated business transfer date.

This year we have introduced two new application grounds which are 'Certainty – vWAN' and 'Certainty - Future Connectivity'.

This application should be reviewed alongside the BMA model which is included as part of this submission. We ran through the methodology applied in the BMA model with Ofgem colleagues on 9 July 2025. The model has also been independently assured.

Future activities and costs

For RY25/26 we are applying for £[REDACTED] (this reflects an adjustment to the forecast submitted last year) and for RY26/27 we are applying for £[REDACTED] (it is the first year we are applying for BM for RY26/27). We propose that the adjustment date is 1 April 2026 for all years – therefore recovered from RY26/27 charges.

2. Background and context

The Baseline Margin adjustment (BMA) mechanism allows DCC to apply for an adjustment ("Relevant Adjustment") to the Baseline Margin values specified in Appendix 1, Condition 36 of the Licence.

The mechanism was included in the Licence with the aim of recognising and acknowledging the level of risk and uncertainty that DCC was facing over the course of the Licence term. The adjustment mechanism is intended to ensure that DCC is compensated for material changes in certain activities that are part of our Mandatory Business i.e., a change in the volume, characteristics, risks, or timescales of these activities.

The costs we incur are a key driver of the revenue we recover from customers and ensuring value for money is therefore a critical objective for the business.

2.1. Overview of BMA drivers

DCC has achieved a significant amount over the last reporting year and has a strong pipeline for the forecast years. These activities have led, and will continue to lead, to material changes in our

Mandatory Business. We also believe that these activities add significant value to our customers and end consumers for the following reasons:

This year's application is based on the following assumptions:

- **Internal Costs:** the costs underpinning this application are those defined as Internal Costs. DCC is applying for resource related internal costs (payroll, non-payroll and recruitment¹) as well as non-resource costs, such as accommodation (AC), IT, internal services (IS) and external services (ES). All materially variant non-resource costs have been justified and explained in the main price control submission. Note that because the obligation is on DCC to return margin claimed on costs from previous submissions that have not been incurred, some activities within the application are a combination of positive and negative costs – for example, positive costs in the incurred year that drive margin, and negative costs (money to be returned to customers) in a forecast year.
- Our systems are now able to provide much more granular data, and so we are able to allocate margin across different programmes. For example, where a role has worked on multiple programmes which attract different BMA grounds we are now able to spread the cost, and hence margin, correspondingly. We have described this change and ran through the methodology applied in the BMA model with Ofgem colleagues on 9 July 2025 where no concerns were raised around this approach.
- This year, the model has also been independently assured. That assurance report is provided alongside the Price Control submission and concluded that governance mechanisms were effective, models and data flows well structured, and no issues are outstanding which represent a material risks of error to the accuracy of data for the RY24/25 submission.

We have assigned the following grounds to our sub-programmes (see Table 1 below).

¹ Note DCC only applies for payroll variances given materiality but may apply for non-payroll and recruitment should there be material and economically justifiable variances.

Sub-programme	Grounds
Baseline Margin Core	Certainty - Facilitating Additional Relevant Service Capability
	Certainty - People Transformation
	Change to DCC's Supply Chain Structure - Increase in Commercial Activity
	Increase in Customers
	Operational Change - Ops - Service Standard Expectations
	Regulatory Requirements
	Supporting a Changing Business - Support - Resourcing Planning and Management
	Technology Driven Change - Security Driven Change
	Technology Driven Change - Tech Trans - General
	Certainty - SMETS1
Baseline Margin Net Evo - Core Baseline Margin Net Evo - CH&N (P4) Baseline Margin Net Evo - DSP (P5) Baseline Margin Net Evo - PKI (P6) Baseline Margin Net Evo - FSM ² (P7) Baseline Margin Net Evo - TAF	Certainty - Network Evolution
Baseline Margin - ECoS (P3)	Certainty - ECoS
Baseline Margin - MHHS	Certainty - MHHS
Baseline Margin - Future Connectivity	Certainty - Future Connectivity [NEW]
Baseline Margin - vWAN	Certainty - vWAN [NEW]

Table 1 – Sub-programmes mapped to grounds

- **Non-resource data:** we have included the BMA values for each driver for each activity in this document. Please note that there are several identically named activities in some of the tables below. This is because the tables are grouped by ground rather than cost centre. If two cost centres have an activity with the same name, applied for under the same ground, it will appear as if it is a duplicate – this is not the case and are different transactions.
- **Grounds applied for in previous years:** these activities were justified and allowed by Ofgem in previous years. Subsequently, either additional costs have been incurred and/or the required level of certainty for inclusion has now been met. We refer to these throughout the document as having incurred “**increased levels of certainty**”.
- **New Grounds:** as we increasingly evolve into a multi-programme business, additional grounds are being identified. We are of the view that some of these grounds formed part of the original LABP but were neither fully scoped nor costed at the time. We are proposing two new grounds this year for the Future Connectivity and Virtual WAN Programmes. Neither of these activities were costed in the original LABP. Because of this, these costs meet the basic definition of a BMA adjustment as they were not fully scoped in the LABP and they have been economically and efficiently incurred.
- **Switching costs:** internal costs for the Central Registration Service are excluded from this application. For that reason, the BMA model does not take account of switching costs. To avoid any form of overlap, and where no clear and eligible ground exists, we have also excluded any

² Formerly known as DSMS

baseline costs belonging to roles that primarily sit under the Switching programme. Separate arrangements were put in place for the Switching Programme.

- **Identifying those costs which are excluded or ineligible for the application (no grounds):** historically, DCC has not always applied for margin for all new costs incurred within a regulatory year. In those instances, unless new grounds can be identified, DCC has missed the window in which we could have applied. In other cases, DCC has not attempted to apply because we could find no new grounds. As is the case with rejected grounds, roles that either missed the “window of opportunity” or are deemed not eligible for additional margin, are labelled in the BMA model as “**No Grounds**”.
- **Materiality and negative costs:** Ofgem’s Price Control Processes and Procedures document makes clear that DCC should only apply for margin where there is a material change to the company’s activities. This materiality can be either as a result of a large individual activity or a number of smaller incremental activities. We have applied this principle in the submission where we consider appropriate. We have also applied the principle that where we have previously had the benefit of BMA being awarded for forecast years but the costs that generated this forecast have not fully arisen, we are returning the costs by applying for a negative adjustment. This does result in DCC needing to apply in some cases for a small amount of margin in the incurred year, to allow for overpaid margin to be returned.
- **Materiality thresholds:** We have applied for margin on certain items of expenditure that are below the £0.150m threshold as the general principle of the BMA is that it is designed to remunerate DCC’s expenditure on activities that are within scope of the licence but not funded through the LABP or prior BMA applications. Failing to apply for margin in the first available window puts us at risk of Ofgem rejecting margin in future years because of “missing the window”. Given this possibility, our application is entirely appropriate.

The following sections specifically set out and explain the drivers for cost variations that have either previously been used by DCC and approved by Ofgem, and new drivers.

3. Proposed Relevant Adjustments to the BM values

The Baseline Margin adjustment (BMA) mechanism allows DCC to apply for an adjustment ("Relevant Adjustment") to the Baseline Margin values specified in Appendix 1, Condition 36 of the Licence. This year we are applying for the following BM adjustment:

	BMA 24/25 (£m)	BMA 25/26 (£m)	BMA 26/27 (£m)	Total (£m)
Baseline Margin Core				
Baseline Margin Project 2: SMETS1				
Baseline Margin Project 3: ECoS				
Baseline Margin Project 4: Net Evo – CH&N				
Baseline Margin Project 5: Net Evo – DSP				
Baseline Margin Project 6: Net Evo – PKI				
Baseline Margin Project 7: Net Evo – FSM				
Baseline Margin: Net Evo – TAF				
Baseline Margin: MHHS				
Baseline Margin: Future Connectivity				
Baseline Margin: vWAN				
Total				
Adjustment date				

Table 2 – Summary of relevant adjustment to the BM values (2025 application) – in 24/25 prices

We are proposing that all three years are recovered in the RY26/27 charging statement i.e. an adjustment date of 1 April 2026. This is because the RY26/27 Charging Statement will be the final Charging Statement up to the Business Transfer Date. The BMA applied for in RY26/27 covers the period from 1 April 2026 to 31 October 2027 i.e. up to the expected Business Transfer Date.

DCC considers that the activities included in this application are in scope of the LABP, and that the additional costs relate to elements and activities that were part of DCC's remit at the time of the Licence bid, but not fully scoped or costed. In accordance with our Licence, the relevant activities that form the basis of this application meet the materiality threshold³ either through:

- a discrete material change.
- an aggregation of non-material incremental changes.

Consistent with our approach last year we have applied for expenditure below the £0.150m materiality threshold Ofgem. We consider it is entirely appropriate for DCC to apply for smaller amounts given the potential for them to become larger in future and given the potential for Ofgem to reject applications for DCC missing the application window.

In line with previous years' applications, we have applied a [REDACTED] margin to RY24/25 BMA application. We consider that a [REDACTED] margin is acceptable given the nature and level of risk and uncertainty that is associated to the activities we carry over the course of our Licence term. A [REDACTED] margin also

³As required by Licence Condition 36, Appendix 2, Part A, A3

represents the same level of margin that was agreed at the time of the Licence bid, which was established through a competitive tender.

For 25/26 onwards we have applied [REDACTED] consistent with Ofgem's September 2024 decision to reduce the margin rate from 1 April 2025. We have also reduced the shared service charge rate from [REDACTED] to [REDACTED] to reflect that same decision.

DCC confirms that this notice is being served on or before 31 July 2025, which is consistent with the requirement to serve the Notice at any time during the month of July ("the Application Window").

The tables in [Appendix 1](#) provide a summary of the BMA for the RY24/25 Relevant Adjustment⁴ based on the relevant activities included in this document. Detailed calculations are contained in the accompanying BMA model provided to Ofgem this year as part of the submission.

