Data Communications Company

DCC Price Control RY25/26 – SMETS1 Service

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

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

1. SMETS1 Service

Summary

What is this and why is it important?

Over 13 million SMETS1 meters were installed by energy suppliers before the DCC network became operational. In the absence of a national platform, suppliers used a range of technical solutions, deploying different meter types and relying on six Smart Meter System Operators. As a result, many meters lost smart functionality when consumers switched suppliers, leading to manual readings or estimated billing.

To address this, the Government mandated DCC to deliver an enrolment solution to migrate SMETS1 meters onto its network and ensure smart services were maintained, including during supplier changes. This migration programme was completed in September 2025. The successful completion of the SMETS1 migration programme represents one of the most significant achievements within the smart metering rollout, restoring and protecting smart functionality for more than 13 million meters while enabling consumers to retain smart services when switching supplier.

By supporting the effective operation of SMETS1 meters, DCC allows energy suppliers and network operators to securely access meters remotely for essential functions such as accurate billing, real-time monitoring, and updates, while maintaining interoperability across the market.

The programme also delivers wider system benefits. Accurate, timely data from enrolled meters helps suppliers and network operators better manage demand, supporting renewable integration, strengthening system resilience, and contributing to a more sustainable, low-carbon energy future.

RY25/26 activities and costs

In RY25/26, internal costs were £2.8m, £0.4m below the regulatory baseline. The reduction primarily reflects lower payroll and internal service costs, demonstrating continued focus on delivering the service efficiently while completing key programme milestones.

DCC successfully completed the SMETS1 migration programme, maintained strong operational performance and continued to deliver initiatives that reduce long-term costs for customers. The final migration of FOC meters enabled the migration programme to be formally closed, ensuring interoperability across more than 13 million enrolled meters while avoiding significant replacement costs that would otherwise have been incurred by industry. DCC also delivered technical enhancements, including certificate rotation, DCO technology refresh activities and network optimisation initiatives.

DCC also progressed the transition to a streamlined enduring service model through the introduction of new DCO arrangements and completion of the [redacted] re-procurement. The DCO re-procurement is expected to deliver £18.4m of savings through to March 2029, while the new [redacted] solution reduces annual costs from approximately £20.8m to £3.7m, delivering substantial savings for consumers.

Future activities and costs

For RY26/27, we forecast a reduction in payroll costs driven by a lower level of resource required following completion of enrolment activities and the wider Project Jupiter restructure. In addition to implementing and embedding the new DCO and [redacted] arrangements, DCC is progressing initiatives to deliver further cost reductions through implementing technical changes (SRV 4.3 modification and 4.10 Push to Cache) to reduce the volume of messages while maintaining service performance,

1.1. SMETS1 – RY25/26 Variances Overview

1.1.1. Internal Costs overview

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

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

Baseline			RY25/26	RY26/27
Total SMETS1		£m	3.143	1.872
Payroll costs	PR	£m	2.498	1.536
External services	ES	£m	0.065	-
Internal services	IS	£m	0.580	0.336
Incurred			**RY25/26**	**RY26/27**
Total SMETS1		£m	2.756	1.033
Payroll costs	PR	£m	2.010	0.860
External services	ES	£m	0.351	0.173
Internal services	IS	£m	0.396	-
Variance			**RY25/26**	**RY26/27**
Total SMETS1		£m	-0.387	-0.839
Payroll costs	PR	£m	-0.489	-0.676
External services	ES	£m	0.286	0.173
Internal services	IS	£m	-0.184	-0.336

Table 1 – SMETS1 Variance by GL

1.1.2. External Costs Overview

There are 9 fundamental service providers dedicated to our SMETS1 programme. Worksheet 4 of the RIGs Supplementary Schedules provides a further breakdown of the SMETS1 External Costs for RY25/26.

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

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
S1SP	[redacted]	S1SP_1	5.93	6.22	0.29
S1CSP	[redacted]	S1_CSP_1	18.86	26.64	7.77
S1SP	[redacted]	S1SP_2	51.18	46.68	(4.50)
S1CSP	[redacted]	S1_CSP_2	1.37	1.14	(0.23)
S1SP	[redacted]	S1SP_3a	7.59	8.07	0.48
S1SP	[redacted]	S1SP_3b	10.87	20.98	10.11
DCO	[redacted]	S1_DCOa	25.53	26.44	0.90
DCO	[redacted]	S1_DCOb	2.96	3.27	0.31
DCO	[redacted]	S1_DCOc	0.53	4.67	4.14

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
S1SP	[redacted]	SISP_3c	-	3.74	3.74
Total			124.81	144.10	19.28

Table 2 – RY25/26 SMETS1 External Costs

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

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
S1SP	[redacted]	S1SP_1	4.85	4.92	0.07
S1CSP	[redacted]	S1_CSP_1	18.54	26.72	8.18
S1SP	[redacted]	S1SP_2	49.07	44.73	(4.34)
S1CSP	[redacted]	S1_CSP_2	1.08	1.14	0.06
S1SP	[redacted]	S1SP_3a	5.68	5.58	(0.10)
S1SP	[redacted]	S1SP_3b	10.14	19.94	9.80
DCO	[redacted]	S1_DCOa	15.94	15.06	(0.88)
DCO	[redacted]	S1_DCOb	2.28	1.99	(0.29)
DCO	[redacted]	S1_DCOc	0.53	3.33	2.80
S1SP	[redacted]	SISP_3c	-	-	-
Total			108.10	123.41	15.30

Table 3 – RY25/26 SMETS1 external costs (enduring)

The above table presents the majority of the overall variance, £15.30m, being accounted for by the enduring costs incurred against [redacted], [redacted] and [redacted] (the details of which are set out in Section 1.7). Breaking this down to show the remaining £3.98m variance in incurred new scope and set-up costs only (covering Change Requests (CRs) and Project Requests (PRs)), presents the following:

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
S1SP	[redacted]	S1SP_1	1.09	1.30	0.22
S1CSP	[redacted]	S1_CSP_1	0.32	(0.08)	(0.40)
S1SP	[redacted]	S1SP_2	2.11	1.95	(0.16)
S1CSP	[redacted]	S1_CSP_2	0.29	-	(0.29)
S1SP	[redacted]	S1SP_3a	1.90	2.48	0.58
S1SP	[redacted]	S1SP_3b	0.73	1.04	0.31
DCO	[redacted]	S1_DCOa	9.59	11.38	1.79
DCO	[redacted]	S1_DCOb	0.68	1.28	0.60
DCO	[redacted]	S1_DCOc	-	1.34	1.34
S1SP	[redacted]	SISP_3c	-	3.74	3.74
Total			16.71	20.69	3.98

Table 4 – RY25/26 SMETS1 External costs (new scope and set up)

The above table illustrates that the majority of the £3.98m variance is accounted for by the new scope and set-up costs incurred against [redacted] (see Section 1.8). There were no Individual material CRs and PRs for RY25/26.

1.2. Purpose, Scope, and Structure

1.2.1. Purpose

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

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

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

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

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

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

1.2.2. Scope

The SMETS1 service family specifically supports the transition and operation of legacy meters enabling consumers equipped with SMETS1 meters to access the benefits of the smart metering network. The key customer requirements that the SMETS1 service supports are:

- Operation of a cost-effective, secure, and high-performing service through to End of Life (EOL)

- The timely and efficient replacement of SMETS1 meters before 2G sunsetting in 2033.

As a result of different variations of SMETS1 capability being installed, it has been necessary for DCC to migrate SMETS1 meters onto the smart metering network in three distinct cohorts, with specific capability mixes procured to enable each cohort to operate effectively - with each reflecting the unique technical requirements and service architecture involved. Each cohort is supported by external service provider capabilities as set out in table 1 below. Each cohort includes the provision of Wide Area Network (WAN) coverage, IT application support and hosting providers.

Together they provide connectivity to DCC's infrastructure for over 13 million SMETS1 meters.

Cohort	Supplier	Role
Initial Operating Capability (IOC)	[redacted]	UK 2G network communication provider for smart meter data traffic
	[redacted]	IT application and hosting provider
Middle Operating Capability (MOC)	[redacted]	UK 2G network communication provider for smart meter data traffic
	[redacted]	IT application provider + roaming access to UK 2G mobile networks for smart meter data traffic
Final Operating Capability (FOC)	[redacted]	UK 2G network communication provider for smart meter data traffic

Table 5 – SMETS1 Main service contracts

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

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

1.2.3. Work delivered within RY25/26

Change	Description
DCO Tech Refresh	SMETS1 guardian service known as Dual Control Organisation (DCO) required infrastructure refresh to remain within support agreements. E.g. DB upgrades.
ECS - Local UTRN Generation for MOC Cohort	Customer requested (and financed) change to support pre-pay top up functionality during outages.
SHC Centlog	To support cost-effective cloud-based infrastructure changes, Secure Hybrid Cloud (SHC) platform changes were required.
SMETS1 Enduring Certificate Rotation	Entire SMETS1 estate required an uplift to the security credentials stored on each meter to ensure continuing connectivity.
IOC Long Retry Optimisation	The number of long retries performed for scheduled SRVs have been reduced to poorly or non-communicating devices resulting in significant cost avoidances for SMS overage charges.
DCO 2.0 - Thorntail Replacement	Platform changes to allow competitive pricing to be achieved. Movement of Infrastructure from Data Centre to Cloud-based technology.
DSP: Scheduled SRV Batching - POC	Pilot to prove significant cost avoidances achieved by batching requests to SMETS1 meters that reduced the cost of SMS overage charges.
[redacted] Re-platforming	Platform changes to cloud-based services due to historic contract expiry. Resulted in re-negotiated, more cost effective commercial contracts.
SIE to [redacted] APN Capacity Uplift	Infrastructure improvements to support peak traffic windows e.g. Tariff changes or changing of the clock (BST to GMT and vice versa)
Meter Reconfiguration	To support the Market Half Hourly Settlements (MHHS) Programme, certain SMETS1 devices required reconfiguring to report correct consumption data (devices inherited into DCC) that allowed Customers to migrate their estate to comply with MHHS obligations.
MOC RP Closure	Completion of the final cohort of SMETS1 devices into the DCC ecosystem.
FOC Clock Change - Enduring Solution	Changes to alerting to protect peak windows when clocks are set forward or backward to maintain service availability.
Scheduled SRV Batching	Full change to achieve significant cost avoidances achieved by batching requests to SMETS1 meters that reduced the cost of SMS overage charges.

Table 6 – Work delivered in RY25/26

1.2.4. Outcomes for customers in RY25/26

In addition to the above overall SMETS1 changes, during this period, the In Life Change team have also delivered 2 technical Overage-reducing projects that have enabled significant cost avoidance for

customers, with several additional changes having undergone delivery planning during this period, but set to be delivered next RY.

Change	Description	Cost to Deliver	Cost Avoidance	Delivery Date
IOC Long Retry Optimisation Phase	Reduced long retries from 11 to 2, resulted in further 26% reduction in SMS volumes with a <0.3% impact on success rate	[redacted]	[redacted] on SMS Overage charges Apr 2025 – Mar 2029.	Apr 2025
DSP SRV Batching	SRV Batching allows all scheduled SRVs to be executed in a single SMS 'session'. Expected to reduce the SMS overage by 35% on average	[redacted]	[redacted] from Jan 2025 - Dec 2025 and [redacted] Jan 2026 - Mar 2029	Jan 2026

Table 7 – Cost avoidance outcomes

Secure Meters (S1SP_2) – SMS management in RY25/26

Despite higher-than-baseline costs in RY24/25 driven by increased meter volumes and SMS usage, DCC has successfully strengthened the commercial position of the Secure Meters contract since last year. Growth in the estate (now 4.7m meters) and rising demand for on-demand reads increased FOCs and overage exposure; however, this reflects higher utilisation of the service and growing customer value.

Crucially, DCC proactively renegotiated key commercial terms with Secure Meters, securing a materially improved outcome for consumers. This includes a doubling of the included SMS bundle at no additional cost, a 15% reduction in SMS unit rates, and the introduction of a cost cap mechanism that limits DCC's downside risk while sharing exposure with the supplier. In addition, Secure Meters agreed to fund 50% of key technical enhancements.

These changes have already delivered c.£40m of savings in-year, with further benefits expected over the remaining contract term as enhancements (e.g. SRV 4.3 and 4.10) are implemented. Overall, this represents a clear step forward from last year in managing cost pressures and improving value for money. Figure 1 clearly illustrates the savings achieved to date, alongside the additional savings expected over the remainder of the contract term.

Secure SMS Variable Costs – Forward Projection



Migrations completed

The below table sets out the volume of meters migrated up to closure of SMETS1 Migration Programme on 31 December 2025 for each cohort.

Cohort	Active	Dormant	Total
IOC	2,312,259	1,060,997	3,373,256
MOC	4,260,346	1,541,923	5,802,269
FOC	2,988,662	1,574,177	4,562,839
Total	9,561,267	4,177,097	**13,738,364**

Table 8 – Volume of SMETS1 meters migrated to date

1.2.5. Contract State Post Migration

As the final meters in the MOC cohort were migrated in October 2025, DCC has established a series of re-procurement activities which has initiated a more streamlined contractual landscape, replacing the previously fragmented profile evident in 2024.

Figure 2 illustrates how this streamlined set of options is designed to align with the 2G sunsetting timeline, providing industry with the certainty of service provision required to support the planned replacement of the SMETS1 meter estate with solutions capable of serving customers through to 2040 and beyond such as 4G WAN.

By aligning contract extension options with the 2G sunsetting timeline, DCC has also avoided the cost inefficiencies associated with short-term, piecemeal extensions. Under the previous landscape, suppliers faced multiple cliff edges requiring bespoke, premium-priced extensions. The re-procured approach consolidates these into more predictable, longer-term arrangements, reducing commercial risk and enabling more efficient planning for meter replacement.

The re-procurement of DCO and [redacted] services has avoided the need to extend legacy contracts at materially higher annual operating costs. For context, the [redacted] service costs [redacted] per annum, compared to [redacted] per annum under the new [redacted] contract. Extending the legacy arrangement through to 2033 would have resulted in over [redacted] of additional cost to consumers.

[redacted]

[redacted]

[redacted]

1.2.6. Our Programme Structure

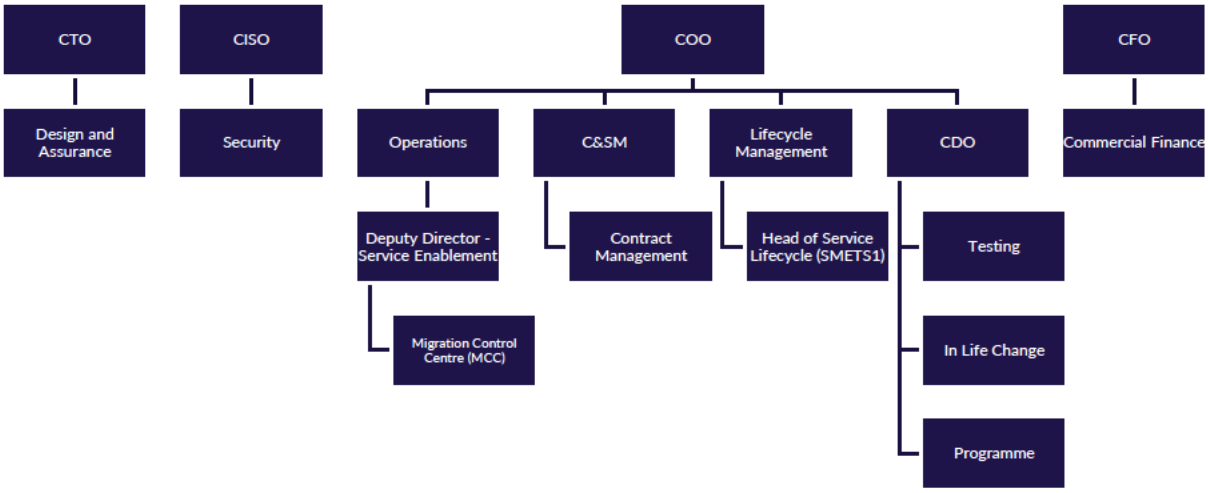


Figure 3 – SMETS1 Service structure

The figure below shows how the service was organised during RY25/26, and the key roles within each sub-team.