3.1. BM indexation

The main RIGs template contains an indexation series which is applied to the BM values to convert between nominal prices (which our application and the subsequent award are measured in) and real 2013/14 prices (which Ofgem uses to compare to the original Licence Award). In December 2023, Ofgem decided to change the DCC BM inflation index from RPI to CPI-H from RY24/25 onwards.

In the draft RIGs published by Ofgem in May 2025, the calculation of this change was applied incorrectly. DCC highlighted this error to Ofgem (including in our June 2025 consultation response). Ofgem had acknowledged this and committed to provide an updated RIGs for this year's submission. Following several discussions, on 25 July 2025, Ofgem shared with us the RIGs to bring this change into effect. Unfortunately, the indexation formula was still not being applied correctly, and we raised our concerns with Ofgem on 28 July 2025 and then again on 30 July 2025 when the template was eventually corrected to reflect the principle that CPI-H should only apply to new applications from 24/25 onwards and that prior year awards should continue to use the RPI series. However, given we have had to make this change one day before submission (and after our assurance was completed) there is a risk of unintended consequences to other parts of our submission. If any post-submission adjustments are identified as a result of this late change, we expect Ofgem to recognise these.

Note that this does not impact this BMA application (which is in nominal terms) but is critical in establishing the indexation applied to prior year awards.

4. Drivers of Cost Variances

This BMA application is based on variations to DCC's Mandatory Business⁵, which either occurred over the course of RY24/25 or are likely to take place in the future. The completion of this application is in accordance with Ofgem's most recent guidance⁶, and fulfils the requirements as set out in Appendix 2 of Licence Condition 36.

The BMA mechanism in the Licence has the purpose of recognising the level of uncertainty associated with the nature, risk and scope of DCC's mandatory business over time. It is intended to ensure that DCC is compensated when material changes emerge to the scope, timescales and/or volumes of the mandatory business compared to those envisaged at the time of the LABP. The LABP recognised that

⁴ As required by Licence Condition 36, Appendix 2, Part A, A5(a)

⁵ For definition see Paragraph 1.4 of the Licence.

⁶ See <https://www.ofgem.gov.uk/publications-and-updates/dcc-price-control-guidance-processes-and-procedures-0>

throughout the duration of the SMIP, changes to the scope, timescales and volumes were likely and would lead to a consequential change to resources and costs. For that reason, the LABP included a list of potential activities i.e., risks and uncertainties, which are material in nature, and which were excluded from the baseline costs, due to these costs being uncertain at the time. Ofgem has historically approved DCC's BMA applications where we have demonstrated that the costs for these LABP uncertainties had materialised.

It is important to note that these costs are largely due to the expansion of our remit where we have been asked to undertake new activity. DCC continues to focus on delivering as efficiently as possible and seeking to reduce the cost to serve customers over time. We are putting in place a range of improvements to allow us to analyse our costs, benchmark them, and ultimately drive efficiencies.

An overview of these variations is provided in this document together with a justification and rationale for the inclusion of each specific relevant activity. The justification of costs and evidence of economic and efficient spend however is included in the relevant documents of DCC's RY24/25 Price Control submission.⁷

In summary, this year's application includes:

- Thirteen drivers for variances included in previous years' BMA applications where activity has continued into RY24/25 and/or beyond.
- There are two new drivers this year, reflecting the costs DCC has incurred supporting the multiple activities necessary for the Future Connectivity and vWAN programmes.

For the grounds that continue in this year's application, the certainty levels for the relevant activities have increased compared to last year as DCC has a more accurate view of the required level of resource and costs for that activity – essentially the result of forecast costs becoming incurred costs. Items of spend for RY24/25 of our application are based on what DCC has actually spent above Ofgem's previously awarded baselines. Most of these 'certainty' grounds relate to the programmes DCC was awarded after the start of the Licence in September 2013 and constitute a large variance in DCC's activities for the programmes themselves, but also for all of DCC's corporate and support functions, such as Finance, Strategy and Regulation, People team and Legal. The table below lists the drivers and Relevant Activities that form part of the RY24/25 BMA application.

The table below summarises the drivers and grounds that are being used in this year's application:

⁷ As required by Licence Condition 36, Appendix 2, Part A, A5(c)

Change driver	Grounds	Ground first raised
Certainty	Facilitating Additional Relevant Service Capability	RY18/19
	People Transformation	RY17/18
	SMETS1	RY16/17
	ECoS	RY18/19
	Network Evolution	RY19/20
	MHHS	RY20/21
	Future Connectivity [NEW]	RY24/25
	vWAN [NEW]	RY24/25
Technology Driven Change	Security Driven Change	RY17/18
	Technology Transformation – General	RY17/18
Supporting a Changing Business	Support - Resourcing Planning and Management	RY17/18
	Increase in Customer Service Expectations	RY17/18
Operational Change	Ops Service Standard Expectations	RY18/19
Change to DCC's Supply Chain structure	Increase in Commercial Activity	RY18/19
Regulatory Requirements	Regulatory requirements	RY23/24

Table 3 – Summary of change drivers and grounds used in RY24/25 BMA application

The following sections set out the grounds presented in previous applications which DCC considers are also relevant for this year's BM application. Further explanation has been provided for these grounds in this application where there has been a significant increase in activity and drivers of change. Where appropriate, we have reapplied for items for which the forecast may have been previously rejected – this is because we consider there are good reasons to apply.

4.1. Driver: Certainty - Facilitating Additional Relevant Service Capability

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is a gross view and is offset by reductions where spend was lower than forecast.

4.1.1. Test Lab Operator

The set up and maintenance for facilitating both the Technical Operations Centre (TOC) and the new test lab facilities were first raised in the RY18/19 price control submission. In that same year, DCC also justified for the first time the grounds for adjusting its margin levels based on the costs associated to this.

The provision of testing services originally sat within the FSP contracts⁸, making such services only available for a temporary period of 12 months, extendable on a monthly basis. The approach to making these service available to testing participants on an enduring basis also directly responds to the regulatory requirement within the SEC.⁹ As DCC transitioned from a single to a multi-Programme

⁸ Schedule 6.2 of the FSP contracts (Testing and Acceptance)

⁹ Enduring Testing Approach Document (ETAD)

delivery partner, it became apparent that, as per original assumptions in the LABP¹⁰, this approach to testing needed to change in order to accommodate the range of services and solutions that are being offered to industry. Following a rigorous impact assessment, we concluded that the costs of the FSP-led testing service should be reduced and replaced by an integrated end to end test facility, run by DCC. Brabazon House was identified as a suitable location in mid-2018, with the fit out of the building being completed and first employees moving in during June 2019.

RY24/25 was the sixth year of operation for the test labs. In this year's application the test lab related non-resource items are:

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
AC	Test Lab Operator				
	Total				

Table 4 – Certainty - Facilitating Additional Relevant Service Capability- test lab operator BMA (non resource)

Basis for application

The criteria in support of this activity remain the same as last year, and are based on complexity and volume:

- **Volume:** Brabazon House delivers a consolidated industry test facility, with the ability and flexibility to scale capacity to operate 24/7 and 365 days a year.
- **Complexity:** Brabazon House accommodates the TOC with an integrated SOC. This enables the end-to-end monitoring of the smart metering ecosystem, thereby enabling proactive intervention where required and ensuring continuous operations. This facility will operate under very strict security rules which is part of DCC's strategic security approach: Secure by design, Secure by assurance, Secure by proactive monitoring/management.

Added Value to Industry and Energy Consumers

The key benefits of this project remain the same as in previous years and are (i) long-term costs savings to industry (and by extension to end consumers) and (ii) provision of a consolidated test facility that will allow for critical programme testing, in-life testing, new feature development testing and fault triage testing. The ability for industry to carry out this level of testing ultimately reduces the risks of defects in a live environment thereby reducing the risk of consumers experiencing problems. As explained in the previous four years, the monetary benefit of the new test facility, the associated consolidation of business and testing activities, together with the closure of the Preston Brook office, is expected to reduce ongoing operational costs and generate cost savings of more than £96m, over the course of a ten-year period.

¹⁰ Section 8, Risks and Uncertainty

4.1.2. Other accommodation

DCC's other accommodation costs (i.e. non-test lab-related) in RY24/25 are predominantly activities funded in the LABP and for which DCC has already been awarded margin.

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
AC	Brabazon - Test Lab				
AC	██████ Devices				
AC	Robotics Maintenance				
AC	TAF DUIS Upgrade				
AC	Test Lab Devices Storage				
AC	Test Lab London Pod				
AC	Test Lab Refurbishment				
AC	██████ Test Lab Devices				
	Total				

Table 5 – Certainty - Facilitating Additional Relevant Service Capability – accommodation (excl test lab operator) BMA (non resource)

Basis for application

As above, where DCC has either been awarded margin in the LABP or through a prior BMA award but we have not incurred the full expenditure, we are required to adjust our subsequent BMA application. The bulk of the activities above relate to this requirement. In three cases the basic costs of DCC's accommodation have increased beyond prior approved baselines, creating additional costs and eligibility for applying for additional margin.

- **Volume:** the scope of the relevant service capability DCC now provides was not funded in the original LABP. As DCC has grown as an organisation it has had to expand its capability in several areas, as well as respond to changing obligations on the business arising from material changes to the licence, the SEC and the introduction of the REC.
- **Complexity:** the complexity of the relevant service capability that DCC must now provide is significantly higher than envisaged in the LABP. DCC was not provided ex ante funding allowances to recognise the complexity of running a multi-programme business.

Added Value to Industry / Energy Consumers

The activities above relate to the costs of maintaining DCC's operational capability at its sites. The additional grounds relate to the costs of DCC providing effective working environments for DCC staff, ensuring it is able to deliver effectively, its staff operate efficiently, and greater utilisation of the offices is achieved which will enhance the security of DCC's operations.

4.1.3. Other activities facilitating additional relevant service capability

As DCC has been asked to perform new functions over time, and new or amended Relevant Service Capability is required, the costs of running the business have increased. The additional resource and non-resource activities not previously fully funded in the LABP or prior BMA applications include the following:

- Significant increase in the demands on project, programme and portfolio management activities arising from DCC providing a range of new capability and programme services
- Work to analyse potential cost savings on resources within DCC through piloting Managed Service Provider activities and offshoring of certain functions
- Material changes to the nature of the testing activities that DCC is now required to perform
- System engineering and other technical device on the design of amendments to DCC's systems
- Additional obligations on DCC arising from BEIS taking powers under LC13 to require DCC to develop HMT Green Book compliant business cases
- Additional activities to manage capacity on the network arising from a significant increase in the size and type of messages traversing DCC's systems, that were not provided for in the original Licence Application Business Plan, or in prior BMA applications.

This year's application includes resource and non-resource activities, with the latter set out in the table below.

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
ES	Burst Capacity CEO				
ES	Consultancy Support				
ES	Legal Advice - Contract Provisions				
ES	Policy Support				
ES	GDPR Compliance Audit				
ES	Legal Advice - SMETS1 Charging				
ES	Memberships & Accreditations				
ES	Legal Advice				
	Total				

Table 6 – Certainty - Facilitating Additional Relevant Service Capability – (excl accommodation) BMA (non resource)

4.1.4. Basis for application

The basis for the application in RY23/24 is the same as prior years as below:

- **Volume:** the scope of the relevant service capability DCC now provides was not funded in the original LABP. As DCC has grown as an organisation it has had to expand its capability in several areas, as well as respond to changing obligations on the business arising from material changes to the licence, the SEC and the introduction of the REC.
- **Complexity:** the complexity of the relevant service capability that DCC must now provide is significantly higher than envisaged in the LABP. DCC was not provided ex-ante funding allowances to recognise the complexity of running a multi-programme business. DCC was also not funded for investing in taking analytical and remedial action arising from significant changes in the expectations on the system e.g. the extended use of the SMETS1 migration service and regulatory requirements such as the development of green book treasury business cases.

4.1.5. Added Value to Industry / Energy Consumers

The range of activities undertaken within the scope of this driver is critical to deliver the government's business case for SMIP and other programmes that make up DCC's mandated business. Failing to

invest in these areas would have led to inefficiencies and poor service from poorly run 'business as usual' activities that are significantly greater and more complex than envisaged at licence award.

4.2. Driver: Certainty – People Transformation

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is a gross view and is offset by reductions where spend was lower than forecast.

Historically, DCC has been awarded margin for the People Transformation ground. In RY24/25 and RY25/26, we have underspent on certain areas of costs relative to last year's award. In RY26/27 years, we expect to incur additional costs on HR consultancy and pay and reward. The People team is set to support the development of functional and cross-functional people capability in DCC, as well as manage recruitment and talent acquisition, in such way that DCC continues to be a great place to work.

This year, there are costs associated with additional pay and reward work, as well as welfare and additional staff training. Given the significant increase in the size of DCC and the complexity of its operations, we are applying on largely the same basis as prior years' approved applications.

The costs associated with this area include resource offset by some negative non-resource costs for RY24/25. The full detail on the level of resources that are driving variances under this activity are set out in the associated BMA model. Non-resource costs in RY24/25 specifically focused on reviewing and adjusting our reward processes with the view of making it more robust and aligned to the external market and offering enhanced staff training support commensurate with the significant expansion in DCC's responsibilities. The resource costs are set out in detail in the accompanying model. The non-resource costs we include in this year's application are:

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
ES	Legal Advice - Employment Law				
ES	Legal Advice - [REDACTED]				
ES	Pay and Reward				
ES	People - HR consultancy				
ES	Workspace Agility				
	Total				

Table 7 – People transformation BMA (non-resource)

4.2.1. Basis for application

The criteria and basis for the application remain the same as those referred to in previous years' submissions, and are as follows:

- **Volume:** the growing number of staff in DCC and the increased people requirements of a larger organisation delivering more complex Programmes requires a corresponding increase in the People team.
- **Complexity:** the work of the People team has increased in complexity as it looks to develop a strategic workforce plan for the future and a culture and employee value proposition that will enable DCC to attract and retain the talented staff that it needs and reduce the cost of recruitment over time.

4.2.2. Added Value to Industry and Energy Consumers

DCC's ability to deliver for its customers and stakeholders is largely down to the quality of its staff. As a maturing business, it is critical to have a workforce that is engaged, well-supported and motivated. This is of immense value to support and respond to the demands of the rapidly changing and complex nature of the programmes we run. Recruiting and retaining talent is therefore paramount to the success of our business. This has required DCC to invest in and improve its recruitment processes, enhance its people management capability and to ensure continuous development and improvement of staff. The development of a strong culture within DCC allows the organisation to attract and retain high quality staff whilst reducing the actual costs of recruitment.

4.3. Driver: Certainty - SMETS1

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is a gross view and is offset by reductions where spend was lower than forecast. The net view of the BM adjustment i.e. gross application less reductions where spend was lower than forecast is £[REDACTED]

The SMETS1 programme was formally closed during RY21/22. As part of RY22/23 Business Planning, SMETS1 became part of BAU (business as usual). The BAU suite of operational projects are currently assigned to DCC's Operations function. Despite its formal closure in RY21/22, Ofgem has required that DCC reports the finalisation of SMETS1 migration operations as a separate activity. DCC will continue to incur SMETS1 costs and will therefore apply for margin for as long as migration continues. We expect enrolment activities to be concluded by October 2025.

4.3.1. Resource

Key activities requiring SMETS1 resources are the Operations and Testing functions, and services from an independent assurer. As in previous years, DCC's focus for RY24/25 has been on maintaining strong performance, migration of remaining meters and ongoing system improvements. There were 4 key areas in which activity was focused in RY24/25:

- **Performance:** Our operational performance has further improved, achieving the best levels of service seen accompanied by the lowest volume of investment.
- **Migration:** The final migration of FOC meters in autumn 2024 enabling this cohort to be formally closed for migrations. This avoided high levels of SMETS2 replacement costs for industry, enabling device interoperability and allowing consumers to realise wider smart metering benefits.
- **System improvement:** Delivering high levels of system performance while maintaining migration capacity has required continued improvement in our systems (including several material contract changes through the year). We have worked closely with our external service providers to manage these changes cost effectively, using existing contractual levers where possible to minimise additional spend.
- **Procurement:** 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 Critical Software and Capgemini on 23 December 2024, delivering a combined saving of £18.4m over the initial term (until 31 March 2029) compared to the operational services charges of the previous agreement. For FOC ANSO, the procurement is underway and was at the evaluation stage in March 2025.

For RY25/26 and RY26/27 the focus will be on the completion of the remaining 0.9m meter enrolments in Middle Operating Capability (MOC) cohort. DCC is targeting to complete 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.

4.3.2. Non resource

The non-resource costs applied for under this ground are:

RIGs GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
ES	Legal Advice - SMETS1 Charging				
ES	Technical Audit				
ES	DCO Reprourement Benchmarking				
ES	Legal Advice -				
ES	Migration Testing				
ES	- CIO Assurance				
ES	SMETS1 - TEST DEVICES				
ES	SMETS1 Maximising Migrations				
ES	SMETS1 MDUST				
ES	SMETS1 Requesting Party -				
ES	SMETS1 Requesting Party -				
IS	Technical Audit				
	Total				

Table 8 – SMETS1 BMA (non-resource)

4.3.3. Basis for application

The criteria and basis for our application in respect of SMETS1 activities are largely in line with those in previous years:

- **Complexity and Volume:** the level of complexity of the programme stems from the significant number of variations that exist amongst the wide range of devices, firmware configurations, service providers' systems and business designs, the compliance of meters to the original design specification, as well as the commercial challenges that exist with existing and new service providers in the SMETS1 supply chain. These complexities also manifested themselves in the migration phase of the programme whereby unexpected device behaviour led to delays in the completion of testing phases and the overall delivery timescales.
- **Timelines:** as per the case in previous years, DCC is subject to extremely strict timescales which are set out in the SMETS1 delivery plan (LC13), as consulted on with industry and approved by Government. Also of note is that energy suppliers have had their deadlines for migration of SMETS1 meters extended by one year. This has resulted in suppliers not bringing forward meters for migration in line with their original forecasts and has resulted in DCC's migration capability needing to be in place for longer than was anticipated.

4.3.4. Added Value to Industry and Energy Consumers

The programme's benefits to industry stem from the integration of SMETS1 meters into the DCC network. This enables SMETS1 meters to operate in a 'smart mode' and allows consumers to maintain

the smart functionality of their meter when the supplier changes. In practical terms, this removes the risk and cost for the new energy supplier, on a change of supplier event, to replace the existing SMETS1 meter with a SMETS2 meter to maintain interoperability. Over the years, the planning of the SMETS1 migration has often been interrupted, for reasons outside of DCC's control – for example unexpected meter behaviour, customers not bringing forward meters for testing, incorrect assurances regarding firmware compatibility etc, as per prior submissions. To minimise any disruptions to our customers, SMETS1 meters are migrated onto the DCC network 'over the air', and the work was able to continue despite the disruption caused by the pandemic.

4.4. Driver: Certainty - ECoS (Enduring Change of Supplier)

We are applying for a BM adjustment of £[REDACTED] for this ground – all of which is associated with resource. This is a gross view and is offset by reductions where spend was lower than forecast. The net view of the BM adjustment i.e. gross application less reductions where spend was lower than forecast is -£0.003m.

The objective of the ECoS Programme was to build a new ECoS solution and migrate all existing Transitional Change of Supply (TCoS) devices on the DCC network to the new ECoS solution. The ECoS service went live on 28 June 2023 as planned. Migrations completed on 26 January 2024. Resource have been supporting completion of migration and required reporting. We have not applied for any non-resource costs associated with ECoS this year.