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

RY25/26 Sub-teams	Description
Commercial and Regulation	Commercial and In-Life Contract Management The purpose of these two teams are threefold: (i) to drive better supplier performance and accommodate changes to the Service Providers' contracts for any of the capability releases, (ii) to drive and lead on procurements and negotiations with current and new Service Providers for any of the capability releases, and (iii) to complete and review contract signatures for Service Providers' contracts for any of the capability releases. Regulation The purpose of this team is threefold: (i) to provide support to the team on any regulatory matters, (ii) to run consultations as required for other SEC designated documents and (iii) to identify requirements and dependencies for go-live governance including internal DCC governance and external governance.
Design & Assurance (CTO)	The SMETS1 CTO team's primary focus is to continue to deliver an ongoing high-level technical design and provide assurance of supplier detailed technical design.
Finance	Budgets, forecasts, and tracks actual spend, as well as support on business cases. As for the rest of the business, the SMETS1 service is also benefiting from the finance transformation programme (including the work on business accuracy).
Operations	To manage the SMETS1 Service on an ongoing basis, the SMETS1 Operations team's primary focus is to support the migration activity, manage supplier relations (particularly for FOC stabilisation), and establish an Early Life Support in time for the first capability release. This will involve business acceptance and operational acceptance testing to ensure that the service can be handed over to operational teams within the DCC and remaining non-functional processes and activities have been verified as fit-for-purpose.
Security	The primary purpose of the SMETS1 Security team is to produce and finalise the Security Architecture and Risk Assessment for each of the service's capability releases. This includes security assessing and assuring the integration of all SMETS1 service providers and components.
Service Delivery	The overall purpose of this team is to deliver the system changes for SMETS1 on behalf of DCC operations in accordance with DCC's Licence Conditions, liaising with internal and external stakeholders to ensure all end-to-end components are in place to enable the safe and efficient migration of meters. The SMETS1 service introduced new components to DCC's core infrastructure. While this is designed to be 'seamless' to end-customers there is greater complexity in terms of data flow, security, and physical Device Model combinations.
Testing	The SMETS1 Test Services and Assurance Team will oversee multiple testing stages for the three different capability releases, including: Pre-integration Test (PIT), System Integration Testing (SIT), Migration SIT, and User Integration Testing (UIT).

Table 10 – Description of SMETS1 functional sub-teams

1.3. Drivers of Internal Cost variance – Payroll

The table below shows the payroll variance by sub-team within the SMETS1 cost centre.

SMETS1 variance by Sub-Team

The overall Payroll Costs variance in RY25/26 is -£0.489m, with incurred costs of £2.010m relative to a baseline of £2.498m.

Baseline		RY25/26	RY26/27
SMETS1 Payroll Costs	£m	2.498	1.536
Commercial and Regulation	£m	0.167	0.039
CTO	£m	0.427	0.322
Finance & People	£m	0.065	0.067
Operations	£m	0.288	0.171
Security	£m	0.573	0.251

Service Delivery	£m	0.604	0.287
Testing	£m	0.374	0.399
Incurred		RY25/26	RY26/27
SMETS1 Payroll Costs	£m	2.010	0.860
Commercial and Regulation	£m	0.098	0.009
CTO	£m	0.295	0.097
Finance & People	£m	0.002	0.004
Operations	£m	0.340	0.362
Security	£m	0.159	0.038
Service Delivery	£m	0.776	0.132
Testing	£m	0.339	0.218
Variance		RY25/26	RY26/27
SMETS1 Payroll Costs	£m	-0.489	-0.676
Commercial and Regulation	£m	-0.069	-0.030
CTO	£m	-0.131	-0.225
Finance & People	£m	-0.064	-0.063
Operations	£m	0.052	0.191
Security	£m	-0.414	-0.214
Service Delivery	£m	0.172	-0.155
Testing	£m	-0.035	-0.180

Table 11 – RY25/26 SMETS1 payroll cost variance

1.3.1. Service Delivery

This variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.

Overview of variance

The variance of £0.172m above the baseline primarily reflects the shift of the In Life Change team from Operations to Service Delivery and their time being booked to SMETS1 activities.

The In-Life Change team manages the implementation of in life changes to services, providing project management expertise, service architecture and design, and transition and testing activities to ensure changes have a minimal impact to live services.

Scope of variance and key challenges

In RY25/26, the In Life Change team booked 1.71 FTE to SMETS1 programme, which was not forecast due to the team transfer from Operations into Service Delivery in RY25/26. These activities covered:

- [redacted] reprocurement

- SMETS1 maintenance and tech refreshes, and
- Migration completion

From March 2025 to September 2025 there was significant customer engagement and support provided to Utilita. Pre-migrations commencing, this was to provide assurance that the solution was reliable and that there was no risk to their customers and the ability to 'top up' as the majority were pre-pay. Through the migration period and immediately post migration we supported Utilita with daily calls to advise how migrations had progressed and demonstrate via reporting how the meters were now performing when on the DCC network. In addition to this we had increased external stakeholder engagement with DESNZ and OFGEM with weekly calls in place and operational teams attended and provided narrative and reporting to evidence the success.

There was also an increase of 0.7 FTE above forecast from our Professional Service Practice team to manage the completion and mobilisation of the DCO re-procurements and the [redacted] re-procurement.

Securing Value for Money

The team also provided additional in-life activity including managing the migration activity through the Migration Control Centre (MCC) team. In addition, the MCC team completed all the pre migration checks to ensure the migrations were successful but also supporting post migration monitoring with hypercare support throughout the period of migration activity. These actions were required to be completed as per Transition and Migration Approach Document (TMAD) and DCC's obligations. The engagement with Utilita in particular was critical in ensuring that migrations were completed effectively and that they had support above and beyond expectations to enable successful customer support.

Future Considerations

The Service Delivery team will continue to support ongoing technical refresh items and system upgrades to maintain service and systems and also continue to support final SMETS1 migration as a key obligation for the industry.

It is anticipated that there will also be work required to prepare to future sunsetting of 2G and 3G services and maintain overall performance.

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

1.4.1. Operations

This *variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.*

Overview of variance

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

We forecast an increase in FTE required for RY26/27 compared to our baseline, which drives the cost variance, to support across three key activities:

- [redacted] Re-procurement (flat FTE assumption with prior year)
- ILC FOC (new initiative)

- SMETS1 squad that supports maintenance upgrades across the entire SMETS1 landscape (increased FTE)

Scope of variance and key challenges

We forecast 1.12 FTE in our RY24/25 submission and provide an updated forecast of 2.18 FTE for RY26/27.

The changes between the two RY26/27 forecasts are:

- SMETS1 Squad previously only estimated 0.7 FTE from our Lifecycle Management team, which has reduced to 0.3 FTE. Our latest review identified a mix of skills across our Operations sub-teams, including:
    - Contract management team (0.2 FTE) provide contract management services for all SMETS1 changes and projects. Every change delivered requires a contract management resource.
    - Core Operations team (0.15 FTE) provides various services for SMETS1 delivery, such as incident, change and release management and hypercare. The amount required will differ based on the change or project, hence they make up a squad of estimated resources based on estimate forecasts of projects and change that might arise during a year.
    - Data analytics & Strategic Operations (0.1 FTE) to provide data analysis services.
    - Product and Networks team (0.24 FTE) provides services such as capacity assessments and are required for reviewing potential future changes as well as carrying out impact assessments on in-flight SMETS1 projects and changes. They are also responsible for managing the demand ono our network.

  All of the above form a squad which is an estimated number of resources based on indicative demand (i.e., projects and changes that don't yet exist, but DCC predict will exist by forecasting the in-life change roadmap via working cross-functionally with SMEs to determine potential demand for changes and projects).
- The FOC ILC programme, these activities were not forecast at the time of our last submission. Our Lifecycle Management and Product and Networks teams (0.8 FTE) are working with our FSPs to ensure ongoing WAN connectivity for SMETS1 meters and optimise the use of our network across the FOC estate.

Securing Value for Money

The additional Operations resource in RY26/27 reflects a targeted and proportionate response to the evolving needs of the SMETS1 service as it transitions from migration into steady-state operation and optimisation. Following completion of the migration programme, DCC continues to operate across three distinct SMETS1 cohorts (IOC, MOC, and FOC), each with differing technical requirements and supplier arrangements. This inherently increases operational complexity and necessitates a coordinated, cross-functional "squad" approach to manage service performance efficiently.

Value for money is secured through several mechanisms:

- Optimised resourcing model: Rather than establishing fixed, dedicated teams, DCC utilises a flexible, multi-skilled Operations "squad" drawn from contract management, core operations, product and networks, and data analytics functions. Resources are allocated based on forecast demand and deployed only where required, ensuring that costs scale in line with workload rather than being fixed.
- Maximising use of existing capabilities: Wherever possible, DCC delivers activities using internal expertise (e.g. contract management, network planning, and data analysis) rather than relying on

external support. This reduces reliance on higher-cost third parties while retaining critical knowledge within DCC.

- Supporting efficient supplier management: Increased Operations involvement strengthens oversight of multiple service providers, ensuring performance is actively managed and that contractual mechanisms are used effectively to control costs and maintain service quality across all cohorts.
- Enabling cost avoidance and service optimisation: Operational activities underpin key in-life change (ILC) initiatives and technical improvements (e.g. network optimisation, maintenance upgrades, and capacity management), which are designed to reduce long-term operating costs and improve service efficiency. These interventions help mitigate risks such as overage charges, system inefficiencies, and reactive remediation costs.
- Avoiding inefficient future costs: Early investment in operational readiness for FOC ILC and ongoing maintenance reduces the likelihood of more costly interventions later (e.g. incident-driven fixes, accelerated supplier changes, or unplanned infrastructure upgrades).

Overall, the incremental investment in Operations enables DCC to manage a complex, multi-supplier environment efficiently, maintain high service performance, and support delivery of longer-term cost savings for customers.

Future Considerations

As the SMETS1 service moves beyond migration, the focus of Operations will increasingly shift towards maintaining performance, managing technical obsolescence, and enabling efficient transition to future solutions.

Key forward-looking considerations include:

- FOC in-life change (ILC) delivery: The FOC estate represents the most recent and complex cohort, with ongoing ILC activity required to stabilise, optimise, and enhance the service following migration. This includes maintenance releases, performance improvements, and targeted technical upgrades.
- Management of legacy technology risks: SMETS1 services continue to rely on legacy communications infrastructure, including 2G and 3G networks. As industry moves towards sunsetting of these technologies, Operations will play a critical role in planning, risk assessment, and implementation of mitigations to ensure continuity of service.
- Ongoing optimisation of service performance: Continued monitoring and optimisation of network usage, demand patterns, and supplier performance will be required to manage cost pressures (e.g. SMS/data traffic growth) and maintain service efficiency across all cohorts.
- Supporting meter replacement and transition strategy: As the SMETS1 estate approaches end-of-life, Operations will support industry efforts to replace meters with next-generation solutions (e.g. SMETS2 or future WAN technologies), ensuring that transition is managed in a coordinated and cost-effective manner.
- Evolving demand for in-life change: The SMETS1 service will continue to require a pipeline of smaller-scale changes and enhancements driven by regulatory requirements, customer needs, and system improvements. The Operations squad model provides the flexibility to respond to this evolving demand without committing to fixed long-term resource levels.

In summary, while migration activity has concluded, the SMETS1 service remains operationally complex and requires ongoing, carefully managed investment to maintain performance, mitigate emerging risks, and support the transition to future metering solutions in a cost-efficient manner.

Change	Description
IOC & FOC Fast Fail	Supports further cost avoidance by reducing the number of overage charges incurred from SMS messaging to SMETS1 devices when alerts are encountered.
FOC code removal	Housekeeping changes mandated by the SEC where redundant code is removed from the Production baseline codeset
IOC infrastructure removal	To support right sizing of the IOC estate as 4G device swap outs increase therefore reducing the SMETS1 estate.

Table 12 – Key changes

1.5. Drivers for Internal Cost variance – Non-Resource

This section is not applicable due to no material cost variances in RY25/26 or RY26/27.

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

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

1.7. Drivers for External Costs – RY25/26 Enduring cost variances

As shown in Section 1.1.2, there were three FSPs that have a variance in the RIGs greater than £1m for their enduring costs, [redacted], [redacted] and [redacted]

1.7.1. [redacted]

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
S1CSP	[redacted]	S1_CSP_1	18.54	26.72	8.18

Table 13 – Variance overview

Overview

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

As set out in section 1.1.2 there was a variance for [redacted] enduring charges. The table below sets out the incurred enduring costs for [redacted] as compared to the baseline costs.

Category	Baseline (£m)	Incurred (£m)	Variance (£m)
SIM Charges	15.933	19.773	(3.840)
Fixed Operating Costs	-	4.539	(4.539)
MPLS	0.392	0.215	0.178
Overage	0.360	0.406	(0.046)
Roaming Charges	1.775	1.785	(0.011)
Small Works	0.080	-	0.080

[1] S1_CSP_1

Operating Costs	18.540	26.719	(8.179)

Table 14 – RY25/26 SMETS1 [redacted] costs (operational costs)

As per the table above, the material items accounting for the variance to baseline were FOC charges (~£4m) and SIM charges (~£4m), explained below. These variances are demand-driven; the volume of smart meter communications has grown significantly beyond the levels forecast at contract inception, reflecting changes in service user behaviour, DNO network usage, and new data services that were not foreseeable in 2019. While DCC has successfully negotiated material reductions in unit rates and secured substantial future cost avoidance, the scale of volume growth has more than offset these per-unit savings, resulting in total costs exceeding the business plan baseline.

Driver for change

DCC pays a monthly per-SIM access charge. Customer SRVs are sent over the cellular network as SMS or data messages, with each SIM allocated a monthly allowance. At contract inception in 2019, analysis of IOC and FOC cohorts showed an average of 92 messages per Comms Hub per month; a 150-message allowance was agreed, providing 63% headroom. The original system architecture, designed by industry in 2012 and inherited by DCC, was predicated on scheduled reads, not the on-demand request patterns that have since emerged.

Overage charges apply when usage exceeds this threshold. Since 2019, SMS traffic has increased by over 40%, with a further increase of over 200% forecast by 2027. This growth reflects under-forecasted demand driven by changes in service user behaviour outside DCC's control, including:

- Increased meter read requests driven by a larger installed meter base
- New services using smart meter data (e.g. N3rgy)
- Greater DNO use of the SMETS1 network: DNOs were originally allocated just 6% of DCC total charges, reflecting limited anticipated usage; actual demand has materially exceeded this, with DNOs ramping up to daily reads across multiple SRV types (4.10, 4.8.1, 4.8.2)
- SEC changes introduced after contract signature, including the transfer of SRV forecasting obligations to DCC under SEC Mod MP116 (February 2022)

Critically, the mix of SRV types has also shifted. Different SRV types generate different volumes of SMS per transaction under the Contractor 2 solution (a consequence of the inherited "black box" architecture). There has been a 5% growth in the most SMS-intensive SRV type and a 19% growth in the second most intensive, a pattern that was not foreseeable at contract signature. As noted by E.ON at the Ofgem stakeholder price control consultation event (12 December 2025): *"it would not be possible for DCC to predict the changes in behaviour within the industry between 2019 and 2025."*

Securing Value for Money

[redacted]

Overage charges on the [redacted] contract began in October 2022 but remained low due to a billing error. In October 2024 [redacted] identified that overage had been undercharged by a factor of 100 (£0.0001 vs £0.01), issuing a retrospective invoice of [redacted] for the period October 2022 to January 2025. Ongoing costs from February 2025 were forecast at [redacted] per month, compared to [redacted] previously assumed in DCC's business plan.

DCC acted decisively, connecting the SMS negotiation to the wider [redacted] provision to maximise commercial leverage. The initial settlement value proposed by [redacted] was [redacted] DCC renegotiated this down to [redacted] representing just [redacted] of the contracted SMS unit rate, delivering:

- Waiver of [redacted] in legacy charges (pre-September 2024)
- Reduction of charges for October 2024–March 2025 to [redacted] (vs [redacted] at contract rates)
- 70% reduction in SMS overage price ([redacted] per SMS)
- Introduction of an aggregated SMS/data tariff, moving from per-SIM measurement to an aggregated mechanism, with an [redacted] increase in monthly SIM fee (to [redacted]
- Introduction of a fixed network services charge

In total, DCC has reduced expected [redacted] spend from £498m (October 2022-March 2029) down to £184.5m, a saving of £313.5m for consumers on otherwise legitimate charges. Ofgem has reviewed the evidence and has not proposed any disallowance for [redacted] overage costs, recognising that the spend reflects prudent contract management and compliance with Licence obligations.