4.4.1. Basis for application

This application is based on a continuation of last year's ECoS-related grounds. The changes introduced by the ECoS Programme represent a material change to the scope of DCC's work, as envisaged and set in the LABP. More specifically, the criteria and basis for application for the ECoS Programme are:

- **Complexity and Volume:** the complexity and volume of the deliverables set out in the final ECoS LC13 delivery plan¹¹ constitute a material change to DCC's systems.
- **Timelines:** DCC is held responsible for the delivery of the Programme's deliverables in accordance with the timescales agreed in the LC13 delivery plan.

4.4.2. Added Value to Industry and Energy Consumers

The direct benefit from this Programme is that it enables energy customers to change supplier securely and easily. An essential component of this is the replacement of certificates on devices (primarily meters) that identify the responsible supplier.

4.5. Driver: Certainty - Network Evolution

We are applying for a BM adjustment of £[REDACTED] for this ground (gross). £[REDACTED] for resource and £[REDACTED] for non-resource. The net view of the BM adjustment i.e. gross application less reductions where spend was lower than forecast is £[REDACTED]

The Network Evolution Programme (NEP) was first raised in RY19/20 as a new BMA ground that had led to a material change in scope of DCC's core business activities. NEP is specifically aimed at

¹¹ The consultation conclusion documents is available on the Smart DCC website: [Consultation on the Delivery Plan for Enduring Change of Supplier](#)

supporting the long-term enhancement of our platform, simplify network design with greater resilience and enable faster and more cost-effective change. Since the first application, the programme has been disaggregated into five activities: CH&N (Communications Hubs and Network), DSP (Data Services Provider), PKI-E (Public Key Infrastructure – Enduring), FSM (Future Service Management)¹² and TAF (Test Automation Framework). However, for legacy reasons, we will continue to call the activities Network Evolution in certain situations where it aids clarity – such as in relation to historical BMA applications.

NEP is driven by advances in digital technology which continue to reshape the energy landscape. We must make sure that the DCC Network keeps pace with and prudently anticipates that change, while also maintaining continuity of service to the energy industry as contracts with service providers expire. These issues are being addressed urgently for a variety of reasons:

- The contract for the provision of the DSP service with CGI is coming to an end. DCC has now procured new services to replace the ones in the current contract to ensure that there is no interruption to service which would impact consumers.
- 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, so the DCC will therefore need to modernise its communications provisions accordingly. More recently, the urgency with which we need to upgrade to 4G has increased due to suppliers bringing forward the closure of 2G/3G services. We are working closely with our service providers on how to mitigate this for our customers in the most cost-effective way.
- SMETS1 and SMETS2 assets have a 15-year life, so the earlier enduring technology can be made available in the ecosystem, the lower the amount of scrappage and the longer the economic life of assets.
- BT's contract for the Smart Metering Key Infrastructure (SMKI) security service, also known as Trusted Service Provider (TSP), is also coming to an end. The service is being re-platformed and the DBT (design, build, test) phase for this new PKI-E service is scheduled to go live in March 2026.
- There is a continuing need to drive competition within the supply chain to reduce costs, improve service and accelerate continuous improvement by, for example, adopting a future testing strategy which provides automated set up.
- The Network Evolution Programme focuses on the future of DCC operations in the smart metering environment. It explores how new processes, systems, and technologies can improve the live service, reduce the operating costs of the DCC system, and above all, secure the continuity of a critical part of the UK's national infrastructure.

4.5.1. NEP Resource

CH&N

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is a net view and reflects reductions where spend was lower than forecast.

¹² Previously referred to as DSMS

In December 2024, the 4G CH&N programme went live as planned – and in April 2025 we began manufacturing 4G hubs at volume. To support this, DCC required a team of highly experienced programme and project managers to plan, co-ordinate, and manage the outputs from each of the supplier delivery partners. In addition to project and programme management, we had a significant role to play in assuring all designs, developing test plans, and working with suppliers to ensure that their work is of the expected level of quality. We built a team of cross functional specialists to be heavily engaged with the delivery partners.

The level of CH&N resource in RY24/25 is broadly in line with last year. Despite the 4G CH&N programme representing an essential element of DCC's future service provision to consumers, Ofgem set a zero-cost baseline for this work in the last price control, which means all costs are categorised as a variance in the main price control submission.

DSP

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is a net view and reflects reductions where spend was lower than forecast.

The original DSP contract was awarded to CGI in September 2013 and has been extended until 2028. Following a full competitive procurement we have signed contracts to deliver a new, more disaggregated and higher quality DSP service, in March 2025. We now enter the mobilisation phase, and the new service will go live in 2028, with the decommission of the CGI service taking place in 2029.

Delivering on the programme's purpose required significant internal resource and external support. A team of dedicated SMEs covering each of the core functional areas were assembled to lead on this project during RY24/25. The forecast resources reflect the need for a multi-functional team to collectively agree our delivery plan, governance approach and ways of working. During this time the Systems Integrator and Lot 1 will seek to complete preparatory activities such as establishing the governance cadence, onboarding their teams, purchasing and standing-up critical tools ready for Blueprint Design.

Given the complexity of the procurement and internal resource constraints at the time leading up to the time of commencing the procurement, in RY24/15 DCC also sought external legal, commercial and assurance expertise to assist with the DSP procurement.

PKI-E

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is a net view and reflects reductions where spend was lower than forecast.

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 such as the root, devices, users.

Key activity in RY24/25 related to completing the tendering (with a full RFP), negotiation, contract and legal aspects of the new procurement, driven by our project management specialists in Service Delivery.

RY25/26 is the main DBT (Design, Built, Test) year for the new service that is scheduled to go-live in March 2026. Our forecast costs reflect the ongoing engagement of internal resources in particular

from Service Delivery (managing programme), Security (also due to the dual role that security has on this programme) and Testing.

In RY26/27 the new platform will move to an ongoing operational support phase with internal payroll costs reducing to the remaining programme activities that will mostly be focused on securely decommissioning the old platform.

FSM

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is a net view and reflects reductions where spend was lower than forecast.

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 FSM programme is to procure and implement a replacement capability for the DSMS.

Key activities in RY24/25 were to complete the Green Book business case and procure a new supplier. We achieved non objection to our business case from DESNZ in August 2024. Following a [REDACTED] procurement exercise the new contract was awarded to [REDACTED] in September 2024.

In RY25/26 and RY26/27 programme resources will focus on planning for delivery of service by March 2026

TAF

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is a net view and reflects reductions where spend was lower than forecast.

DCC developed the Test Automation Framework (TAF) to improve its testing capability to deliver better system solutions at lower cost for customers. The programme will increase the speed of Regression and User Integration Testing (UIT), delivering cost savings while increasing test scope and device model combination coverage.

In RY24/25, resources have been managing our service provider to ensure the delivery of the TAF solution to our required specifications. Activity in RY25/26 and RY26/27 will be minimal.

4.5.2. NEP Non resource

In terms of non-resource costs, most of the BMA application for NEP relates to specialist procurement resource, legal assurance of the multi-billion pound procurements in this space, specialist resource to support with the economic and financial business case modelling and assessment of bids. It also includes legal advice and general assurance for the various procurements. The list of non-resource activities in the RY24/25 BMA are as follows:

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
ES	TLO Support	[REDACTED]			
ES	CH&N Air Freight costs				
ES	[REDACTED] - IPV Go-Live				

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
ES	██████████ - WAN Coverage Assessment				
ES	██████████ 4g Assurance				
ES	DSP - ██████████				
ES	DSP Programme Assurance				
ES	DSP Transition / Migration Costs				
ES	MSA Workflow				
ES	██████████				
ES	██████████ Post PIT Support				
ES	PKI Legal Advice				
ES	Business Change Management				
ES	DCC Hybrid Managed Service - Centre of Excellence				
ES	DCC Hybrid Managed Service - Organisational Change				
ES	DCC Hybrid Managed Service - SMS Run				
ES	FSM - ██████████				
ES	FSM CR5261				
ES	FSM CR5264				
ES	FSM CR5267				
ES	FSM CR5341				
ES	FSM CR5344				
ES	FSM End User Training				
ES	FSM Legal Advice				
ES	Transition to Operations				
	Total				

Table 9 – NEP BMA (non-resource)

4.5.3. Basis for application

The changes introduced by the NEP represent a material change to the scope of DCC's work, as envisaged and set out in the LABP. More specifically, the criteria and basis for application are:

- **Complexity:** DECC's original bid documentation from 2011-2013 did not envisage DCC would take a leading role in designing, procuring and delivering evolution and redesign of all of DCC's original Legacy Procurement Contracts. It also did not envisage the rapid and large change in the nature and size of the messages the system must be capable of delivering. It did not provide for the expiry of ageing technology such as the Remedy system, nor the industry standard move towards cloud computing and away from on-site storage.
- **Timescales and Volume:** DCC is accountable for the delivery of the Programme's deliverables in accordance with challenging and strict timescales as set out in the LC13 delivery plan. The requirements and deliverables agreed with Government through the NEP delivery plans represent material changes to the architecture of DCC's systems, process and network.

4.5.4. Added Value to Industry and Energy Consumers

The key benefit of the Programme ultimately stems from safeguarding the Government's SMIP business case by strengthening the system against future technology changes, including the sunsetting of 2G and 3G technology. The NEP is driven by digital technology which continues to reshape the energy landscape. We must make sure that the DCC Network keeps pace with and prudently anticipates that change, while also maintaining continuity of service to the energy industry as contracts with service providers expire.

DCC's disaggregation of critical aspects of the services provided by the original Legacy Procurement Contracts will allow a less monolithic structure, more competition, lower cost of change, more dynamic contract provisions and an improved service to customers. The business cases we have developed provide Government, Ofgem and customers with comprehensive evidence of the benefits to energy customers and consumers from DCC's investment. DESNZ has provided its 'non objection' to those business cases which demonstrates that we have satisfied government's challenging standards on the costs and benefits of new projects.