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

Table 15 – SMETS1 [redacted] overage contract rates versus new rates

Technical optimisation

- DCC has also reduced traffic through targeted technical interventions, including:
- 27% reduction in FOC retry traffic
- 23% reduction in IOC short retries
- Further ~25% reduction expected from IOC long retry optimisation
- Reduced SMS per MOC 4.10 transaction (3 to 2) — implemented February 2025, forecast to deliver £36m in savings through 2029

These changes required Contractor 2 cooperation, which is not contractually mandated given the "black box" aggregated service and Contractor 2's retention of IPR. Technical changes typically take 12-17 months from conception to implementation.

Customer engagement

DCC has proactively engaged service users and DNOs to moderate demand, delivering £1.5m in savings during FY25 and £95m in forecast savings through to 2029 from changes in DNO behaviour alone. Through sustained engagement, DCC has moved DNOs from an original position of daily reads across all SRV types to a differentiated approach (weekly, monthly, or ad hoc depending on DNO and SRV type). While DCC cannot mandate behaviour change, it continues to encourage best practice, including prioritising scheduled over on-demand reads and SMETS2 over SMETS1 where appropriate.

Future Considerations

DCC has materially lowered overage exposure through a combination of negotiated rate reductions (both [redacted] and Contractor 2, subject to contract), aggregated tariffs, and technical optimisation. While unit costs are now at or below market rate, the key ongoing risk remains demand growth outpacing forecasts driven by factors outside DCC's control. DCC continues to manage future exposure through technical interventions (including SEC Mod-enabled SRV 4.3 and 4.10 changes due November 2026 and March 2027

respectively), stakeholder engagement, and the commercial leverage secured through its strategic positioning on service continuity.

1.7.2. [redacted][2]

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
S1SP	[redacted]	S1SP_3b	10.14	19.94	9.80

Table 16 – Variance for [redacted]

Enduring costs under S1SP_3b relate to the provision of SMETS1 services by [redacted] and are all categorised as Fixed Operating Costs (FOC) associated with the ongoing operation of the service.

Baseline and variance analysis

As part of the RY24/25 Price Control, Ofgem determined a disallowance of the forecast differential between the costs of the new [redacted] contract, based on market benchmark, and the old [redacted] contract, after July 2025. This corresponded to a forecast disallowance of £11.24m in RY25/26.

Ofgem welcomed that DCC achieved substantial savings via the new contract and did not identify inefficiency in the core enduring [redacted] service. The resulting £11.24m baseline reduction therefore reflects a regulatory adjustment applied, rather than a direct reduction to the efficient cost of [redacted] enduring services.

This creates a structural misalignment whereby:

- the baseline reflects a reduced allowable cost, while
- actuals reflect the full cost required to operate and maintain SMETS1 services.

On a like-for-like basis, adjusting for disallowances, the underlying position indicates that [redacted] costs were controlled and below forecast. Please see section 1.11 for more information on the procurement process followed and an explanation for why a disallowance of any cost related to the existing [redacted] contract is not justified.

1.7.3. DCO: [redacted]

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
DCO	[redacted]	S1_DCOc	0.53	3.33	2.80

Table 17 – Variance overview for [redacted]

The [redacted] DCOc cost line relates to enduring operational services (all are Fixed Operating Costs - FOCs) for the period April to October 2025, ahead of the transition to the new contract. DCC's business plan included £2.74m of costs in RY25/26, however Ofgem applied a disallowance of £2.21m, reflecting its assessment that customers should have benefited from a new solution earlier, from April 2024. Therefore, the variance to DCC's forecast is £0.59m. Ofgem's RY24/25 Final Determination assumed [redacted] run costs for the April to October period of £3.15m, creating a variance of £0.15m.

Costs incurred during the year were broadly in line with the assumptions in Ofgem's RY24/25 Final Determination, with the variance driven by decommissioning costs which were not included in the Final Determination. DCC's business plan assumed different phasing of costs, with a higher level of costs in the period April to July, reducing from August and continuing at the same rate until December.

[2] S1SP_3b
[3] S1_DCOc

Ofgem's disallowance is based on the forecast differential between the run costs of the new DCO solution, based on market benchmark, and the old DCO solution from April 2024. As set out in the RY24/25 Final Determination, Ofgem recognised the efficiencies delivered by the new solution through a partial reduction in the run-cost disallowance, aligning the adjustment to the Lot 1 benchmark (9.8% below market). DCC had proposed applying the full 11% average benchmark reduction and considers that this provides a more representative view of overall market efficiency.

The new solution also benefits from material improvements in underlying technology. AWS Outposts has improved significantly, delivering approximately 40% greater efficiency compared to earlier versions. [4]

This has a direct cost implication for the counterfactual used in assessing disallowance. The total AWS Outpost cost within the new solution is [redacted]. Under an earlier procurement scenario, equivalent capacity would have required [redacted] additional infrastructure, implying a total cost of approximately [redacted]. This indicates that the counterfactual cost baseline would have been materially higher had the solution been implemented earlier.

This position was partially accepted by Ofgem in the RY24/25 Final Determination, which recognised that earlier implementation could have resulted in higher costs and reduced the RY24/25 run-cost disallowance by [redacted]. DCC considers that this effect should be consistently reflected in the treatment of run costs in RY25/26. £2m costs were incurred in RY25/26, meaning that costs for an equivalent solution would have been £800k higher in the past. Therefore, we ask that Ofgem includes this benefit to consumers in any price control run costs disallowance calculation for RY25/26, offsetting the overall run costs disallowance.

Further details of the new solution are set out in section 1.10.

1.8. Drivers for External Costs – RY25/26 New scope and set-up cost variances

As shown in Section 1.1.2, there were three FSPs that have a variance in the RIGs greater than £1m for their setup, new scope and CR/PR costs, [redacted]. [redacted] costs are under the new [redacted] contract set out in Section 1.11.2.

1.8.1. DCO: [redacted]

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
DCO	[redacted]	S1_DCOa	9.59	11.38	1.79

Table 18 – Variance overview for [redacted]

Of this £1.79m variance, £1.1m variance comes from the set-up costs including 7 new CRs/ PRs and with around £0.7m coming from 9 new PRs [redacted] and 3 New CRs [redacted]

CR5651 has the largest spend relating to SMETS1 DCO – Changes to Contractual Milestones due to move of go-lives to be after the Sep-25 Change Freeze and two plan deviations (RTE-B & UIT-B) dues to Gamma interim #1 delay in Farnborough. This CR was primarily driven by risk mitigation: from a proactive decision by DCC to limit potential risk to DCO by deferring implementation activities until after the September Price Change Freeze period.

CR5577, the Upgrade of DCO Application Server software - contract schedules. This CR procured support and licences for 22 HSMs that were migrated from [redacted] to [redacted] Without this CR, these HSMs

[4] Announcing second-generation AWS Outposts racks with breakthrough performance and scalability on-premises AWS News Blog
[5] S1DCOa

could not be reused without risk of degradation of functionality and therefore it was required to enable efficiencies gained through the reuse of hardware.

1.8.2. DCO: [redacted]

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
DCO	[redacted]	S1_DCOc	-	1.34	1.34

Table 19 – Variance overview for [redacted]

The [redacted] external cost movement is driven by a combination of c.26 CRs and PRs, 7 new, each individually small in value (ranging from c.£0.01m to £0.232mm), alongside a limited number of new scope items. Collectively, these represent incremental changes required to support ongoing service delivery, rather than a small number of large cost drivers, resulting in a fragmented but cumulative increase in external costs.

Exact breakdown as covered in the supplementary schedules is:

- MHHS requirements under CR4879, where [redacted] related to getting the service ready to handover.
- CRs: [redacted] coming from 21 CRs, 4 of which are new with the largest, CR4439, which was to upgrade the DCO application server software, covering [redacted] This change upgraded the DCO Application Server Software, replacing Thorntail (which had diminished support and was nearing End of Life). In order to maintain suitability and robustness of the support model, in line with DCC Open-Source Software requirements, DCC adopted Quarkus as the replacement. It was also advisable to upgrade the impacted firmware to ensure FIPS (Federal Information Processing Standards), as a precursor or as part of the transition to a new supplier.
- PRs: [redacted] coming from 5 CRs, 2 of which are new with the largest, PR8034, which was for additional scope for the DCO [redacted] replacement, covering [redacted] This change removed Thorntail server software from the DCO application prior to this software becoming unsupported, which was necessary to mitigate security and operational risks. Through the mutualisation of resources across projects, suppliers delivered over £100k of price reduction on these PR. In addition, all server-related licences that were removed were marked for reuse.

1.9. Drivers for External Costs – Other RY25/26 RIGs variances

We have reviewed where the RIGS show a variance greater than >£500k and the annual spend was greater than £1m:

1.9.1. FOC/ILC Transition: [redacted]

From the variances seen in the RIGS for [redacted] we have noted that the total PR costs incurred were greater than £1m and variance of close to £1m:

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
S1SP PRs	[redacted]	S1SP_3a	0.60	1.43	0.82

Table 20 – Variance overview for [redacted]

[6] S1_DCOc
[7] 3i S1SP_3a

We have summarised the costs by related PRs and explained the cost items driving the variance. We had 8 PRs for this activity, where the three ongoing PRs incurred less cost than forecast. The drivers of the variance are 2 of the 5 new PRs:

- **PR7679** covered a proof on concept to demonstrate whether adopting a different approach to how connections to Electricity Smart Meters (ESME) are managed when connections are lot. This concept was to halt any retries in certain conditions to prevent unnecessary overage charges being incurred and improve network traffic performance. PR7679 supports significant cost avoidance for overage charges circa £9.2M savings between June 2026 and March 2029.
- **PR8176** covered regression testing work within FOC to support capacity increases for SMETS1 service.
- We had three PRs for re-platforming, where we required support from current suppliers to design the [redacted] re-procurement, through ongoing support and specific collaborative workshops.

1.9.2. DSP: CGI[8]

From the variances seen in the RIGS for the DSP, we have noted that the total PR costs incurred were greater than £1m and variance of close to £1m in RY25/26:

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
DSP PRs SMETS1	[redacted]	3a-DSP	0.41	1.33	0.92

Table 21 – Variance overview for [redacted]

We have analysed costs by PR and identified the key drivers of variance.

- The majority of spend [redacted] relates to PR8208, DCO re-procurement, including SI/TRT/testing support and gamma work (see Section 1.10.1).
- A further [redacted] relates to four PRs associated with DCO re-procurement activities, primarily preparation for DCO 2. This includes platform changes to enable competitive pricing and the migration of infrastructure from on-premises data centres to cloud-based solutions. These are one-off costs.
- An additional [redacted] relates to testing across four PRs, driven by consequential DSP changes. This includes updates such as the FOC clock change (enduring solution) and associated alerting enhancements to protect peak windows during clock changes and maintain service availability.

1.10. Drivers for External Cost - New contracts signed valued >£1m

1.10.1. PR8208 [redacted]

Drivers for Change

The DCO was delivered through three contracts with [redacted], all of which had either expired or were nearing expiry. A proposal to extend these contracts to October 2026 was rejected by the Board due to significant regulatory and commercial risks. Specifically, [redacted]'s hosting was classified as a Fundamental Service Capability, while extending the other contracts risked being treated as direct awards, exposing DCC to price disallowance and licence compliance issues. As a result, the Board

[8] 3a - DSP

directed DCC to migrate away from the existing [redacted] hosting arrangement and accelerate a full DCO re-procurement to mitigate these risks.

The objective of this change is to enable the complete migration activities for the Dual Control Organisation (DCO) from the current [redacted] (Nuvem) facility to the new hosting platform (AWS outposts). This change is part of a 3 Project Requests sequence – 1. PR8127 provided early engagement cover for the Contractor to attend workshops, deliver the design for the Interim 1a, Interim 1b and enduring configurations for the DCO Service, and commencement of the technical changes required for these three (3) configurations; 2. PR8189 delivered the Gamma circuit shifts at both Farnborough and Corsham; while 3. PR8208 covers the remaining activities described in the next section.

Scope of the Change

For the migration from one site to another, DCC requires additional consultancy and support across several roles in the 5-month period of activity, ensuring production continuity.

Key areas of support that have been identified are:

1. Transfer of GAMMA from legacy to new (initial forms already submitted)
2. Interconnect from legacy site to new site (cross connect from [redacted] to CHDC required)
3. Technical Readiness Testing
4. Testing (Regression, PIT, SIT, UIT)
5. Testing Governance (TAB, TAG, etc.)
6. SI Engagement Requirements
7. Technical Support to resolve any testing or migration issues
8. PMO type activities

Securing Value for Money

While any price reduction cannot be shown as part of Table 22, discussions were held as part of a pre-engagement PR8127 raised in advance or PR8208. The aim was to establish a framework that would detail how DCC and [redacted] would engage one another while developing a fully formed scope. The preliminary work enabled a reduction of the number of workshops needed as part of PR8208, keeping costs to a minimum. but also, on the removal of the Non-Functional Testing (NFT) resource that had previously been allocated. DCC chose to undertake some activities which resulted on the removal of any Systems Integrator Programme and Project Management (SI PPM) resources.

Additionally, the VfM effort from the service provider allows resources provided under this PR8208 to be mostly provided on a part time basis and DCC will only be charged for the work that needs to be carried out. This is enabled by the same resources being allocated to multiple streams of work. The Contractor's System Integration Testing (SIT) team will carry out targeted regression testing, which will involve testing of functionality that already exists. As a result, artefacts such as test scenarios and test scripts can be re-used from previous releases, which minimises the cost incurred under this PR8208. The scope of User Integration Testing (UIT) has been kept to a minimum and focused on targeted regression testing. A ‘mix and match’ approach will be taken with the tests spread across different meter sets in each UIT environment, e.g. in UIT-B the Change of Supplier (CoS) test will be conducted on a FOC meter set and in UIT-A the CoS test will be conducted on a SMETS1 Middle Operating Capability (MOC) meter set.

Price Breakdown

Detail	Price initial (£)	Price final (£)
Setup Labour Cost (See Labour Breakdown tab)	[redacted]	
Core DSP Team Setup Expense		
ALM Licences		
Schedule 7.1 PR Rate Card Discount [redacted] or Projects of continuous duration [redacted]		
Contingency as referenced in SoW section 3.1***		
Infrastructure Third Party		
Third Party: Contingency		
Total Charges		

Table 22 – Price breakdown

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

Table 23 – Initial vs Final Price

Linked CRs/PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
PR8127 – DCO Re-procurement - SI/TRT/Testing Support	*DCC requires on-demand consultancy/support across several roles for the 5 months to assist DCC/[redacted] in organising the detailed planning and commencement of the migration of the regulated test environments and production services. This work will include defining the solution and planning for the proposed migration activities.* *DCC requires T&M support for technical, security, operational and project delivery roles.*	*N/A - activities and scope do not overlap*
PR8189 – DCO – Gamma interim and enduring moves	*provision of third-party services being provided by the Contractor's sub-contractor Gamma to move the existing links (Gamma circuit shifts) that are used in support of DCO connectivity*	*N/A - activities and scope do not overlap*

Table 24 – Linked CRs and PRs

Future Considerations

The re-hosting of the DCO (and PKI for FOC) services must maintain the SEC mandated secure network (currently provided by Gamma). The Dual Control Organisation (DCO) provides a security layer across the SMETS1 ecosystem and manages traffic between the Comms Hub (via the Wide Area Network (WAN) provider) into the Data Service Provider (DSP). It is a service critical security layer that spans all SMETS 1 Cohorts.

1.10.2. PR8254[redacted]

Drivers for Change

DCC and [redacted] (Data Service Provider or DSP or Contractor) conducted workshops under a separate project (PR8201) for identifying the testing requirements for migration of [redacted] services to the replacement

service provider and based on the outcome of the workshops; [redacted] is responsible for supporting Technical Readiness Testing (TRT) in collaboration with the impacted service providers.

Scope of the Change

This PR8254 covers Technical Readiness Testing (TRT) support, provided by the Contractor across DCC's integrated environment. The activities included are Systems Integrated Testing (SIT) and User Integration Testing (UIT) preparation, device readiness, SIT /UIT testing, defect triage, release management support.

Securing Value for Money

This scope explains how the Contractor delivered testing support in a practical and cost-effective way.