4.6. Driver: Certainty - MHHS (Market-wide half-hourly settlement)

We are applying for a BM adjustment of £[REDACTED] (gross) – all of which is associated with resource. This is a gross view and is offset by reductions where spend was lower than forecast. The net view of the BM adjustment i.e. gross application less reductions where spend was lower than forecast is £[REDACTED]

Market-wide Half-Hourly Settlement (MHHS) is an Ofgem initiated industry-wide reform designed to enable more accurate and timely settlement, ultimately facilitating the move to a smarter and more flexible energy system (e.g. by enabling greater provision of time of use tariffs).

In RY24/25 DCC resources supported participation and contribution towards Elexon led programme working groups; incident, change management and service management process alignment and service design alignment and capacity uplift plan alignment.

MHHS testing / migrations is due to go live on 22 October 2025, plus 12 weeks for early life support (i.e. end of Jan 2026). Accordingly, we continue to need internal support across our skillsets to deliver the programme. After which, it will be managed as BAU for the remaining migrations.

We have not applied for any non-resource costs associated with MHHS this year.

4.6.1. Basis for application

The changes introduced by the MHHS Programme are material in nature. More specifically, the criteria and basis for application for the MHHS Programme are:

- **Volume, Risk and Timelines:** the overall extent of DCC's roles and responsibilities in the implementation of MHHS, as set out in Ofgem's Decision and Full Business Case,¹³ represent a material variance to the scope of our work, as originally set out in the LABP. DCC is also taking on an increased level of risk throughout the delivery of the Programme as it delivers the role of cross-industry lead on the development work to implement the required SEC modifications. In partnership with SECAS, DCC is tasked with the responsibility of managing the SEC

¹³ The Decision and Full Business Case can be found on the [Ofgem website](#)

modifications through to completion, and to ensure the modification process keeps to the Programme's timelines.

- **Complexity:** As described above DCC has been asked to undertake additional activities to support the MHHS programme, which have created costs for the organisation. This added complexity has manifested in additional resource and non-resource costs, including costs with our external service providers through change requests and project requests.

4.6.2. Added Value to Industry and Energy Consumers

Access to half-hourly data is expected to increase competition in the energy market by enabling electricity suppliers to build and bring new offerings to consumers, differentiating themselves and providing the consumer with increased choice. The supply of differentiated products through Time of Use (ToU) tariffs is likely to incentivise customers to move their demand from peak hours to off-peak hours of the day i.e., customer load shifting. This shift in demand will support intermittent generation-balancing and reduce network infrastructure investment. Cost benefits are expected in the range of £[REDACTED] £[REDACTED] (NPV) from 2026 -2045.

4.7. Driver: Certainty – Future connectivity

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is a gross view and is offset by reductions where spend was lower than forecast. The net view of the BM adjustment i.e. gross application less reductions where spend was lower than forecast is £[REDACTED]

4.7.1. Resource

In RY24/25, resource costs were predominately in the Operations, Design and Assurance, and Service Delivery teams. The programme is largely made up of two key areas which are the 4G Future Connectivity (4G FCN) and Long-Range Radio Committed Term (LRRCT). The Future Connectivity programme is tasked with scaling connectivity in the North Region from 5 million to 10.5 million premises by 2035. Key activities undertaken by the 4G FCN team are to deliver supplier contract changes, solution design, build and testing and supply of 4G coverage data via the DCC DUIS Self Service Application. The purpose of the LRRCT team is to produce a business case to resolve the issue of the Arqiva contract expiry in 2028 and a solution is required to maintain continuity of Service in the North Region. Key activities undertaken by the LRRCT team are preparation of the outline and final business cases for submission to DESNZ.

This 4G FCN activity will be concluded in 2025 but will move into DCC Operations to support the 4GCH rollout and costs reflect this. The LRRCT team will extend into 2026, but the costs are estimates until the business cases work has been concluded. The resource costs are set out in detail in the accompanying model.

4.7.2. Non resource

The non-resource costs we include in this year's application are:

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
ES	Future Connectivity Legal Advice				
ES	██████████ - Fibre Trial Phases 1&2				
	Total				

Table 10 – Future connectivity BMA (non-resource)

4.7.3. Basis for application

The changes delivered by the future connectivity teams are material in nature. More specifically, the criteria and basis for application for the Future Connectivity Programmes are:

- **Volume, Risk and Timelines:** the overall extent of DCC's roles and responsibilities in the implementation of the Future Connectivity represent a material variance to the scope of our work, as originally set out in the LABP. DCC is also taking on an increased level of risk throughout the delivery of the programme as it delivers the role of cross-industry lead on resolving the challenges associated with limited capacity of the network.
- **Complexity:** The conceptual design work for this programme is complex in nature, as it seeks to assess new ways to deliver capacity in the North region. This complexity has manifested in additional resource and non-resource costs.

4.7.4. Added Value to Industry and Energy Consumers

The chosen approach to scale DCC's network in the North Region from 5 million to 10.5 million premises by extending the existing 4G solution from the Central and South regions, delivers the best value for money, being the most economic and efficient option once the current 5 million limit is reached. This will enable Energy Suppliers to install 4G Communication Hubs (CHs) in the North giving improved value over Long-Range Radio (LRR) CHs and provides parity with the Central & South Regions. 4G at scale can deliver up to 30% savings when compared to LRR directly. The Long-Range Radio Committed Term (LRRCT) Programme will address the issue that in the North Region the LRR service contract with Arqiva expires in 2028 and will ensure continuity of service to DCC customers.

4.8. Driver: Certainty – vWAN (virtual WAN)

We are applying for a BM adjustment of £██████████ for this ground. £██████████ for resource and £██████████ for non-resource. This is a gross view and is offset by reductions where spend was lower than forecast. The net view of the BM adjustment i.e. gross application less reductions where spend was lower than forecast is £██████████

vWAN will provide an alternative to the traditional Smart Metering WAN by allowing premises to connect via their home internet service, enabling a fully capable Smart Meter service experience. This can be used by the c.0.328m homes which cannot currently connect to the DCC network. DESNZ has asked DCC to undertake this activity.

4.8.1. Resource

Resources for this programme are developing the conceptual designs, conducting industry engagement and running commercial and procurement activities. This activity has enabled the programme to begin the design, build and testing phase of the programme.

Resources in RY25/26 will complete activities necessary for a soft launch in January 2026, which will include the full design, build and testing of vWAN solution; conducting regulated testing to confirm assurance that the product is fit for launch and completing live service and operational transitional activities.

4.8.2. Non resource

The non-resource costs we include in this year's application are:

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
ES	██████████ - PR7878 CADg				
ES	DCC Boxed FIA CR5512				
ES	vWAN Legal Advice				
	Total				

Table 11 – vWAN BMA (non-resource)

4.8.3. Basis for application

The changes delivered by the vWAN programme are material in nature. More specifically, the criteria and basis for application for the programmes are:

- **Volume, Risk and Timelines:** the overall extent of DCC's roles and responsibilities in the implementation of vWAN represent a material variance to the scope of our work, as originally set out in the LABP. DCC is also taking on an increased level of risk throughout the delivery of the programme as it delivers the role of cross-industry lead and will impact various components of the DCC network.
- **Complexity:** The conceptual design work for this programme is complex in nature, as it seeks to assess new ways to deliver connectivity to those homes which would never have been able to connect to DCC. This complexity has manifested in additional resource and non-resource costs.

4.8.4. Added Value to Industry and Energy Consumers

At present those living in No WAN premises are not able to benefit from the functionality of a smart meter. Subject to consumer consent, the Virtual WAN Service (VWS) will connect these premises 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 and to start benefiting from functionality of a smart meter, such as Time of Use (ToU) tariffs and accurate billing.

4.9. Driver: Technology Driven Change - Security Driven Change

We are applying for a BM adjustment of £██████████ for this ground. £██████████ for resource and £██████████ for non-resource. This is a gross view and is offset by reductions where spend was lower than forecast.

4.9.1. Resource

The Security function successfully kept our network secure in RY24/25, even as the volume of sensitive information we manage increased to 1.5bn messages a month. Threats to Critical National Infrastructure (CNI), and related national networks such as DCC's systems remain high in the current geopolitical climate. New and sophisticated threat vectors, such as the application of Artificial Intelligence by state and criminal actors, mean it is imperative we continue to invest in cyber defences across our network that are robust and commensurate with the threat we face.

During the year, we have provided 24/7 monitoring of the DCC network for security events and are proud to have retained CREST, ISO9001 and ISO20001 accreditation for our Security Operations Centre (SOC) which demonstrates it operates at a standard recognised world-wide. This means the DCC is one of only a very few internal SOC's worldwide to hold this certification.

The Risk, Resilience and Privacy sub-team have continued development of the Governance, Risk and Compliance Tool, leading to the business-wide rollout of a unified risk management process supported by the Logicgate Risk Cloud tool which will facilitate a number of efficiencies through automation company-wide. An internal Information Management project has been initiated to enhance the control the DCC has over its information assets which is essential as we move toward Licence Renewal and the need to hand data from the old organisation to the new in 2026.

The Architecture and Assurance sub-team have been leading initiatives to ensure that technical security is maintained for the future including re-purposing the certificates in smart meters and comms hubs to extend security credentials beyond 2026 and understanding the encryption requirements that can withstand the advent of quantum computing.

RY25/26 and RY26/27 resource costs reflects the need to increase event monitoring carried out by our SOC. We will also be continuing to invest effort in our Cyber Fusion Centre to incorporate all our Service Providers.

The full detail on the costs that are driving the variances are set out in the associated BMA model.

4.9.2. Non resource

The non-resource activities we include in this year's application are:

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
AC	TSP Maintenance				
IT	BAU				
IT	BAU - ITES - Laptops				
IT	BAU - ITES - WAN				
IT	BAU - ITES - WIFI				
IT	Clarity Software Development				
IT	Enterprise IT				
IT	Office 365				
OS	Mobile Phones				
ES	Audit/assurance				
ES	ICO				

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
ES	BCDR/Crisis Support				
ES	CIO				
ES	Cyber Asset Attack Surface Management Tool				
ES	DSAR Exemption Advice				
ES	External Red Team Test				
ES	Manufacturing Pack TLO Support				
ES	Memberships & Accreditations				
ES	OCA End of Life TCoS Certificate				
ES	Penetration Testing				
ES	PKI Tokens				
ES	PKI-E Consultancy				
ES	Post Quantum Computing				
ES	██████████ Consultancy				
ES	Remote Key Custodian				
ES	Security Consultancy				
ES	Security Incident Forensics				
ES	Security Risk Tool				
ES	UIT Recovery Exercise				
IT	BCDR SaaS Tool				
IT	██████████ Analytics				
IT	Software				
IT	Threat Intelligence Provider				
	Total				

Table 12 – Technology Driven Change - Security Driven Change BMA (non-resource)

4.9.3. Basis for application

The criteria underpinning our application for additional margin for these activities remain similar to previous years:

- **Volume:** in aggregate, the material level of increased activity involved with and stakeholders engaging with the DCC, places a clear requirement for security to be scaled up and enhanced accordingly. As explained above, we have already added the ECoS service to our event logs and intend to add further services to the SOC in the coming years.
- **Complexity:** the added complexity stems from DCC's evolving role into a multi-Programme business over the years. Whilst the security architecture was fit for purpose in the initial years of the SMIP, the growth of the business and the recent introduction of new services, together with the increased variety of devices, has led to the development of a more elevated set of requirements that is needed to accommodate the future of the business and the national infrastructure we run.

4.9.4. Added Value to Industry and Energy Consumers

In terms of benefits to the end consumer, security remains one of the key foundations on which the smart metering programme is built. It is vital to the success of the programme that the data of smart meters, households and industry is not compromised at any time. The team significantly enhances DCC's security model and allows it to operate in an agile and proactive way, focusing on preventing threats from turning into incidents. These benefits are no different to the ones set out in previous years and are absolutely paramount to support a national infrastructure that remains secure at all times.

4.10. Driver: Technology Driven Change - Technology Transformation – General

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is gross view and is offset by reductions where spend was lower than forecast.

4.10.1. Resource

As the technology environment in which DCC operates has changed significantly since licence award, our technical expertise has needed to keep pace. Key activity under this ground in RY24/25 was the need for Business Analysts to define requirements across all programmes, projects, and contractual changes. there were also high volumes of technology change activity, particularly in 4G CH&N and DSP procurement, which required targeted use of consultancy to meet delivery timescales and maintain quality standards.

For RY25/26 and RY26/27 we will:

- Support the design integrity and delivery of major programmes, including the DSP procurement, ANSO, DCO re-platform, overage mitigations, and service family work.
- Complete the rollout of the 4G CH&N Programme, ensuring all technical and integration milestones are achieved.
- Build stronger resource management capability to better match capacity with demand peaks, reducing reliance on consultancy and contractor support.
- Continue to enhance reporting, design assurance, and governance to demonstrate value for money and maintain stakeholder confidence.
- Embed best practice technology strategy and change assessment to ensure the technology estate remains resilient, efficient, and compliant with regulatory obligations.

This approach reflects our commitment to maintaining stable internal capability while applying external expertise selectively where it provides clear and demonstrable value.

The full detail on the costs that are driving the variances are set out in the associated BMA model.

4.10.2. Non resource

The non-resource activities we include in this year's application are:

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
ES	[REDACTED] Engineering Support	[REDACTED]			
ES	[REDACTED] Systems Engineering				
ES	[REDACTED] SMETS2 Harmonised Support including P&C				
ES	CTO Consultancy				
ES	DCC Boxed				

ES	DCC Cloud Blueprint	
ES	██████████	
ES	IHDL Support : PIT/SIT testing	
ES	Interoperability Testing	
ES	Meter Scrappage Charge	
ES	██████████ - Architecture Service	
ES	██████████ Consultancy Support	
ES	██████████ - Test Assurance	
ES	██████████ Emulator Enduring Support	
ES	SMETS2 - L&G	
ES	Testing Participant Support	
ES	Zigbee	
IS	██████████ - CR4772 Brabazon Fibre Link	
IT	██████████ Licensing	
IT	Device Management	
ES	CTO Testing	
ES	Design Issue Body	
ES	EDMI Engineering Support	
ES	Engineering Support - ██████████	
	Total	

Table 13 – Technology Driven Change - Technology Transformation – General BMA (non-resource)

4.10.3. Basis for application

The criteria underpinning our application for additional margin for these activities are as follows

- **Volume:** in aggregate, the material level of increased activity places a clear requirement for targeted and focused resources with expertise in specific device types to be scaled up and enhanced accordingly.
- **Complexity:** the added complexity stems from DCC's evolving role into a multi-Programme business over the years. Whilst the technology architecture was fit for purpose in the initial years of the SMIP, the growth of the business and the recent introduction of new services, together with the increased variety of devices, has led to the development of a more elevated set of requirements that is needed to accommodate the future of the business and the national infrastructures we run.

We note that ██████████ - ██████████ ██████████ ██████████ ██████████ and ██████████ - ██████████ were rejected last year, but we have applied for them this year. These contracts were terminated as soon as possible after Ofgem's decisions to reject – for this reason we have continued to incur a small amount of spend this year, but there is no further spend in future years. We consider that these items met the criteria at the time of being contracted and therefore we have included this in this year's application.

4.10.4. Added Value to Industry and Energy Consumers

The activities support the delivery of the SMIP plus other mandated programmes by giving DCC the expertise to accommodate relevant devices onto our network as quickly and efficiently as possible. Failure to apply device specific knowledge could result in abortive costs from incorrectly specifying systems to interact with these devices. This could both impact individual customers whose devices may lose functionality as well as the performance of the wider system. The activities therefore support achievement of the business case benefits of SMIP and DCC's other mandated programmes.

4.11. Driver: Supporting a Changing Business - Resource Planning and Management

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is a gross view and is offset by reductions where spend was lower than forecast.

4.11.1. Resource

DCC has grown significantly over the years, having taken on a range of activities that were not fully costed in the Licence Application Business Plan (ECoS, SMETS1, Network Evolution, MHHS), as well as entirely new activities such as the Switching programme. This has fundamentally changed the nature of DCC and the requirements for its systems, processes and methodologies. It is critical that DCC continues to deliver accurate and transparent plans to our stakeholders and easy to use and clear processes to our people. DCC is maturing its capability, fortifying its ways of working by establishing and improving key processes focused on the delivery of greater business accuracy, controls, and compliance.

During the year we mobilised a new EPMO and process improvement team. These are essential functions for Smart DCC and common to all mature organisations. EPMO ensures that all change initiatives are strategically prioritised, effectively governed, and consistently delivered to maximise quality and value for money, strengthen operational resilience, and meet regulatory obligations. Another key activity under this ground is that of managing in-life change. The In Life Change which moved from Service Delivery as part of Project Blue, work in delivering in life change into the business with roles aligned to Project and Programme management and ensure that any changes to live service (for example SEC Mods) are delivered in a timely and efficient manner, with strong governance and minimal impacts to live service. The team covers a high volume of projects from technical infrastructure upgrades, capacity increases etc.

The full detail on the costs that are driving variances under this programme are set out in the associated BMA model.

4.11.2. Non resource

The non-resource activities we include in this year's application are:

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
AC	Outsourced Workplace Experience				
ES	EPMO Consultancy Support				
ES	[REDACTED] Data Integration Platform				
ES	NIST Assessment				
IT	AWS Hosting costs				

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
IT	Operational Change Management				
IT	Printing, stationery, telephones				
ES	Market Intelligence				
ES	Memberships & Accreditations				
ES	Multimedia content				
IS	Group Recharges				
ES	██████████ Consultant Resource				
ES	Enterprise Change Management				
ES	Enterprise Planning - ██████████				
ES	Project Blue				
ES	Project Jeopardy				
	Total				

Table 14 – Supporting a Changing Business - Resource Planning and Management BMA (non-resource)

4.11.3. Basis for application

The criteria underpinning our application for additional margin for these activities are the same as in previous years:

- **Volume:** in aggregate, the material level of increased activity involved with and stakeholders engaging with DCC, places a clear requirement for DCC's resource planning and management activities to be upgraded.
- **Complexity:** the added complexity stems from DCC's evolving role into a multi-Programme business over the years. Whilst the systems, processes and procedures were suitable for a single programme organisation with a budgetary envelope of around £100m to £200m, DCC's business requirements are now significantly more complex. Managing the budgets, plans, governance and assurance of a multi-programme business with annual allowed revenue in excess of £600m requires a large overhaul of the fundamental toolset to perform as our customers and stakeholders require. A significant amount of variant expenditure under this ground comes from the requirements to manage a large volume of change whilst delivering large programmes and upgrading software.

We note that ██████████ ██████████ ██████████ ██████████ ██████████ – ██████████ and 'Project Blue' were rejected last year, but we have applied for them this year. These contracts were terminated as soon as possible after Ofgem's decisions to reject – for this reason we have continued to incur a small amount of spend this year, but there is no further spend in future years. We consider that these items met the criteria at the time of being contracted and therefore we have included this in this year's application.

4.11.4. Added Value to Industry and Energy Consumers

DCC continues to evolve as an organisation, prioritising improved planning, data capture and reporting and cost control. In the longer term this will contribute to reducing internal resource requirements and develop superior systems and processes to deliver better outcomes for our customers. Improving our internal processes and procedures also allows DCC to respond to the requirements of our customers, stakeholders and our internal staff to forecast costs more accurately, manage within-year variances better and ensure improved budgeting for future years. This will avoid over or under-recruitment and the negative impacts that this creates. Moving activities to the cloud will decrease costs in the longer run, avoiding having to rely on expensive on-site storage, while improving performance and functionality.