- The Contractor provided resources on a flexible "time and materials" basis, meaning support was only used as needed. Work was shared across multiple programmes to make the best use of people and reduce the cost impact on any single project.
- For system testing (SIT), the focus was on the most important and higher-risk areas. This included checking that key systems and interfaces–such as smart metering components (SMETS1/SMETS2), security services [redacted], and other DCC systems–worked together correctly.
- Because much of the functionality had already been tested in previous releases, existing test materials (like test scenarios and scripts) were reused where possible. This reduced the amount of new preparation needed and helped keep costs down.
- User testing (UIT) was deliberately limited in scope. Instead of testing everything again, it focused only on targeted regression testing–confirming that recent changes had not broken existing functionality.

Overall, this approach ensured that testing was focused, efficient, and delivered value for money, while still providing assurance that the system changes were safe and functioning as expected.

Price Breakdown

Detail	Price initial (£)	Price final (£)	Comments
Setup Labour Cost	[redacted]	[redacted]	Reduction in labour cost due to removal of regression testing scope and change in type of network connectivity
Core DSP Team Setup Expenses			Reduction in expenses cost due to the above reason - removal of regression testing scope and change in type of network connectivity
ALM Licences (test tool used by Contractor and other integrated parties. Charges are defined within Schedule 2.7 of the Agreement)			Reduction in ALM cost due to the above reason - removal of regression testing scope and change in type of network connectivity
Infrastructure Third Party			
Third Party: Contingency			
Schedule 7.1 PR Rate Card Discount as agreed in CGICAN045 (2% for Projects of continuous duration [redacted]			As agreed by DCC & [redacted] in the DSP Agreement, available discount adjusted against the reduced labour charges for any project which is [redacted]
Labour Contingency at [redacted]			Reduction in total contingency due to reduction of labour and related expenses
Total Charges			

Table 25 – Price breakdown

Initial price (£)	Final Price (£)	Difference (%)
[redacted]		7.8% reduction

Table 26 – Initial vs Final Price

Linked CRs and PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
PR8201	[redacted] *Re-procurement collaborative Solutions workshop.* *Outcomes for Technical Readiness testing from the workshops held under PR8201 were covered in PR8254*	*Outcomes for Technical Readiness testing from the workshops held under PR8201 were covered in PR8254 and therefore cost comparison is not applicable.*

Table 27 – Linked CRs and PRs

Future Considerations

This is a one-time activity required for transition from incumbent [redacted] to new [redacted].

1.10.3. CR5664 [redacted]

Drivers for Change

This change was required to capture the additional resources for [redacted] to deliver an IoT Operational Support Service via [redacted]'s IoT Complete Professional Services for the period 1 July 2025 to 30 September 2033.

DCC utilised [redacted] IoT Complete Professional Services to provide additional resource to cover the Technical, Testing and Migration support within the SMETS1 cohort.

The SMETS1 migration project came to an end in November 2024 and therefore the need for these professional services in its current form concluded. As the SMETS1 contract moved from migration to an in-life phase, DCC required resources to work to deliver the Operational Support for the business-as-usual service. An initial 6-month contract was arranged to evaluate the benefits and scope that this new in-life service would deliver.

Following a successful evaluation period, DCC requested this service to be made permanent and to align it to the recently extended SMETS1 MSA term.

Scope of the Change

The intent of this Change Request was to formalise and make permanent [redacted]'s IoT Operational Support Service to support DCC's transition of SMETS1 from migration into business-as-usual operations, ensuring continued operational resilience, service stability, and effective management of the SMETS1 estate.

Under this Change, [redacted] will provide a structured and scalable operational support capability across two phases, aligned to the SMETS1 lifecycle, delivering:

- **Technical and Operational Support**
  Provision of dedicated SME expertise to support DCC across solution design, service stability (pre-live, live and post-live), change impact assessments, and ongoing technical governance.
- **Service Management and Incident Support**
  End-to-end incident management support, including proactive monitoring, fault identification, troubleshooting, and escalation management, with [redacted] acting as a SPOC to resolve issues impacting connectivity and service performance.
- **Connectivity and SIM Estate Management**
  Ongoing management of SIM estate operations, including provisioning, configuration changes, network performance monitoring, fraud monitoring, and proactive health checks to maintain service continuity.
- **Analytics, Reporting and Insight**
  Delivery of regular reporting and insight on connectivity performance, usage trends, and forecasting to support DCC decision-making and operational planning.
- **Customer and DCC Operational Support**
  Support to DCC and end users through user account management, issue resolution, service requests, and collaboration with [redacted] and DCC resolver groups to ensure timely resolution and improved customer experience.
- **Change Management and Continuous Improvement**
  Support for change processes, impact assessments, infrastructure discussions, and continuous improvement activities to ensure the service evolves in line with DCC requirements.

Across Phase 2, the scope is refined to reflect steady operations, removing non-essential or transitional activities (e.g. demand forecasting and certain platform change design inputs), while retaining core operational, incident, and estate management capabilities required for ongoing service delivery.

Benefits

This Change delivers the following benefits to DCC and end users:

- Improved service stability and resilience, through proactive monitoring, fault resolution, and dedicated operational support.
- Enhanced customer experience, via faster issue resolution and structured operational support across the SMETS1 estate.
- Operational efficiency, by consolidating support services into a single, integrated IoT operational support model.
- Better visibility and control, through enhanced reporting, analytics, and forecasting capabilities.
- Flexibility and scalability, with a phased service model aligned to evolving SMETS1 lifecycle requirements.
- Reduced operational risk, ensuring continuity of service as SMETS1 transitions into long term steady operations.

Securing Value for Money

The scope for the IoT Operational Support Service (for the periods 1 July 2025 to 31 March 2029 and 1 April 2029 to 30 September 2033) was agreed by the parties. The monthly charge for the previous Service was [redacted] and this charge continued as the charge (subject to annual indexation raises being applied) through to 31 March 2029. From the 1 April 2029 the new monthly charge decreased to [redacted] with annual indexation applying from 1 April 2030 against this new revised charge. This resulted in an overall cost reduction of [redacted]

DCC will also be able to utilise the [redacted] Break Points as detailed within the MSA (being 31 March 2031 and 31 March 2032) with a minimum of [redacted] prior written notice being given and no breakage costs will apply. Any changes at the breakpoints will also give DCC the flexibility to reduce our monthly charges accordingly'

We delivered the savings through a combination of formal contract change and targeted commercial negotiation with the supplier.

Specifically, (i) we re-baselined the service scope and pricing via the Change Request, ensuring the charges reflected the actual operational requirement rather than continuing legacy pricing.
We negotiated a reduced monthly charge from April 2029, rather than allowing indexed increases to continue unchecked, and (ii) we secured flexibility through break points, giving DCC leverage to revisit pricing and adjust scope over time.

Overall, the reduction was driven by active commercial management of the contract, ensuring DCC only pays for the level of service required going forward.

Price Breakdown

The scope for the IoT Operational Support Service (for the periods 1 July 2025 to 31 March 2029 and 1 April 2029 to 30 September 2033) was agreed by the parties. The monthly charge for the previous Service was [redacted] and this charge continued as the charge (subject to annual indexation raises being applied) through to 31 March 2029. From the 1 of April 2029 the new monthly charge decreased to [redacted] with annual indexation applying from 1 April 2030 against this new revised charge. This resulted in an overall cost reduction of [redacted]

The DCC will also be able to utilise the two Break Points as detailed within the MSA (being 31 March 2031 and 31 March 2032) with a minimum of 3 months prior written notice being given and no breakage costs will apply. Any changes at the breakpoints will also give DCC the flexibility to reduce our monthly charges accordingly.

[redacted]

Linked CRs/PRs

N/A

Future Considerations

The Service Term and Breakpoints for this IoT Operational Support Service align to the existing MSA term which therefore allows it to be terminated (in full or part) with [redacted] months' notice prior to the breakpoints (31 March 2031 and 31 March 2032). If part of the scope is terminated [redacted] will provide an updated charge reflecting the reduced scope. This negotiated flexibility ensured DCC was not locked into the service for the entire duration and so we retained the option to scale down or exit without penalty, thus reducing long term risk and providing greater commercial control.

1.10.4. Contract extension: [redacted][9]

Drivers for Change

The change is driven by the need to maintain WAN connectivity for the installed base of SMETS1 meters beyond March 2029 and through to September 2033, aligned to the forecast 2G network availability and asset useful economic life.

Replacement of SMETS1 meters had not progressed at sufficient scale to mitigate the risk of service cessation, primarily due to installer capacity constraints and continued prioritisation of SMETS2 rollout activity. Without intervention, a significant proportion of meters would lose smart functionality, creating risks to regulatory compliance and customer outcomes, particularly for prepayment and vulnerable consumers.

The extension therefore ensured continuity of service, protected consumer outcomes, and supported compliance with Smart Energy Code and licence obligations.

Scope of the Change

The change provided for a contractual extension with [redacted] for the continued provision of SMETS1 WAN services through to September 2033.

It included updates to relevant agreement schedules covering service, commercial, and general terms to enable ongoing delivery of:

- 2G network connectivity
- IoT services and supporting infrastructure
- Service and security management
- Inbound roaming arrangements

The scope maintained the existing service model while incorporating contractual protections (including break provisions) and enabling continued support of the SMETS1 estate without requiring transition to an alternative provider.

Securing Value for Money

Value for money was achieved through continuation with the incumbent provider, avoiding significant transition and infrastructure costs that would arise from re-procurement or supplier change.

The approach leveraged DCC's demand profile and long-term certainty to secure competitive commercial terms whilst maintaining service continuity. Key value drivers included:

- Avoidance of large-scale meter replacement costs in the near term

[9] S1-CSP_1 – IOC/FOC

- Elimination of transition and dual-running costs
- Retention of existing infrastructure and service arrangements
- Contractual mechanisms to manage risk exposure (including break options)

The overall position delivered material net benefit relative to alternative options and was assessed as a low-risk investment from a price control perspective.

Price Breakdown

The approved charges for the extension of SMETS1 WAN services reflected the continuation of 2G network and IoT service provision through to September 2033.

The revised commercial position secured cost certainty over the service term while leveraging DCC's demand profile to improve pricing outcomes relative to continuation under existing arrangements.

The agreed charging structure incorporated negotiated efficiencies across both IoT and 2G service components, resulting in a lower overall cost profile when compared to maintaining the service under previous commercial assumptions, whilst avoiding significant transition or replacement costs.

Break provisions were retained within the agreement, providing DCC with the flexibility to exit or reduce services at defined points subject to notice, with no additional termination costs. This ensured that charges could be aligned with future reductions in the SMETS1 population over time.





Future Considerations

The service term and associated commercial structure aligns to the forecast life of the SMETS1 portfolio and anticipated 2G network availability through to September 2033.

The inclusion of contractual breakpoints provided DCC with the flexibility to reduce or exit services in line with the declining SMETS1 estate, ensuring that costs remained proportionate to demand over time.

Should there be material changes in market conditions, network availability, or SMETS1 migration assumptions, DCC retains the ability to revisit the commercial position through future change activity. This maintains flexibility and supports ongoing cost control while avoiding commitment to services beyond their required duration.

1.10.5. New contracts: DCO October 2025[10]

What is the DCO?

[10] S1_DCOb – CSW DCO Oct 25 / S1_DCOa – [redacted]

The SMETS1 Dual Control Organisation (DCO) is a critical security application underpinning the SMETS1 ecosystem, providing a stable and secure platform for the 11.7m SMETS1 meters on DCC's network. It is designed to detect and prevent compromise of a SMETS1 Service Provider (S1SP), using anomaly monitoring and cryptographic controls.

The DCO provides key management and a detect and prevent mirroring capability, removing the S1SP as a single point of compromise and protecting against large-scale meter attacks. As such, DCO services are classified as a Fundamental Service Capability (FSC). Following the reprocurement described above, covering hosting, managed services, and application maintenance elements of the SMETS1 security architecture. These contracts commenced in October 2025 following completion of the reprocurement programme. As set out in the 2024/25 Business Plan and subsequent engagement with Ofgem, the reprocurement of the DCO service was previously communicated and formed part of the approved forward plan for maintaining a secure and resilient SMETS1 platform. The transition to the new contractual arrangements has now been completed in line with that plan. This section therefore provides confirmation of delivery and alignment to prior commitments, rather than introducing new cost drivers. The new contracts underpin improved service performance and cost efficiency and are reflected in the updated run cost baseline background. DCO supports the integrity of the SMETS1 platform by authenticating commands issued by S1SPs through a mirrored Protect and Detect security model, thereby removing the S1SP as a single point of failure. The DCO service has recently undergone reprocurement, with the new solution successfully going live in October 2025, aligned with Mobile Network Operator (MNO) 2G sunset timelines.

The service is delivered across three contracts ("lots"): Hosting (Lot 1), Managed Service (Lot 2), and Application Maintenance (Lot 3), as summarised below:

Lot	Expiry	Extension Available	Nature of Extension	Supplier
Lot 1	March 2029	December 2033	[redacted]	
Lot 2	March 2029	December 2033		
Lot 3	March 2029	December 2033		

Table 32 – DCO service covering three lots

[redacted] delivers hosting, networking, and operational management (Lots 1 and 2), while [redacted] maintains the application codebase (Lot 3). These contracts provide flexibility through to 2033, aligning with the UK government's plan to phase out 2G and 3G services by the end of 2033 (as confirmed by DCMS in 2021).

This flexibility ensures that the DCO service can continue to support SMETS1 over its remaining lifetime. A technology refresh of the DCO capability will be undertaken during the business plan period to maintain long-term stability, alongside early preparatory work for a future PKI refresh.

Together, these activities will ensure that the Privacy and Security service remains resilient, efficient, and compliant with evolving regulatory and technology requirements.

Value for Money

The reprocured DCO solution delivers significant cost savings and improved service capability relative to the previous arrangement.

The new contracts are expected to deliver c.£5m per annum of savings relative to RY24/25, equating to approximately £17m of run-cost savings through to March 2029. Independent external benchmarking demonstrates that the solution is, on average, c.11% below the market benchmark, providing strong evidence of value for money.



Figure 4 – Privacy and security trend

At a lot level, costs are below market benchmarks11 across all components:

- Lot 1: 9.8% below market mean
- Lot 2: 11.4% below market mean
- Lot 3: 13.5% below market mean

Future Plans

The re-procurement and re-platforming of DCO provides long-term certainty of service provision through to at least 2029 (with extension options to 2033), reducing delivery and cost risk over the business plan period and beyond.

The DCO programme includes a planned technology refresh during the business plan period, supported by a Full Business Case (FBC) developed in line with HM Treasury Green Book guidance. This ensures continued alignment with supplier roadmaps and documented end-of-support timelines.

In parallel, preparatory work will commence for a future PKI refresh, which will be delivered in the subsequent business plan period. Early planning is intended to de-risk delivery and ensure a smooth transition for this critical security capability.

Overall, these activities ensure that the DCO service remains secure, resilient, and cost-efficient, while continuing to meet the evolving needs of customers, consumers, and regulatory requirements.

1.10.6. Contract extension: [redacted]

A summary of the [redacted] extension is provided in section 1.11.

1.10.7. New contract: [redacted] SMETS1 FOC ANSO award recommendation

A summary of the [redacted] award recommendation is provided in section 1.11.

[11] Ref_22_2. External Costs_2.3.DCO_DCC Contract Benchmarking Report ISG Dec 2024_PDF.pdf
[12] S1SP_3b

1.11. [redacted] contracts

Summary

In this section we explain why DCC disagrees with the position set out by Ofgem in the RY24/25 Final Determination in which it proposed to disallow £11.2m of forecast costs in RY25/26 relating to the [redacted] contract (the service that manages network, application and security operations for around 4 million older SMETS1 smart meters). Ofgem confirmed it would consider this further during the RY25/26 process, and we set out herein our key arguments with additional evidence and clear support from our customers.

Ofgem's Final Determination for RY24/25 indicated that DCC should have replaced its existing supplier [redacted] with a new contract by July 2025. DCC strongly believes this was not realistically achievable, and that decisions made were done so to protect the SMART meter implementation programme. This section sets out additional evidence to support this position, based on what was known at the time decisions were made. Our key points are as follows:

- **Operational stability: Priority had to be given to maintaining operational stability of the existing service while older meters were being migrated onto it.** Throughout 2022 and 2023, migrations were ongoing with significant uncertainty over future customer-driven volumes. Customer-driven migrations did not finish until October 2024. To meet Ofgem's indicated timescale of July 2025 would have meant starting the reprocurement at a time when up to only c.39% of the 5.8m meters originally envisaged as requiring migration had been migrated. Additionally, over time, the total meter estate requiring migration fell from an original customer expectation of 5.8m to the 4.1m eventually delivered. An earlier reprocurement of a service to cover 5.8m meters would have been over-sized and uneconomic.

- DCC's position at the time[13] was that "Applications and hosting should only be modified, migrated, or transitioned in the event of stability, security or performance issues impacting operational SLA's or fixed operating costs". This demonstrates that DCC was giving active consideration to service stability and volume uncertainty in its decision-making process.

- It was deemed essential at the time to wait until there was sufficient certainty and stability in forecast meter volumes and network traffic to develop robust requirements for a Strategic Outline Business Case (SOC) and to commence the reprocurement. This stability was not achieved until mid-2024. Starting a major, disruptive re-procurement before then would have risked serious service problems, and DCC's customers have confirmed in writing that they supported DCC's approach. This is aligned to the SMETS 1 strategy set out by DCC and agreed with Industry in 2022 and 2023.

- **Commercial leverage: The lower-cost, cloud-based contract that was eventually agreed with [redacted] could not have been secured any earlier.** The savings achieved in the new [redacted] contract are a result of fundamental changes to technical architecture. Such changes were not supported by industry in 2022 or 2023 for the reasons set out above. DCC set out cloud computing as an approved way of working in January 2024 with final cloud principles set out at Technical Architecture and Business Architecture Sub Committee (TABASC) in July 2024. The positive pricing achieved by DCC in the 2024 procurement (including reserved-capacity discounts) depended on knowing accurate customer volumes, which only became clear once migrations were complete in October 2024. Contracting earlier with variability in volumes would have simply resulted in bidders pricing-in the associated risk, increasing cost.

[13] April 2022 Board paper

- **Reprocurement contractual timescales: The extension of the existing [redacted] contract to bridge the gap to November 2026 was therefore a necessary, sensible step**, not an avoidable cost. It used options already available in the existing contract and kept the service running safely while DCC considered the underlying technical architecture that would be appropriate for the next generation contract.

- In 2022 and 2023 the SMETS 1 FOC cohort was only contracted to run to 2029 (the maximum term of the [redacted] contract). Decisions in respect of this service were therefore made on this basis, supported by discussions with industry. In June 2025, DCC facilitated an extension to the [redacted] SMETS 1 agreement which would have materially changed the parameters for any reprocurement of the [redacted] service.

The new contract could not realistically have gone live before November 2026. Even using an accelerated end-to-end process (30 months, rather than the usual 42), work would have needed to start in early 2023, well before DCC had industry support and sufficient certainty over the volume of meters the contract would cover or what the detailed requirements of the service. This timescale reflects the requirement to follow a full Treasury Green Book process, competitive RFP and Design, Build, Test (DBT) delivery phases. To achieve this in 30 months was a significant achievement and cannot be used as a benchmark across all programmes.

As such, Ofgem's stated position that DCC should have had a new solution in place by July 2025 is in our opinion not credible (and we firmly believe that we were not in a position to procure the new solution to go live before November 2026).

Crucially, evidence from our customers confirms that DCC's assessment of operational risk and its approach to the reprocurement was shared by those parties most exposed to disruption (EON, British Gas and Octopus) who have indicated:

- EON: *"As an energy supplier enrolling SMETS1 FOC meters, E.ON expected DCC to focus on maintaining the stability and availability of critical FOC services during the 2020 – 2024 enrolment period. This was a position that E.ON regularly communicated in SMETS1-focussed workshops and discussions with DCC over the period from 2020 to the point we concluded our enrolment activities. Given the criticality of the [redacted] services, we simply would not have supported DCC had it proposed implementing changes to underlying systems or platforms in the same timeframe."*

- British Gas: *"We believe this proposal [to disallow costs related to the [redacted] contract] sets the wrong incentives for DCC" and "Whilst we were not asked whether the [redacted] should be reprocured earlier, we did actively pursue stability in the SMETS1 solution to ensure we could safely enrol our SMETS1 devices, especially for prepayment customers."*

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

Ofgem should give significant weight to the views of our customers in its assessment of the actions DCC had taken at the time (and not with the benefit of hindsight) and the costs incurred.

Overall, DCC strongly believes that we have evidenced clear decision-making regarding SMETS 1 Service Provider contracts throughout 2021-2024; supported by industry. The uncertainties and risks though this period prohibited DCC from undertaking a credible procurement OR, worse, could have led to the procurement of a higher-cost service and further delayed migrations of SMETS 1 devices. Ultimately, the next generation [redacted] contract represents an excellent outcome for consumers and industry and was delivered at the earliest possible opportunity.

1.11.1. Response to proposed disallowance from Ofgem's RY24/25 Final Determination

DCC strongly disagree with any disallowance of costs associated with the [redacted] extension.

The extension was executed using commercially available options within the existing [redacted] contract and is aligned with the BEIS-approved business case window through to November 2026. The forecast Go-Live date of the new [redacted] contract (November 2026) is the earliest possible date that was realistically achievable for a new, reliable and next generation [redacted] contract – achieving the material savings that have been recognised by Ofgem. Extending the contract with [redacted] until this date was necessary to achieve these savings and provided the lowest risk option to maintain operations while the new solution was progressed rapidly.

It was not until February 2024 that we started to see stability in migration volumes, with final migrations closing out in October 2024. It would have been an unacceptable service risk, from the perspective of our customers and DCC, to move to the new solution whilst there were ongoing migrations. As outlined blow, this position is clearly supported by our customers in writing. As soon as we saw platform stability in early 2024, we started the re-procurement processes and ran an accelerated process of 30 months, targeting go-live in November 2026. Ofgem's position that the new contract could have gone live in July 2025 is in our opinion not realistic, even with an accelerated timetable.

It is important to note that, over time, the total volume of SMETS1 meters forecast by customers to require migration to the DCC network fell from an original expectation of 5.8m to the 4.1m eventually delivered. This reduction in total volume only became apparent in late 2023 / early 2024. An earlier reprocurement of a service to cover 5.8m meters would clearly have been over-sized and uneconomic.

Our overall position set out here is consistent with that outlined in the RY24/25 process, and we have provided further detail and additional evidence here in response to the concerns raised in Ofgem's Final Determination. Some of this detail was not visible to Ofgem as part of the RY24/25 Price Control Process and we trust that it provides sufficient supplementary information for Ofgem to materially reconsider its position.

Finally, as stated during the RY24/25 price control process, DCC strongly believe that the approach taken by Ofgem in relation to these costs – the retrospective application of material savings delivered by DCC to a previous context in order to disallow costs – is unjustified and sets a perverse incentive for future commercial activity. Customers agreed with this position in their consultation responses last year, providing feedback which Ofgem should take into account when assessing these costs.

It is also critical for Ofgem to base its assessment on what was known at the time decisions were made and not with the benefit of hindsight (e.g. in relation to how migration volumes evolved).

Reprocurement timescales

Ofgem's position that the new solution should have been in place for July 2025 is not feasible

Ofgem's position in the RY24/25 review is that the new [redacted] contract should have been able to Go-Live in July 2025. In order for DCC to set out the case as to why this position was not achievable, we have considered the time required to achieve delivery of such a programme. This timeline must consider the full end-to-end process between submit the Strategic Outline Business Case (SOC) to DESNZ a being able to Go Live following the procurement and delivery phases:

- Treasury Business Case Process (to obtain non-object)
- Request For Pricing (RFP) Process and Tendering (supplier sourcing, proposals through to contract signature)
- Design Build Test (DBT) (build of the product the service is to go to and Go-Live)

In relation to the potential to deliver a new solution by July 2025 (the position set out by Ofgem in the RY24/25 Final Determination), DCC has considered two scenarios for when we would have needed to submit the Strategic Outline Business Case (SOC) to DESNZ.

> **Scenario A:** This uses standard timelines (and 'T-shirt sizing') to determine the time taken to reprocure a contract of the size and scale of the SMETS 1 [redacted] Service (Tier 1) in order to comply with regulated procurement timescales. This period totals 42 months. This should be used for the basis of any calculation on go-live date. As such, to deliver a July 2025 go-live DCC would have required a SOC to be submitted to the Secretary of State in **March 2022**.
>
> **Scenario B:** This uses the actual time achieved under the 2024 SMETS 1 [redacted] procurement of 30 months. Ofgem should note that to achieve this, DCC ran an exceptional, accelerated process, which is not feasible for all procurements due to the excessive resource requirements placed on the business. DCC delivered a Treasury Green Book Business Case in its shortest ever time period. This scenario (30 months) means that to deliver a July 2025 go-live, DCC would have needed to submit a SOC to the Secretary of State in **February 2023**.
>
> In addition to this, the fact that we delivered this programme within 30 months should be viewed by Ofgem as a positive outcome in this particular case as it allowed DCC to deliver greater savings to the end consumer (but not as a standard reference point to assess procurement of future programmes given the accelerated timescale).

Given that the original [redacted] solution went live in April 2021, Scenario A would have required a SOC to be submitted only 11 months after this, and Scenario B, 22 months. This is an inadequate amount of time for the existing solution to embed sufficiently, and lessons learned in order to credibly develop refined requirements for a reprocurement.

A further factor in DCC's decision-making process in 2022 and 2023 is that the SMETS 1 FOC cohort was only contracted to run to 2029 (being the maximum term of the [redacted] 2G Network contract). In June 2025, DCC facilitated an extension to the [redacted] SMETS 1 agreement which would have materially changed the parameters for a reprocurement of the [redacted] service. Had DCC commenced a reprocurement before this, it would have been constrained by this contractual position.

We have set out below the operational context (in terms of migration volumes, platform stability, and availability of cloud-based solution) as to why neither of these scenarios were achievable, with mid-2024 being the earliest a SOC could be submitted to DESNZ.

The earliest DCC could have delivered a SOC to DESNZ was June 2024, with November 2026 the earliest go live date

DCC strongly believes that it acted at the earliest feasible opportunity to deliver Value for Money for the end consumer and that the solution (and price point) ultimately achieved was only achievable from 2024 onward. This is based on the following factors:

- **Industry did not support activity at the time that had the potential to de-stabilise SMETS 1 FOC estate**. As shared with Ofgem in December 2025, DCC's customers were determined that service stability was paramount to allow for SMETS 1 FOC migrations to conclude - evidence for this (with direct quotes from our customers) is included below. Migrations concluded in October 2024 and correspondingly DCC released the RFP for the new service in October 2024. Reprocuring in early 2022 (Scenario A) or early 2023 (scenario B) would have created significant uncertainty and was not aligned to customer preferences.

- **Migration volumes and timelines were uncertain until 2024**. To achieve Ofgem's timelines would have meant starting a reprocurement before a sufficient proportion of migrations had been completed, which would have led to uncertainty over the requirements and go-live date. It was

essential to wait until there was sufficient stability in forecast migration volumes to support the level of detail in business requirements for the SOC to satisfy DESNZ. To begin a reprocurement before this would have been unacceptable to customers and suppliers (both the incumbent and new bidders), all of whom required certainty over timescales to deliver elements of the solution. As shown in figures 5 & 6 below, this stability was not achieved until 2024 (with the scenarios underpinning Ofgem's go-live date of July 2025 not being feasible):

- **In 2022** (Scenario A to deliver go-live by July 2025) – DCC only had 32% of the final volume of 4.1m SMETS 1 FOC estate on the network. Critically however, this was only 22% of the initial customer forecast of 5.8m meters requiring migration (which was still expected to be the total volume in March 2022 when the reprocurement would have needed to start in this scenario). This would materially change the basis of the requirements for a tender vs October 2024, when DCC had 100% of the SMETS 1 FOC estate on the network.

- **In 2023** (Scenario B to deliver go-live by July 2025) – DCC only had 54% of the final volume of 4.1m SMETS 1 FOC estate on the network (and only 39% of the initial customer forecast of 5.8m meters, which was the anticipated volume at the time). This would materially change the basis of the requirements for a tender vs October 2024, when DCC had 100% of the SMETS 1 FOC estate on the network.

- **In 2024** (actual start date to deliver go-live by November 2026) – Around 90% of migrations were complete, providing the certainty required to submit the SOC and commence reprocurement.

- **Growth in SRV volumes was a material uncertainty through 2022 and 2023**. As shown on figure 7, between February 2023 (Scenario B) and October 2024 (RFP issued) there was a **142% growth in SRV traffic** across the SMETS 1 FOC estate. This was driven by meter migrations and also additional adoption (DNO's) and changes to user behaviour. This was a known uncertainty for DCC in 2023 and would have prohibited DCC from pursuing a Reserved Instances (RI) option in any tender (and this uncertainty remained until 2024). Additionally, due to the economies of scale that can be achieved in this contract from higher volumes, the growth in volumes between 2023 to 2024 was a key factor in delivering material cost reductions in a cloud infrastructure environment vs what could have been achieved earlier than this.

- **Creating volume certainty avoided the need to reprocure for uncertain volumes.** Where bidders face uncertain volumes and so uncertain costs/revenues, they will respond by pricing in the additional risk. This would have created unnecessary additional cost for consumers. Our procurement approach enabled us to avoid these unnecessary costs.

- Ofgem should note that prior to February 2022 industry was responsible for capacity demand forecasting (SECMOD MP116). The accuracy of this was typically 30–40% of actuals, which is insufficient to use as a basis for volume-based procurement.

- **Moving to a cloud-based solution was not feasible for [redacted] until 2024.** DCC did not formally adopt Cloud Principles until July 2024 when our proposal to do this was presented to TABASC – the sub-committee of the SEC panel which includes suppliers, networks and other SEC parties and an independent chair. Therefore, the solution that was ultimately procured in 2024, was not practically deliverable prior to this point. Given the need to prioritise service stability and security, it was clearly not feasible for [redacted] to be an 'early adopter' of cloud technology without creating undue risk.

In summary, to avoid extending the [redacted] contract in favour of a new solution before November 2026, would only have been possible if **all** of the below had been true;

- SMETS 1 migrations concluded and the estate size known – this was not the case until October 2024.
- Customers supported a reprocurement activity – they did not until after 2023 (as evidenced below).
- DNO adoption impact was known – the volume uncertainty was not resolved until 2024.
- Cloud solutions were available to DCC – this was not feasible for a critical application until mid-2024 given migration stability concerns.