4.12. Driver: Supporting a Changing Business - Increase in Customer Service Expectations

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is a gross view and is offset by reductions where spend was lower than forecast.

4.12.1. Resource

Over RY24/25, Our operations teams have provided a single point of contact for our customers, supporting with onboarding to the service, incident management through to resolution, and smart meter rollout planning. We are committed to actively engaging with stakeholders and responding appropriately to our customers' needs. We have also delivered work to both improve the process by which customers onboard and offboard to and from DCC's systems, as well as how to charge the growing range of customer types more cost effectively. It also led targeted strategic customer engagement activities, including bilateral sessions and thematic forums, to improve transparency, responsiveness, and alignment with user needs. We also launched the customer first project which has driven greater customer insight and improved engagement with the Customer Effort score exceeding our target of 5.9 with a score of 6.1 out of 7.

The full detail on the costs that are driving variances under this ground are set out in the associated BMA model.

4.12.2. Non resource

The non-resource activities we include in this year's application are:

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
ES	Crisis Management				
ES	Customer Satisfaction Surveys				
ES	Stakeholder Engagement and Design				
ES	Strategy consultancy				
ES	CRM Management Fee				
ES	[REDACTED] - Customer Charging Mechanism				
IT	DCC Website				
	Total				

Table 15 – Supporting a Changing Business - Increase in Customer Service Expectations BMA (non-resource)

4.12.3. Basis for application

The criteria and basis for the application relates to the increasing complexity and number of customer engagement activities DCC now undertakes. The criteria are as follows:

- **Volume:** as set out in the Corporate Management cost centre, DCC has seen a significant increase in the number of 'Other Users' wishing to benefit from DCC's systems. DCC has had to respond to this through improvements in the onboarding process and charging methodology. Also the development of the website and customer surveys reflect an increase in the volume of activity DCC now must undertake. These improvements incur costs that DCC should be entitled to recover and earn margin on as part of its mandatory business.
- **Complexity:** the expectations of our customers have become more ambitious with each passing year. The highly complex environment with multiple non-SEC users and a large and variable cadre of energy suppliers, combined with the higher standard of communication required on LC16 business cases, has put huge pressure on DCC's staff, processes and procedures. As set out above, we cannot improve our activities without first having high quality information on customers' attitudes and perceptions, and have a well-developed way of measuring and reporting on it so we can take action.

4.12.4. Added Value to Industry and Energy Consumers

Through the above work we are improving the way in which customers experience DCC and its systems. Our SEC-supported work with Frontier economics on revisions to make the charging methodology more cost reflective, will result in less free-riding and ensure that energy suppliers and DNOs are not inadvertently funding the costs of other parties. This will result in a more efficient allocation of resources from which customers will benefit.

4.13. Driver: Operational Change - Ops Service Standard Expectations

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is a gross view and is offset by reductions where spend was lower than forecast.

4.13.1. Resource

The BMA applied for under this ground reflects our need to manage and deliver in-life changes, such as Smart Energy Code (SEC) releases, focused on minimising disruption, improving our efficiency and ensuring service provider performance.

In RY24/25 we continued to achieve very high service availability and exceeded our operational targets, with service availability of 99.97%. We saw an additional 4.5m smart meters connected to the network (bringing the total to 33.7m) and with over 99.9% of SMETS1 migrations delivered 'right first time'. Having retained operation of the Switching service, we delivered exceptional performance with 100% availability and switching success rate.

During the year, we achieved major milestones on our key programmes, This included the successful build and go-live of our new 4G communications hubs and network (4G CH&N), activities to reprocurse our new Data Service Provider (DSP) and Future Service Management (FSM) systems, developing system functionality for the Market Half-Hourly Settlement (MHHS) programme, and critical maintenance and technical updates across our systems. Key activities under this ground

include setting the right standards to improve supplier performance; delivery of the 'Big 4' programmes including the efficient rollout of 4G CHs; finishing SMETS1 migrations and transition to a reliable service; working with key stakeholders across industry to reduce the number of non-communicating meters; creating capability and developing our people through coaching, training and upskilling; re-platforming and development of our data strategy; delivering our Next Generation Technical Operations Centre (TOC) and Service Centre; introduction of contracting frameworks and embedding partner relationships; driving value through improving industry insight and having a never fail a pre-pay' mindset.

In RY25/26 we will focus on improving cost efficiency, maintaining operational performance and further enhancing customer experience, including through the new Customer Challenge Group (CCG) as part of ex ante business planning.

The full detail on the costs that are driving the variances are set out in the associated BMA model.

4.13.2. Non resource

The non-resource activities we include in this year's application are:

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
ES	██████████				
ES	Arqiva Change Management Audit				
ES	Arqiva WAN Audit				
ES	BCMS Application				
ES	██████████ - Capacity Management				
ES	██████████ CR5162 Cyber Fusion Ongoing Charges				
ES	Change Management System				
ES	Commercial Data Migration				
ES	Contract Management Tooling Requirements				
ES	Contract Obligation Extraction				
ES	Contract Redactions Tool				
ES	External Supplier Audits				
IT	Operations KPI Dashboard				
ES	██████████ Supply Chain Service				
ES	ISM Tooling				
ES	ISM Transformation				
ES	Legal Advice - SMETS2 Suppliers				
ES	Market Research				
ES	MIM Comms Tool				
ES	██████████ - SECMP176				
ES	██████████ - Test Assurance				
ES	Service Provider Contract Assurance				
ES	SMDA Test House				
ES	TLO Impact Assessment				

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
ES	TLO June 25 SEC Release support				
IS	██████████ - ESU Licences CR5275				
IT	██████████ - CR5015 Cisco ISE				
IT	██████████ - CR5088 Diskspace back-up				
IT	Omniscope MCC IT				
IT	ONS Licences				
IT	Posit Software Suite				
IT	Power BI Licences				
IT	Qualtrix Replacement				
	Total				

Table 16 – Operational Change - Ops Service Standard Expectations BMA (non-resource)

4.13.3. Basis for application

The criteria underpinning our application for additional margin for these activities remain similar to last year:

- **Volume** - the additional resources required to reinforce the Operations (DBR) function in RY24/25 and forecast resources in future years, over and above what was originally envisaged in the LABP. The LABP always foresaw that Operational Service Requirements (OSR) would vary in time and would need to be updated to reflect the changing demands on the DCC. The LABP also acknowledged that this could result in an increase to Internal Costs.
- **Complexity** – the level of customers' requests has not only increased in volume; the complexity has significantly increased as DCC is being asked to assist its customers with operational testing and provision of data insight. This complexity is further compounded by the fact that new services are being scoped and developed in parallel with the operational running of live services. In part, these new services need operational service requirements that are inherent and bespoke to the nature of these programmes.

We note that ██████████ - ██████████ was rejected last year, but we have applied for it this year. This contract was terminated as soon as possible after Ofgem's decisions to reject – for this reason we have continued to incur a small amount of spend this year, but there is no further spend in future years. We consider that this item met the criteria at the time of being contracted and therefore we have included this in this year's application.

4.13.4. Added Value to Industry and Energy Consumers

The added value to customers, and consumers more widely, stems from DCC's central role in the smart metering system. By taking central responsibility for the delivery of operational services that were previously spread across industry, DCC is able to realise economies of scale and ultimately cost savings that are then passed to its customers and ultimately consumers. The data that DCC is collecting on operational activity by customer is also invaluable, as customers are using that information and making changes to their operational activity as a result of improved efficiency.

4.14. Driver: Change to DCC's Supply Chain structure - Increase in Commercial Activity

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is a gross view and is offset by reductions where spend was lower than forecast.

4.14.1. Resource

As DCC has begun to feel the impact of operating at scale, our commercial teams have had to adapt quickly to meet current and future business needs and, following a review of our Commercial Operating model in 2022, an improvement programme has been implemented to ensure the Commercial function is delivering value for money. These teams support DCC to achieve significant cost efficiencies.

During RY24/25, we completed over 400 sourcing activities (a 50% increase from the previous year), successfully re-procuring the DSP contract delivering over £20m annually in savings, authoring a new Procurement Strategy, establishing a robust procurement pipeline, and developing targeted Category Strategies across consultancy, cloud, professional services, and IT services. Improved tooling allowed us to identify further savings in the procurement process (exceeding our target by 40%). We also successfully rolled out a comprehensive Third-Party Risk Management process aligned to strategic and financial supplier risks.

For RY25/26 and RY26/27 we plan to embed our new standards-based Procurement Strategy and Policy and manage tactical and programme procurement activities. Key re-procurements, including Capita contracts and intercompany agreements, will also be prioritised as we prepare for supporting the transition to DCC2.

The full detail on the costs that are driving the variances are set out in the associated BMA model.

4.14.2. Non resource

The non-resource activities we include in this year's application are:

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
ES	Commercial Academy				
ES	Commercial Advisory Support				
ES	Commercial Support Partner - Procurement				
ES	Cost Benchmarking				
ES	DCC Commercial Transformation				
ES	eProcurement Tool - eFlow				
ES	Jeopardy Management and Commercial Pipeline				
ES	Responsible Business Framework Consultancy & Tooling				
ES	SSM Third Party Risk				
IT	██████ Procurement Tool				
IT	eProcurement Tool - iValua				
IT	SRM Reporting				
	Total				

Table 17 - Change to DCC's Supply Chain structure - Increase in Commercial Activity BMA (non-resource)

4.14.3. Basis for application

The criteria and basis for application remain the same as previous years, noting that the certainty level of this activity has materially increased. The criteria are as follows:

- Volume:** additional expenditure has been incurred as a result of the increase in both internal procurements, and the significant amount of additional work associated with the various Network Evolution sub-programmes. From the DSP procurement alone, we will deliver over £20m annually in savings. We have delivered over 400 (a 50% increase from last year) sourcing strategies over the course of the year, this is a 50% increase from last year. This is a significant increase on prior years and driven in part by DCC's desire to reduce the use of direct award contracts.
- Complexity:** the complexity stems from negotiating and managing contracts across a range of service providers across all our programmes. The different nature of these new services in combination with more parties becoming dependent on one another for the timely delivery of services, has added to the complexity and interdependencies of DCC's programmes. As we have demonstrated that significant cost savings and performance improvements can be achieved through the disaggregation of the monolithic legacy procurement contracts, our strategy is to split the services and procure smaller sub-lots. While this will have huge benefits, it does also impose some additional resource requirements for the Commercial function.