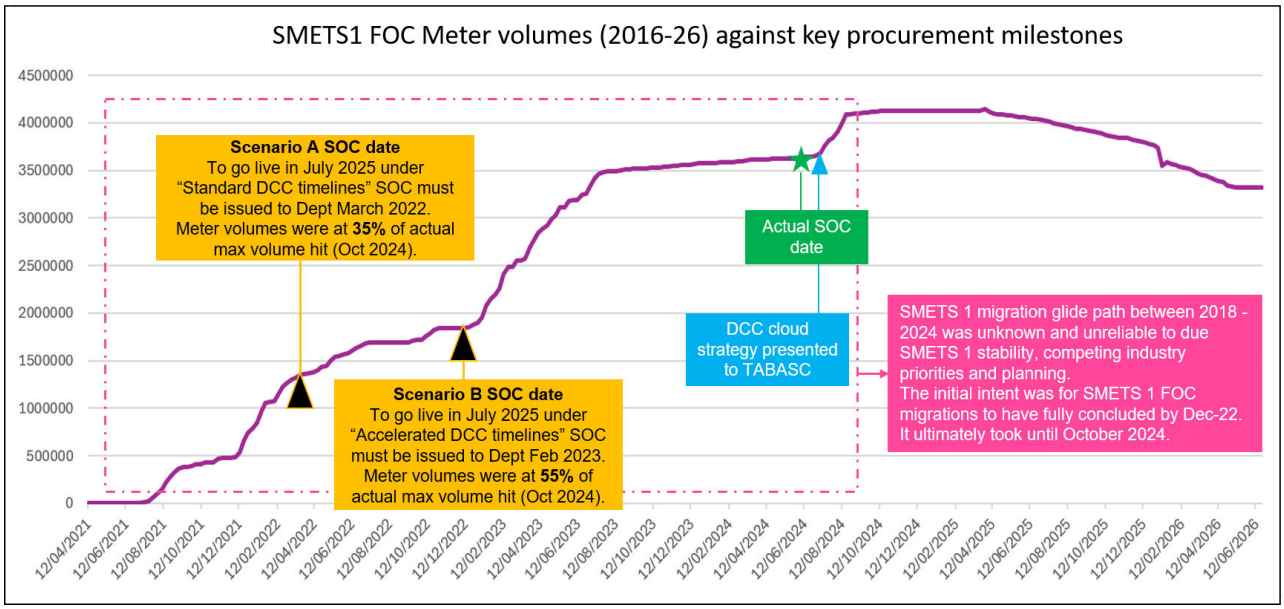


Figure 5 – Graph showing SMETS 1 FOC Meter growth over time (2018 – 2026) with an overlay of start points required to deliver Ofgem's stated [redacted] Go-Live date of July 2025 and the actual SOC date (June 2024)

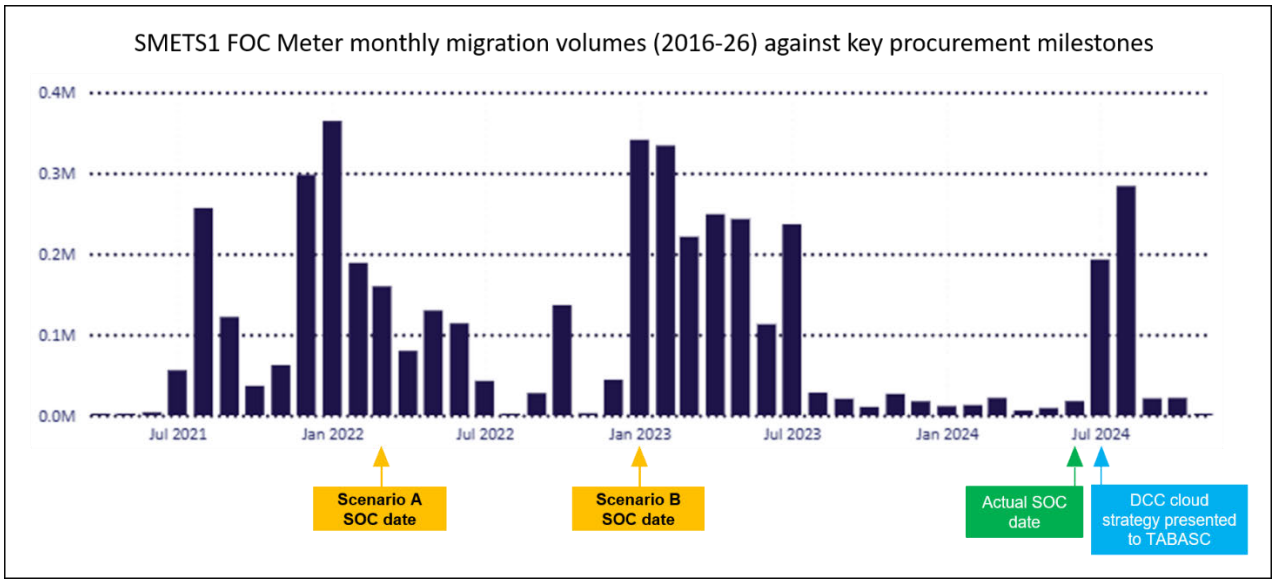


Figure 6 – Graph showing SMETS 1 FOC monthly meter migrations and procurement start dates, which informs the profile in Figure 5 above

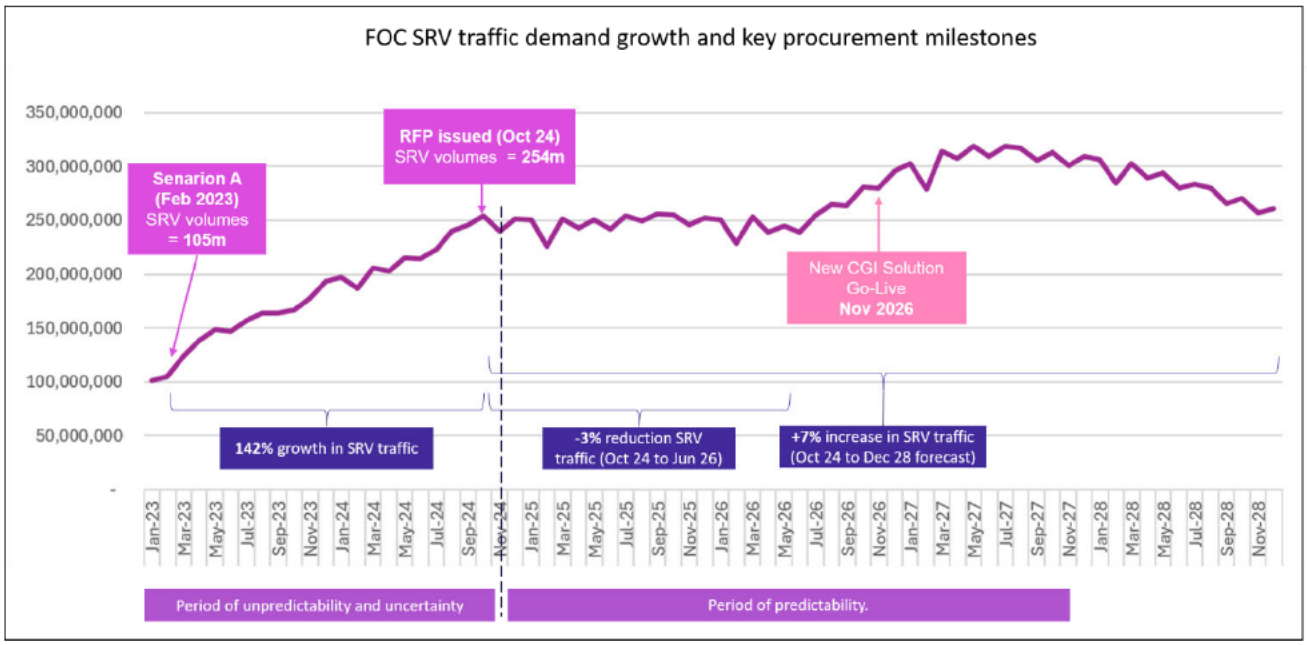


Figure 7 – Graph showing SMETS 1 FOC SRV growth over time (Jan 2023 -March 2026) – With an overlay of actual SRV traffic volumes for Scenario A (Feb 23) and the actual procurement date (Oct 24) plus a comparator of volume growth from these measurement points forward

Table 33 below provides a summary of the key dates of the decision-making timeline for the reprocurement based on what was known at the time:

Date	Position at the time	Implication for reprocurement
April 2021	[redacted] solution went live	Service requires time to embed before reprocurement could be considered.
March 2022	Only 32% estate migrated	Requirements and volumes not stable enough for business case or RFP
February 2023	Around 54/55% estate migrated; SRV volumes still growing	Accelerated July 2025 route still not viable due to concerns over volumes and availability of cloud solution
February 2024	Stability beginning to emerge	DCC able to prepare for reprocurement
June 2024	Earliest credible SOC	Earliest formal business case point due to stability of volumes and certainty over requirements
October 2024	Migration volumes sufficiently certain; RFP issued	Procurement launched on reliable basis
November 2026	[redacted] go-live	Earliest achievable go-live following accelerated delivery

Table 33 – Summary of reprocurement timeline

DCC acted when the necessary conditions for an efficient and deliverable procurement existed. Before mid-2024, those conditions did not exist: the estate was still migrating, traffic volumes were materially uncertain, customers prioritised operational stability, cloud governance had not been approved, and suppliers could not have priced the service efficiently. The [redacted] extension was therefore the efficient bridge to the earliest achievable enduring solution, not an avoidable cost.

Counterfactual (basis of calculation for disallowance at RY24/25)

In the RY24/25 Final Determination Ofgem accepted that the price point of the new [redacted] contract (from the 2024 reprocurement) is top quartile and, as such, used the medium point of benchmarking provided by DCC to Ofgem as the primary input into the calculation of charges that should be disallowed.

DCC fundamentally disagrees with this logic as Ofgem have not provided their own 'benchmark' for similar or comparable services in 2022 (Scenario A) or 2023 (Scenario B). Ofgem are using a 2024 benchmark for services that are exponentially maturing at a rapid pace in the market and retrospectively applying them to a period before such maturity and commercial offerings existed (Cloud Services).

Moreover, as set out in this response, Ofgem is also assuming that the SMETS 1 FOC environment was comparable in 2022 (or 2023) as to the position in October 2024 (the date that the [redacted] RFP was released to Market). This is fundamentally not the case.

As shown on the figures above, in March 2022 the volume of meters serviced by the SMETS 1 [redacted] contract was 32% of what it was in October 2024 (+216% growth). In February 2023, the volume of meters serviced by the SMETS 1 [redacted] contract was 55% of what it was in October 2024 (83% growth).

DCC's buying power in 2024 was 216% and 83% higher than in 2022 and 2023 respectively than it was in 2024. Greater volumes, and greater certainty of volumes, enabled DCC to achieve a better price point by waiting until 2024. Suppliers price in economies of scale, and risk where there is volume uncertainty. Higher volumes and volume certainty enabled a far better value for money outcome than proceeding 1 year earlier.

Given the [redacted] service is volume-driven, Ofgem's assumption that this would not impact pricing and commercial offers of suppliers in any capacity is not consistent with how procurement of major services works in practice. Ofgem should also consider the reliability of the volume forecasts. As previously stated, industry's ability to predict traffic volume was only 30-40% accurate. The ability to accurately and reliably predict traffic volume is key to adopting cloud services efficiently, defining reserve instance infrastructure and driving down the unit price. None of which was available to DCC in 2022 or 2023.

Customer support

During the RY24/25 consultation process and subsequently in support of the RY25/26 price control process, we have engaged with our customers to seek their feedback on the reprocurement process and DCC's actions and decision at the time.

It is clear that customers support our position that prioritising the stability of the SMETS1 ecosystem, ahead of starting a re-procurement process was the right decision and that it would have been an unacceptable service risk to move to the new solution whilst there were ongoing migrations. In particular E.ON, Octopus and British Gas (c.70% of the affected cohort) have indicated the following:

- EON indicated: *"As an energy supplier enrolling SMETS1 FOC meters, E.ON expected DCC to focus on maintaining the stability and availability of critical FOC services during the 2020 – 2024 enrolment period. This was a position that E.ON regularly communicated in SMETS1-focussed workshops and discussions with DCC over the period from 2020 to the point we concluded our enrolment activities. Given the criticality of the [redacted] services, we simply would not have supported DCC had it proposed implementing changes to underlying systems or platforms in the same timeframe."*
- British Gas indicated: *"We believe this proposal [to disallow costs related to the [redacted] contract] sets the wrong incentives for DCC" and "Whilst we were not asked whether the [redacted] should be reprocured earlier, we did actively pursue stability in the SMETS1 solution to ensure we could safely enrol our SMETS1 devices, especially for prepayment customers."*
- Octopus indicated: *"The industry avoided a complete collapse in service, which appears to have been a genuine and realistic concern for DCC and some of the energy suppliers with large FOC cohorts."*

1.11.2. What DCC procured in 2024

This section provides an overview of the competitive procurement process to replace the existing SMETS1 FOC [redacted] service, currently delivered by [redacted]. The new contract is required to ensure continuity of service for approximately 4 million SMETS1 meters and to align with the SMETS1 end of life (EoL) timeline through to 2033.

The recommendation was to award the contract to [redacted] following a structured, multi-stage tender process.

Contract summary

- **Total Contract Value:** [redacted]
- **Duration:** [redacted]
- **Structure:** Master Services Agreement [redacted]
  - [redacted]
  - [redacted]

The contract term has been designed to align with the [redacted] SMETS1 Communications Service Provider agreement (2029) and regulatory timelines, including 2G network sunset expectations (optional extensions through to 2033).

Scope of services

The procured [redacted] service includes:

- Application hosting and management
- Network operations, including establishment of a Network Operations Centre (NOC)
- Security operations aligned to Critical National Infrastructure (CNI) requirements
- End-to-end operational service management using ITIL practices

Procurement process

The procurement followed an open and competitive process involving three bidders:

- [redacted]
- [redacted]
- [redacted]

The evaluation was conducted across quality, commercial, and ESG criteria. Following iterative "collaborative solutioning" phases to refine proposals, [redacted] achieved the highest overall score (approximately [redacted]). This process also delivered significant cost reductions and improved proposal quality across all bidders.

Key Benefits

The recommended [redacted] solution offers several strategic and financial benefits:

- Estimated £100m+ cost saving compared to the incumbent contract – delivered due to a fundamental change in service architecture and DCC's ability to state volume guarantees (Reserved Instance (RI) infrastructure)
- Adoption of a modern, scalable cloud-based architecture (not acceptable to DCC/TABASC governance earlier.)
- Improved operational capability through enhanced monitoring and early issue detection (NOC and application monitoring)
- Strong cost predictability, with the majority of operational charges fixed (delivered as a result of volume certainty)

Commercial and financial considerations

The commercial model includes:

- A mix of fixed and variable pricing, with approximately [redacted] of costs fixed under expected demand levels -the predictability of these demand levels is tied to the time period post October 2024. As set out above, this level of demand certainty was not deliverable prior to this period.
- Discounts of up to [redacted] on reserved cloud infrastructure and reduced costs for pay-as-you-go services – A discount only available post [redacted] as traffic variability reduces
- Mechanisms to cap cost increases and enable cost reductions based on demand changes
- Performance-based incentives and service credits linked to delivery and operational performance
- Provision within the Full Business Case for risks and uncertainties, including an £[redacted] million contingency and optimism bias

Bidders were provided with a set of requirements which included desirable requirements associated with scaling up and down to align with demand. DCC requested that bidders propose a solution which offers maximum value for money. Both bidders proposed solutions which meet the desirable business needs, but there are limits to the downward scalability of the solution. DCC needed to propose minimum volumes.

[redacted] and [redacted] provided a hybrid hosting solution, with most of the infrastructure committed to Reserve Instances (RIs) to obtain significant savings vs list price at the expense of downwards flexibility, and a limited amount (the Performance Integration Test (PIT) environments) being procured on a Pay as you Go (PAYG) basis which is flexible in either direction.

[redacted] provided modelled costed scenarios based on combinations of reserved and PAYG infrastructure to demonstrate the cost efficacy of its proposed model, which is to commit to RIs for all environments other than its Pre-Integration Test (PIT) environment as they obtain up to [redacted] discount on the reserved infrastructure compared to the equivalent PAYG option. DCC could not have done this accurately in 2022 (Scenario A) or 2023 (Scenario B) as SMETS 1 FOC migrations had not concluded. The actual growth in SRV traffic between Feb 2023 and Oct 2024 (142%) versus the forecast grown in average SRV traffic over the period Oct 24 – December 2028 (+7%).

If volumes are higher than the forecast, the [redacted] solution can scale up, and a decision can be made at the time of the event whether to procure the additional infrastructure on a PAYG basis (which would be suitable for a short-term spike) or on a reserved basis for a term of [redacted] (which would be suitable if a sustained increase is expected).

Beyond 2027, DCC forecasts show a reduction in overall scheduled and on-demand traffic, thus not mandating any significant upscaling of the systems; we do not anticipate system performance demands to

be anywhere above an estimated 20-25% over peak-loads. Therefore, we have reason to believe that the overall system, including Databases, will not require anywhere near a 300% over the currently planned sizing.

Despite committing the majority of the infrastructure to RI's (again, noting that this position was only reliably achievable post October 2024), [redacted] partially meets the Desirable Business Need for downwards scalability.

In the case where volumes reduce significantly resulting in underutilised infrastructure, [redacted] can:
a) re-allocate compatible underutilised RIs to planned PAYG workload (i.e. their PIT environments)
b) Seek refunds for RIs up to $50k per annum which represents 7.5% of the total RI workloads charges

The limited downwards scalability is an appropriate trade-off for the significant discounts that can be achieved for reserved infrastructure. The commitment to reserved infrastructure would be made post-performance testing, which will mitigate against stranded charges associated with underutilised infrastructure. Furthermore, DCC can take into consideration the latest volume forecast prior to committing to the infrastructure.

System-size offerings from [redacted] are based on requirements and details that DCC shared during the RFP phase and take into consideration the peak loads until 2027. For DCC to predict peak loads of the SMETS 1 FOC estate in 2022 (Scenario A) or 2023 (Scenario B) would have been irresponsible and wildly inaccurate as Migrations had not concluded nor was there a locked in plan to conclude them (e.g. a reliable glide path by which migrations would be achieved).

[redacted] database and [redacted] serverless offering is entirely managed by [redacted] including scaling, patching and updates, with 'Burst' capability up to 300% of the baseline capacity. With reducing demands, the base capacity can be configured to be a lower value while still allowing the database to use up to 300% of that new capacity. Ofgem should not assume that this commercial structure was readily available at this price point in 2022 (Scenario A) or 2023 (Scenario B) as the availability of such solution is a consequence of a maturing Cloud services market.

[redacted] solution can also handle spikes of up to 500 Transactions Per Second (TPS), (which is higher than the contracted rate of 400 TPS), at no additional cost to DCC for the SMETS1 [redacted] provider. Due to the use of RIs, [redacted] can sustain this level of throughput at any time during the day. Collaborative solutioning between [redacted] and other SMETS 1 FOC service providers will establish a safe upper limit for dynamic TPS spikes, to ensure consistency of performance across all elements of the FOC solution. Again, Ofgem should not assume that this commercial structure was readily available at this price point in 2022 (Scenario A) or 2023 (Scenario B) as the availability of such solution is a consequence of a maturing Cloud services market.

Key Risks

High risk: Transition and exit from the incumbent [redacted] contract

Medium risks:

- Integration across the wider FOC ecosystem
- Dependency on third parties (e.g. [redacted]
- Security configuration within the cloud environment

Low risks:

- Demand/volume variability

- Infrastructure sizing and TUPE considerations

Mitigation strategies include governance controls, technical safeguards, contingency funding, and phased contract structuring.

Strategic Alignment

The proposed solution:

- Aligns with DCC's Cloud Principles strategy - cloud services were not readily accepted as part of DCC core services until 4 July 2024.
- Supports regulatory obligations under the Smart Meter Communication Licence
- Ensures service continuity through to SMETS1 end of life
- Maximises Value for Money through use of RI's – which becomes an option post October 2024 when DCC has certainty on SMETS 1 FOC size (Migrations complete).

1.11.3. [redacted] extension: June 2025[14]

The [redacted] extension ensures continuity of the existing [redacted] service during the 16-month development and transition period to the new [redacted] solution. The extension was executed using commercially available options within the existing [redacted] contract and is aligned with the BEIS-approved business case window through to November 2026.

DCC retains the right to terminate the [redacted] contract early, reducing costs if the new [redacted] solution is delivered ahead of schedule. The extension provides operational certainty during a period of critical transition activity, including Technical Readiness Testing (TRT) and ecosystem integration across the FOC service stack.

The costs of the [redacted] extension are a direct and necessary consequence of the re-procurement timeline, which DCC has demonstrated is the earliest achievable and reflects prudent risk management during a period of significant operational uncertainty.

[14] S1SP_3b

Data Communications Company

DCC Price Control RY25/26 – Centralised Registration Service (Switching Programme)

Version: 1.0
Date: 31.07.2026

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

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

1. Centralised Registration Service (Switching Programme)

Summary

What is this and why is it important?

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

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

Switching service availability throughout RY25/26 has been 100%, demonstrating a highly resilient, reliable and stable service.

RY25/26 activities and costs

In RY25/26, we incurred £2.7m in internal costs, £0.8m below the regulatory baseline of £3.5m baseline (and £0.8m below the forecast in our RY24/25 price control submission).

Every year, a switching budget is agreed with the REC Board via RECCo in advance of the regulatory year and in RY25/26 DCC returned £0.5m to REC parties due to a small underspend against the agreed budget. The main drivers of spend in RY25/26 are centred on the enduring functions of operating the service, with the majority of cost associated with third party service provider contracts.

The underspends this year were driven by lower than forecast volumes in Service Desk requests and a reduction in resource requirements across the Switching programme.

Future activities and costs

A key focus in RY26/27 will continue to provide a highly stable, secure and efficient service across the Centralised Registration Service (CRS), whilst driving continuous improvement across change management, reporting, communications/engagement, incident management and address management.

1.1. Switching –RY25/26 Cost Variances Overview

We summarise our relevant Internal and External Costs in this section and explain the material cost variances [redacted] in further detail throughout the document, grouped based on general ledger codes (GLs).

1.1.1. Internal Costs

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

Baseline			RY25/26	RY26/27
Total Centralised Registration Service		**£m**	**3.482**	-
Payroll costs	PR	£m	2.322	-
External services	ES	£m	0.191	-
Service management	SM	£m	0.969	-
Incurred			**RY25/26**	**RY26/27**
Total Centralised Registration Service		**£m**	**2.704**	**1.921**
Payroll costs	PR	£m	1.908	1.296
External services	ES	£m	0.099	0.105
Service management	SM	£m	0.696	0.520
Variance			**RY25/26**	**RY26/27**
Total Centralised Registration Service		**£m**	**-0.778**	**1.921**
Payroll costs	PR	£m	-0.414	1.296
External services	ES	£m	-0.092	0.105
Service management	SM	£m	-0.273	0.520

Table 1 – Cost Centre Variance by GL

1.1.2. External Costs

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

1.2. Purpose, Scope and Structure

1.2.1. Purpose and scope

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

DCC is pleased to report the following achievements in RY25/26:

Ref	KPI	Description	FY25/26	Where reported
1	Service Availability-100%	Service availability remains at 100%	100%	Incentives Regime
2	Management of Service Requests	Achieve all four monthly measures consistently throughout the year to reach 100% success	100%	Incentives Regime
3	Matched addresses	Managed a step change reduction in the unmatched addresses in year going from 2.8M to 2.1M	25% reduction	Shared with PAB via quarterly meetings
4	Address Match Rate above 95%	Remains above 95%	96.3%	Shared with PAB via quarterly meetings

Table 2 – Central Switching Service KPI

DCC is required to submit a switching service budget to RECCo by the end of November[1] each year. RECCo challenge any costs it considers to not be economical or efficient, and the final budget is consulted on within the REC Budget in January[2] each year. The budget is then finalised and published in February[3]. A wholly transparent approach to budget setting is followed between DCC and RECCo and for RY25/26 an overall budget of £13m was agreed, with actual costs at the end of the year of c.£12.5m. The internal cost budget for RY25/26 for price control purposes was £3.5m and the actual costs were £2.7m.

REC change R0309 'In-year CRS budget amendment'[4] was raised by DCC to return c.£500k of the approved £13m budget back to REC parties during the RY25/26 financial year. The change proposal was approved by the REC Change Panel on 17 February 2026, and the underspend was returned by way of a reduction in CRS charges for January – March 2026. DCC constantly review areas of continuous improvement, hence the effective management of our costs since go live as evidenced above.

The agreed REC Budget for RY26/27 is £12.6m for the year, of which £1.64m relates to expected resource expenditure. This is comparable to DCC's RY26/27 resource forecast once the Switching SI Reprocurement resource is excluded. On this basis, the comparable RY26/27 resource cost is £0.902m for the seven-month period, derived from total resource costs of £1.296m less £0.394m of SI Reprocurement resource. Annualising this seven-month forecast gives an equivalent full-year cost of £1.546m, which is £0.094m below the REC Budget resource provision of £1.64m.

1.2.2. Cost Centre Structure

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

[1] REC Main Body clause 9.27
[2] REC Main Body clause 9.1
[3] REC Main Body clause 9.5
[4] In-year CRS budget amendment - REC Portal

The key activities which take place as business as usual (BAU) are within the following teams:

- Operations
- Service Delivery
- CTO
- Security
- REC Releases Programme Resource

1.3. Cost centre variance overview

In the RY24/25 Price Control Final Determination, Ofgem allowed the forecast costs for RY25/26 as these had already been approved by the REC Board. In RY26/27 the switching service has a zero baseline, as Ofgem stated that all costs must be approved via the budget setting process agreed with RECCo. In March 2026, RECCo issued its approved budget which included the DCC charges that allow us to operate the CSS and Switching Operator services for the budget year of RY26/27.

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

Programme Variance by Sub-Team

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

Baseline		RY25/26	RY26/27
Centralised Registration Service Payroll Costs	**£m**	**2.322**	-
Commercial and Regulation	£m	0.098	-
CTO	£m		
Finance & People	£m	-	-
Operations	£m	1.718	-
Security	£m	0.196	-
Service Delivery	£m	-	-
Testing	£m	-	-
REC Releases Programme Resource	£m	0.087	-
Switching Squad Resource	£m	0.222	-
Incurred		**RY25/26**	**RY26/27**
Centralised Registration Service Payroll Costs	**£m**	**1.908**	**1.296**
Commercial and Regulation	£m	0.088	0.024
CTO	£m	0.109	0.119
Finance & People	£m	-	-
Operations	£m	0.824	0.605
Security	£m	0.365	0.060
Service Delivery	£m	0.225	0.030
Testing	£m	-	-

REC Releases Programme Resource	£m	0.297	0.065
Switching Squad Resource	£m	-	-
Switching SI Reprocurement Resource	£m	-	0.394
Variance		**RY25/26**	**RY26/27**
Centralised Registration Service Payroll Costs	**£m**	**-0.414**	**1.296**
Commercial and Regulation	£m	-0.011	0.024
CTO	£m	0.109	0.119
Finance & People	£m	-	-
Operations	£m	-0.894	0.605
Security	£m	0.169	0.060
Service Delivery	£m	0.225	0.030
Testing	£m	-	-
REC Releases Programme Resource	£m	0.210	0.065
Switching SI Reprocurement Project Resource	£m	-0.222	0.394

Table 3 – Programme Variance by sub-team

1.3.1. Security

This variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.

Overview of variance

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

In RY24/25 there were three FTE forecast to continue to provide support during RY25/26 which has increased to 4.3 FTE due to the inclusion of the Escrow work package.

Scope of variance and key challenges

The DCC Switching Security team are responsible for the following activities:

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

Securing value for money

The Security team has remained relatively stable in terms of FTE throughout the years. The REC obligations that the team are required to meet have also remained the same. As with all other DCC switching costs, the budget is shared with REC Parties and RECCo for consultation and comment every year as part of the budget setting process and is agreed with the REC Board.

One specific example of a work area the DCC Security team has been involved in during RY25/26 remains in the Business Continuity Disaster Recovery (BCDR).

The security team is responsible for the BCDR function of the switching arrangements which continues

to include the following REC obligations[1]:

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

The Security team manages this BCDR exercise every year and is now also responsible for the PKI (security certification) service.

Future considerations

The DCC Switching Security team will continue to fulfil the required REC obligations as detailed above with costs expected to remain consistent in RY26/27 and the budget for the team having been approved by the REC Board in March 2026.

1.3.2. Service Delivery

This *variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.*

Overview of variance

The £0.225m variance reflects the continued need for dedicated Service Delivery programme and project management (and a zero regulatory baseline). On the Switching programme, this consists of one Programme Manager and one Project Manager.

This resource is to ensure REC change activity is delivered to agreed timescales, cost parameters and quality standards. It also provides structured governance, coordination and delivery leadership across the REC Releases Programme, ensuring that change proposals are progressed effectively through planning, requirements development, impact assessment and release management.

Scope of variance and key challenges

Service Delivery within the Switching programme acts as the central coordinating function for REC change delivery, working closely with RECCo, RTS, DCC Service Providers and internal DCC teams. The team leads the planning and execution of REC Releases, including the June 2025 RECMOD R0080 release and subsequent post-release gating activities completed through August 2025.

In RY25/26, Service Delivery supported the progression of new REC changes entering the pipeline by facilitating technical workshops, establishing scope and contributing to requirements drafting. The team also coordinated Service Provider impact assessments and supported RTS/RECCo governance processes to ensure changes were approved and implemented efficiently.

Up to March 2026, Service Delivery worked alongside RTS on the Change Management component of the CRS Programme, which is an Ofgem-initiated initiative to improve the speed and cost of change. This included overhauling the change management process, introducing invoice validation, and implementing a small change process.

This narrative aligns with the broader REC Releases Programme Resource section, which is further detailed in section 1.3.3. It reflects the contribution of wider DCC functions whose work is coordinated

[1] Switching Service Management Schedule paragraph 9.3.

and governed by Service Delivery.

Securing value for money

DCC secured value for money by repurposing existing internal programme and project management capability rather than procuring external consultancy or contractor support. This ensured continuity of delivery expertise, preserved organisational knowledge of REC processes, and avoided higher external delivery costs.

Service Delivery's structured oversight also enabled efficient use of specialist resources across CTO, Testing, Business Analysis and Architecture, ensuring that internal expertise was deployed proportionately and only where required to progress REC changes.

Future considerations

The DCC Service Delivery team will continue to provide the services and activities as detailed above with costs expected to remain consistent in RY26/27 and the budget for the team having been approved by the REC Board in March 2026.

1.3.3. REC Releases Programme Resource

This *variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.*

Overview of variance

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

Scope of variance and key challenges

The variance reflects multiple personnel from across DCC's functions working on various REC change proposals and system changes:

- Commercial and Regulation
- CTO
- Operations
- Security
- Service Delivery; and
- Testing

These resources work under the structured governance and delivery oversight provided by the Service Delivery team, who coordinate planning, requirements development and release management across the REC change portfolio.

In RY25/26, the REC Releases Programme resource worked on progressing and implementing REC Changes. A few examples include R0060 'ERDS Service Definition time zone correction'[1] and R0272 'Enabling transparency of the CRS Provider's REC service level performance[2]'. DCC was also involved in

[1] ERDS Service Definition timezone correction - REC Portal
[2] Enabling transparency of the CRS Provider's REC service level performance - REC Portal

the implementation of R0280 'CSS Certificate Authority audit clarification'[1] within the February 2026 REC Release. We remain committed to working with the REC Manager, other REC Service Providers and REC Parties in ensuring the REC continually evolves.

The Programme resource also contributed to technical workshops, early-stage requirements development and impact assessments, supporting the structured change management approach described in the Service Delivery section.

DCC has also introduced more customer feedback sessions to capture reflections on the year and areas for improvement. This includes how DCC effectively manages REC and operational changes.

Securing value for money

Section 1.3.2 includes how DCC has secured value for money for all switching service providers. Additionally, DCC utilises the expertise of all switching sub-teams in progressing REC releases, REC changes and operational changes.

Future considerations

The exact requirements for the REC Releases Programme are dependent on the nature and volume of changes required to the service over the course of the year, but we expect the costs to remain consistent in RY26/27 and the budget for the team having been approved by the REC Board in March 2026.

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

1.4.1. Operations

Overview of variance

The Operations team has been accountable for the BAU running of the switching service since the successful delivery of the service in July 2022. Individuals working across the Operational functions ensure resiliency of the system, provide customer and supplier engagement, and system reporting. The equivalent of 15.5 FTE has been involved in switching from across the Operations cost centres, a minor increase to RY24/25 of 14.5 FTE, which has been recharged via the REC budget.

As Switching has evolved, the baseline FTE figures have reduced significantly as DCC looks to run a leaner service. This is reflected in the overall costs of the Switching service reducing so significantly since go-live. DCC expects that current projections for RY26/27 FTE for Operations to continue to reduce and as such, we have omitted the RY26/27 FTE projections for Operations.

Scope of variance and key challenges

- Service Ownership Team – this team works towards improving customer journeys through providing insights and support to customers to drive improved performance of end-to-end processes. The team has provided significant support in analysing and resolving customer issues, whilst monitoring Switching performance trends and reporting this to industry, RECCo and the REC Manager.

- Technical Operations Analyst – this team monitors the DCC networks 24 hours a day, 7 days a week, 365 days a year. They ensure all traffic is flowing as expected and investigates any variations so that incidents are identified and raised at the earliest point.

[1] CSS Certificate Authority audit clarification - REC Portal

- Capacity Management – the Demand and Capacity management team are accountable for ensuring DCC has the right capacity, in the right place, at the right time to meet the service demand agreed with customers.

- ITIL Functions – these employees' control and schedule all internal changes across the entire service provider ecosystem to ensure they are successfully deployed through release management without causing unplanned outages. They also offer second line support through a dedicated Incident Management team, which acts as the primary escalation point for restoring service during a major incident. They mitigate repeat occurrences of incidents by performing robust Information Technology Infrastructure Library (ITIL) problem management processes and ensure all major incidents root causes have been identified and understood.

- Service Architecture – working within Operational Change and Transition, this team manages service architecture and architectural governance, creating artifacts such as service designs, system data, plans, and ways of working.

- Supplier Relationship Managers – the team is accountable for ensuring suppliers operate and perform in line with their contractual obligations, including: operational performance management governance routines, performance recovery plans (where required), supplier service delivery risk management and risk mitigation, change management oversight for any supplier impacting change, both process and contractual (not commercial or procurement).