We note that Commercial Advisory Support, DCC Commercial Transformation, Jeopardy Management and Commercial Pipeline and eProcurement Tool - iValua were rejected last year, but we have applied for them this year. These contracts were terminated as soon as possible after Ofgem's decisions to reject – for this reason we have continued to incur a small amount of spend this year, but there is no further spend in future years. We consider that this item met the criteria at the time of being contracted and therefore we have included this in this year's application.

4.14.4. Added Value to Industry and Energy Consumers

DCC is managing an increasing number of material service provider contracts on behalf of customers and end consumers. DCC's ability to manage these contracts and changes to these contracts in the most economic and efficient way ensures value for money for customers and consumers. This activity has delivered significant cost savings as described above.

4.15. Driver: Regulatory Requirements

We are applying for a BM adjustment of £[REDACTED] for this ground. £[REDACTED] for resource and £[REDACTED] for non-resource. This is a gross view and is offset by reductions where spend was lower than forecast.

4.15.1. Resource

Some of the newer regulatory requirements focus on the licence renewal activity and the move to ex ante price control. During RY24/25, we have worked closely with Ofgem to support the Licence Renewal activities (including the consultation on DCC's future role and preparing a comprehensive Business Handover Plan). This has required dedicated regulatory specialists to support the development and implementation of ex ante price controls, including preparing DCC's first Ex Ante Business Plan.

In RY25/26 and RY26/27, these teams will complete preparations for Licence Renewal, supporting Ofgem's RFP process for appointing the Successor Licensee. We will also embed the Ex-Ante Price Control processes and governance to ensure DCC is prepared to meet forward-looking regulatory requirements.

The full detail on the costs that are driving variances under this programme are set out in the associated BMA model.

4.15.2. Non resource

The non-resource activities we include in this year's application are:

GL	Activity	BMA RY24/25 (£m)	BMA RY25/26 (£m)	BMA RY26/27 (£m)	Total BMA Value (£m)
ES	D&I Consultancy	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
ES	Licence Renewal - Capita Separation				
ES	Licence Renewal - Data Room				
ES	[REDACTED] - Centre of Excellence				
ES	[REDACTED] - MEAP				
ES	[REDACTED] - Licence Renewal				
ES	Licence Renewal - [REDACTED]				
	Total				

Table 18 – Regulatory requirements BMA (non-resource)

4.15.3. Basis for application

The criteria and basis for the application relates to the increasing complexity and number of customer engagement activities DCC now undertakes. The criteria are as follows:

- **Volume:** the work required to support Ofgem was not envisaged in the LABP and is material.
- **Complexity:** the work to design a new regulatory framework is extremely complex, with expert advice required (much as Ofgem has done with bringing in consultants for RIIO-3) to deliver a large number of policy papers and analysis.

We note that [REDACTED]

[REDACTED] were rejected last year, but we have applied for them this year. These contracts were terminated as soon as possible after Ofgem's decisions to reject – for this reason we have continued to incur a small amount of spend this year, but there is no further spend in future years. We consider that these items met the criteria at the time of being contracted and therefore we have included this in this year's application.

4.15.4. Added Value to Industry and Energy Consumers

The work DCC has taken forward has included directly engaging with customers on a range of Licence Renewal-related activities. DCC has added significant value through its input and has greatly increased the likelihood that the regime will be well designed and robust. Ex-ante price control will bring with it enhanced customer engagement on DCC's planned expenditure – allowing customers to scrutinise spend and hold DCC to account.

Appendix 1: BMA application tables

The tables below set out the BMA application broken down by resource and non-resource.

	BMA 24/25 (£m)	BMA 25/26 (£m)	BMA 26/27 (£m)	Total (£m)
Baseline Margin Core				
Baseline Margin - Future Connectivity				
Baseline Margin - MHHS				
Baseline Margin Net Evo - TAF				
Baseline Margin Net Evo - vWAN				
Baseline Margin Project 2 - SMETS1				
Baseline Margin Project 3 - ECoS				
Baseline Margin Project 4 - Net Evo - CH&N				
Baseline Margin Project 5 - DSP				
Baseline Margin Project 6 - Net Evo - PKI				
Baseline Margin Project 7 - Future Service Mgt				
Total				

Table 19 – BM application values for RY24/25: Resource (24/25 prices)

	BMA 24/25 (£m)	BMA 25/26 (£m)	BMA 26/27 (£m)	Total (£m)
Baseline Margin Core				
Baseline Margin - Future Connectivity				
Baseline Margin - MHHS				
Baseline Margin Net Evo - TAF				
Baseline Margin Net Evo - vWAN				
Baseline Margin Project 2 - SMETS1				
Baseline Margin Project 3 - ECoS				
Baseline Margin Project 4 - Net Evo - CH&N				
Baseline Margin Project 5 - DSP				
Baseline Margin Project 6 - Net Evo - PKI				
Baseline Margin Project 7 - Future Service Mgt				
Total				

Table 20 – BM application values for RY24/25: Non-resource (24/25 prices)

As required by Licence condition A5(aa) the table below sets out this year's BMA application in 13/14 prices. The value of PIBM used here is 1.345 (as per the main RIGs).

	BMA 24/25 (£m)	BMA 25/26 (£m)	BMA 26/27 (£m)	Total (£m)
Baseline Margin Core				
Baseline Margin - Future Connectivity				
Baseline Margin - MHHS				
Baseline Margin Net Evo - TAF				
Baseline Margin Net Evo - vWAN				
Baseline Margin Project 2 - SMETS1				
Baseline Margin Project 3 - ECoS				
Baseline Margin Project 4 - Net Evo - CH&N				
Baseline Margin Project 5 - DSP				
Baseline Margin Project 6 - Net Evo - PKI				
Baseline Margin Project 7 - Future Service Mgt				
Total				

Table 21 – BM application values for RY24/25: Total (13/14 prices)

Appendix 2: BMA model map

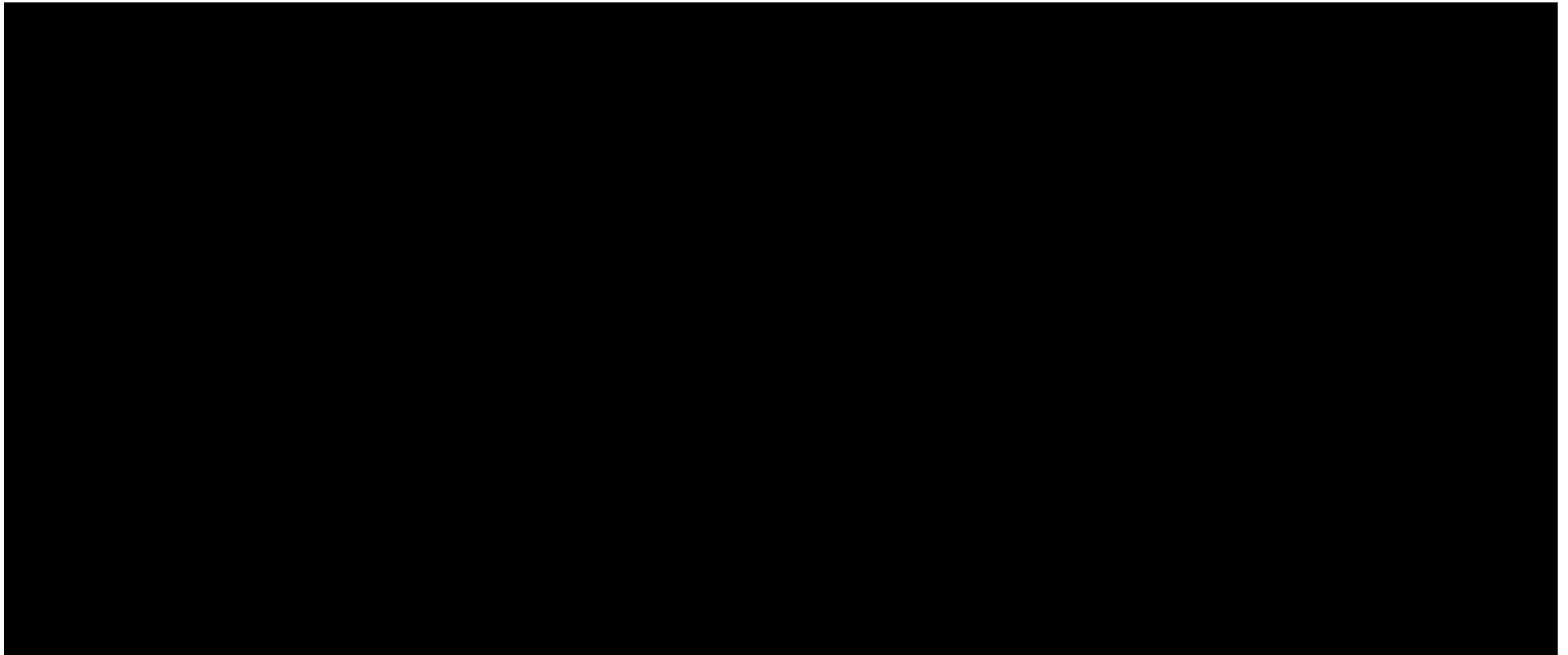


Figure 1 – BMA model map