- Customer Relationship Manager – this team plays a crucial role at the forefront of all operational customer engagements, effectively being the voice of the customer, as well as being the voice of DCC. They are accountable for improving customer experience, advocacy, and engagement. This team also owns the Address Quality Plan, leads and manages all Address Matching engagements with Distribution Network Operators (DNOs), Independent Distribution Network Operators (iDNOs), and other stakeholders across industry. The team chairs the Switching Operations Forum (SOF), which acts as a collaboration platform between DCC, industry and RECCo. This team also lead the relationships and strategic plans with RECCo and the Performance Assurance Board (PAB).

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

Securing value for money

Each of the roles above are essential for the successful operation of the switching service. The service has continued to mature and as such, we expect for FTE to reduce and resource efficiencies to continue to be sought.

Future considerations

The team will continue to provide the BAU services for switching, with a focus on the five areas highlighted in the CRS improvement plan that DCC has been working on in conjunction with RECCo. This plan includes the following key areas for DCC to seek improvements in:

- Change management
- Incident management

- Address Management
- Communications and engagement; and
- Reporting

1.4.2. Switching SI Re-procurement Project Resource

This *variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.*

The Central Switching Service (CSS) enables next-working-day switching. In simple terms, it is the set of systems and services that allow customers to switch energy supplier quickly, reliably and securely. It is delivered through four contracts that together provide registration, address management, reporting, service management and public key infrastructure.

DCC has operated the Centralised Registration Service (CRS) and Switching Operator services since go-live in July 2022. The four main contracts within the CSS due to expire in 2027. DCC therefore needed to put in place a clear plan to keep the service stable beyond 2027, while also preparing for a full Re-procurement of the service.

Without a single, sequenced plan there would be a material risk of different parts of the service being designed, built and tested separately, duplicated design-build-test (DBT) activity, multiple industry recertifications, higher transition costs and potential instability. This risk is particularly important because CSS needs to remain stable during a period of wider period of regulatory and industry change, including DSP2 and ECOS re-procurement, as well as uncertainty around DCC's future corporate position under DCC2.

The decision was made, following a wide stakeholder engagement [redacted], to extend the current contracts from their current 2027 expiry date to 2029. This avoids unnecessary disruption, protects current service performance, and gives DCC time to run a more orderly and competitive re-procurement process in 2029.

The current service provider for Systems Integration (SI) is [redacted]. The SI is responsible for coordinating the end-to-end operation of the service across providers. This means it plays a central role in making sure the different parts of the Switching Service work together properly. The capability required to support live Switching service operations includes:

- Design and design assurance;
- Support for change management;
- Support for Testing
- Systems Integration Testing;
- CSS External Testing;
- Release management and co-ordination.

It is important to note that there is no separate cost line specifically for Switching re-procurement activity across the four main CSS contracts. The resource reported against the Systems Integrator therefore reflects work undertaken across the wider CSS programme, rather than work relating only to one contract or one narrow workstream.

There was also no original baseline for Switching re-procurement resource costs. As a result, all associated

spend is reported as a variance. This does not mean the work was additional or discretionary. Rather, it reflects the fact that the original allowance did not include the resource needed to support the contract extensions and future re-procurement planning.

Scope of variance and key challenges

DCC's activities in RY26/27 are focused on ensuring continuity of the Switching Service beyond the 2027 contract end-dates and building the evidence base for a single, efficient re-procurement in 2029.

This is not a narrow procurement exercise. It requires input from several parts of the business because the Switching Service is operationally complex and has to remain stable while future commercial arrangements are being prepared. The work involves a range of in-house teams, including Procurement, Domain and Service Architects, Security Specialists, Contract Management, Regulatory leads, and Business case writers and EPMO.

Work during the year includes validating the feasibility of exercising extension options across all four contracts. This includes checking supplier readiness, intellectual property rights, resourcing requirements and technical dependencies. DCC also engaged with customers and RECCo stakeholders to confirm service needs and understand whether any service enhancements were required.

DCC is also progressing early procurement design work. This includes assessing delivery options, developing the initial business case, running the RFI process, and finalisation the high-level procurement strategy. Requirements gathering, security risk assessments, and PKI-E considerations helped provide a clear technical foundation for both the extension period and the later procurement.

These activities were subject to formal governance, including RECCo and DCC Board oversight. This helped ensure that decisions were transparent, properly evidenced and taken through the appropriate approval routes.

Securing value for money

DCC secured value for money by re-allocating existing specialist resource from across the business to support the programme. This meant DCC could make use of people who already understood the Switching Service, rather than relying unnecessarily on external support. This helped ensure that the work required to maintain service continuity was delivered economically and without avoidable outsourcing costs.

The programme itself represents an efficient and proportionate approach. Rather than running separate or fragmented procurement activity across the four contracts, DCC has put the Switching Service on a stable path to 2029 and created the conditions for a single, market-tested re-procurement.

By extending all four contracts with only minor enhancements, DCC will be maintaining a proven service, minimise industry disruption and preserve favourable supplier cost positions until the market can be reassessed through a full competitive re-procurement in 2029. This approach also reduces the risk of unnecessary change during a period when service stability is particularly important.

Future considerations

DCC notes that the resources referenced in this submission were deployed across the full Switching programme. They supported activity across all four contracts, rather than a single workstream or isolated Systems Integration activity.

These costs will therefore be re-allocated in future submissions to reflect the actual cross-contract delivery model. This will ensure that future reporting more accurately shows where the resource was used, why it was needed, and how it supported the overall continuity and re-procurement plan for the Switching Service.

1.5. Drivers for Internal Cost variance – Non-resource

There are no material non-resource variances in RY25/26. The budget for DCC to deliver the CRS for RY26/27 has been approved by the REC Board[1] and as such, the variance for the service desk in RY26/27 is due to a previous zero baseline.

Variance	GL		RY25/26	RY26/27
Service Desk	SM	£m	-0.273	0.520

Table 4 – Material variance for non-resource internal costs

1.5.1. External supplier [redacted] – Service Desk

Overview of supplier

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

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

Future Considerations

The forecast cost of this service is expected to remain consistent in RY26/27 with the costs for providing this service having already been approved by the REC Board in their RY26/27 budget.

1.6. Drivers for External Cost variance

There are no material CRs or PRs for RY25/26.

1.7. Switching Incentive Regime

Details of the Switching Incentive Regime (SIR) can be found in 5.Perf_Switching_SIRSDM1_RY2526 and 5.Perf_Switching_SIRVMM1_RY2526.

[1] Response-to-the-Forward-Work-Plan-2026-29-Consultation.pdf and RECCo-2026-Budget.pdf

Data Communications Company

DCC Price Control RY25/26 – Enduring Change of Supplier (ECoS)

Version: 1.0
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1. ECoS Programme

Summary

What is this and why is it important?

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

The ECoS programme was mobilised to achieve three key objectives:

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

RY25/26 activities and costs

In RY25/26, we successfully delivered the decommissioning of the current Temporary Change of Supplier (TCoS) solution. The ECoS programme closed in November 2025, with the remaining activity to deliver the installation of new devices via an updated manufacturing pack (containing the new ECoS security certificates) being delivered as part of in-life change. This is on track to be complete in Q3 2026.

In RY25/26, DCC incurred internal costs of £0.3m on ECoS, representing a variance against the zero regulatory baseline. These costs relate primarily to the ECoS re-procurement programme, which was established to secure the long-term provision of Change of Supplier services beyond the expiry of the current contracts in 2028.

During RY25/26, DCC commenced the competitive procurement process, including customer engagement, development of the strategic outline case, market engagement activities and the issue of a Request for Information (RFI). This work supports DCC's objective of securing the most economic and efficient solution for customers, testing the market, promoting competition and ensuring continued service availability beyond the current contract term. The resulting variance reflects the resource required to undertake this one-off procurement activity, which was not included within the regulatory baseline

Overall, the ECoS programme achieved key milestones ahead of schedule, providing early benefits to DCC customers and delivering significant cost savings through effective supplier management.

Future activities and costs

With the ECoS Programme now closed and the remaining activities moving to In Life Change (ILC) for delivery, there are no further programme costs forecast in RY25/26 and RY26/27. However, we will continue to require resource spend on the re-procurement into RY26/27.

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

1.1. RY25/26 Cost Variances Overview

1.1.1. Internal cost overview

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

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

Programme Variance by GL

Baseline			RY25/26	RY26/27
Total Enduring Change of Supplier (ECoS)		£m	-	-
Payroll costs	PR	£m	-	-
Incurred			**RY25/26**	**RY26/27**
Total Enduring Change of Supplier (ECoS)		£m	0.328	0.378
Payroll costs	PR	£m	0.328	0.378
Variance			**RY25/26**	**RY26/27**
Total Enduring Change of Supplier (ECoS)		£m	0.339	0.378
Payroll costs	PR	£m	0.339	0.378

Table 1 - Variances by GL

1.1.2. External Costs

We have [redacted] services providers dedicated to our programme, [redacted] Annexes 3m and 3n of the RIGs summarise our External Costs for RY25/26.

1.2. Purpose, Scope, and Structure

1.2.1. Purpose and scope

ECOS Programme Overview

Enabling consumers to switch energy suppliers securely and easily is a key objective of smart metering, supported by DCC's process of updating device certificates to reflect the responsible supplier. To support rollout, DCC initially implemented a temporary but secure Transitional Change of Supplier (TCoS) solution, though this was not fully aligned with the Trust Model due to reliance on the Data Service Provider. It was always intended to replace TCoS with a more robust Enduring Change of Supplier (ECoS) solution, and on 1 August 2019 DESNZ directed DCC to develop an implementation plan under Licence Condition 13A. Following consultation with the SEC Panel and stakeholders in early 2020, DCC incorporated feedback and published the final plan to guide delivery and transition to ECoS.

On 30 March 2020, DCC received approval to deliver the ECoS solution, including building an IT system to manage Change of Supply processes (such as validating and coordinating security credential updates between suppliers), procuring a hosting platform, and implementing a managed service to operate and maintain the solution. As the same supplier was selected for both hosting and service management, these were combined into a single procurement to improve value. Since then, DCC has followed a structured delivery approach, with regular updates shared through stakeholder meetings, newsletters, and industry engagement sessions.

Team Structure

Across RY22/23 to RY24/25, the ECoS programme sub-team structure remained broadly consistent, with a Programme Director providing overall leadership, stakeholder engagement, and supplier oversight, supported by a Lead Programme Manager and programme support, alongside a Service Delivery team of four Project Managers responsible for key delivery areas such as Private Key Transfer, Manufacturing Pack, TCoS decommissioning, and portability.

The PMO (including Finance) provides governance, assurance, and project support, while the Commercial and Regulation function (evolving from a broader Regulation, Engagement, Commercial and Legal team) supports the full programme lifecycle, including external engagement and regulatory matters.

Business Analysis and Design and Assurance functions capture and shape requirements, supported by Solutions Architecture for system design and planning.

Operations-related functions, including Transition, Migration Control Centre, Early Life Support, and Service Management, manage service transition and analytics. Testing and Test Assurance ensures solution quality and interoperability, while Security Architects and Assurance oversee the design and implementation of security requirements to maintain data protection throughout the change of supplier process.

Deliverables

In advance of the 29 June 2023 Go-Live, the ECoS Programme undertook extensive stakeholder engagement and, on 26 May 2023, submitted readiness evidence, including a detailed Live Service Criteria assessment—to DESNZ, the SEC Panel, and sub-committees, demonstrating delivery maturity. The SEC Panel Chair subsequently recommended proceeding with ECoS on 23 June 2023, and DESNZ issued the necessary direction on 29 June, enabling successful Go-Live and transition into the migration phase.

Post-launch, DCC focused on service enhancements such as Private Key Transfer, Manufacturing Pack, and Portability, completing migrations by 26 January 2024 in line with the Joint Industry Plan despite challenging market conditions, and establishing robust processes for ongoing device migration within 3–7 days of installation.

Throughout, DCC prioritised minimising customer disruption through regular stakeholder engagement sessions, incorporating feedback, and implementing rigorous pre-Go-Live testing, performance analysis, and migration control and reporting processes to ensure reliable operations.

RY25/26

In RY25/26, we successfully delivered the decommissioning of the current TCoS solution. The core ECoS programme closed in November 2025, with the remaining activity to deliver the installation of new devices via an updated manufacturing pack (containing the new ECoS security certificates) being delivered as part of in-life change. This is on track to be complete in Q3 2026.



Figure 1 – EcoS Programme Timeline

ECoS Procurement Activity

The original ECoS programme procured [redacted] contracts spanning three lots in 2021:

- Lot 1: Application Development & Maintenance
  - Supplier: [redacted]

- [redacted]
- Lot 2: Hosting Platform
  - Supplier: [redacted]
  - [redacted]
- Lot 3: Managed Services
  - Supplier: [redacted]
  - [redacted]
  - In December 2024, the contract for Lot 3 was extended [redacted], in line with the agreed extension provisions. The contract for Lot 1 was extended [redacted] to co-terminate with Lots 2 and 3 [redacted] enabling a single re-procurement of the full service. All extensions included negotiation to ensure value for money.

The ECoS procurement project, driving costs additional to the baseline, is to procure all three lots in line with DCC standard procurement practices with a singular process.

- This single procurement activity is the optimum approach because it offers:
  - Market Test
    - Thorough market appraisal
    - Customer confidence in chosen solution from a broad field of options.
  - Solution
    - Vendors have full view of service to question current ways of working and separation of lots.
    - Greater variety of solutions options compared to partial re-procurements
  - Commercial Opportunity
    - Larger opportunity will attract more bidders.
    - More competition in the bidding process, driving value for money.

Resourcing

A project team representing SMEs from each function in DCC has been engaged as follows:

- August 2025 – January 2026: Customer engagement, development of the SOC, and support from SEC Panel & DESNZ,
- February 2026 – March 2026: issue of RFI, and subsequent collation of responses.
- April 2026 to June 2026: Further clarification of RFI responses, engagement with customers to inform development of the OBC.
- July 2026 to May 2027 will see the issue of the RFP, analysis of responses and FBC development alongside contract negotiations and signature.

The result of this procurement process will be new, competitively procured contracts to ensure the availability of a Change of Supplier service post June 2028. It will include a number of updates and improvements to the service resulting from a review of the current service and engagement with customers.

1.3. Drivers of Internal Cost variance - Payroll

Programme Variance by Sub-Team

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

Baseline		RY25/26	RY26/27
Enduring Change of Supplier (ECoS) Payroll Costs	£m	-	-
Commercial and Regulation	£m	-	-
CTO	£m	-	-
Finance & People	£m	-	-
Operations	£m	-	-
Security	£m	-	-
Service Delivery	£m	-	-
Testing	£m	-	-
Incurred		**RY25/26**	**RY26/27**
Enduring Change of Supplier (ECoS) Payroll Costs	**£m**	**0.339**	**0.378**
Commercial and Regulation	£m	0.026	0.038
CTO	£m	0.131	0.083
Finance & People	£m	0.001	0.007
Operations	£m	0.079	0.124
Security	£m	0.019	0.038
Service Delivery	£m	0.068	0.069
Testing	£m	0.015	0.018
Variance		**RY25/26**	**RY26/27**
Enduring Change of Supplier (ECoS) Payroll Costs	**£m**	**0.339**	**0.378**
Commercial and Regulation	£m	0.026	0.038
CTO	£m	0.131	0.083
Finance & People	£m	0.001	0.007
Operations	£m	0.079	0.124
Security	£m	0.019	0.038
Service Delivery	£m	0.068	0.069
Testing	£m	0.015	0.018

Table 2 - Variances by sub-team

Our reporting shows there were no material resource variances relating to ECoS in RY24/25 or RY25/26. However, there was an overall variance of £0.339m, which predominately relates to work on the CoS re-procurement as discussed earlier in this chapter. All variances are therefore due to a zero-baseline provided by Ofgem in RY24/25 for re-procurement activity.

The primary driver of the re-procurement activity is delivering value for money through competitive procurement, as mandated for these contracts by Ofgem in the Final Determinations RY22/23, section 2.72:

"Furthermore, we remain concerned about the circumstances of the direct awards of these contracts. We expect DCC to conduct a full competitive procurement of the larger contract before its first breakpoint, and a full competitive procurement for the enduring service for the smaller contract before the expiry of the current agreement for Design, Build and Test stage. Nothing in this decision shall prejudice any potential future action we may take in relation to these procurements."[1]

Functions engaged:

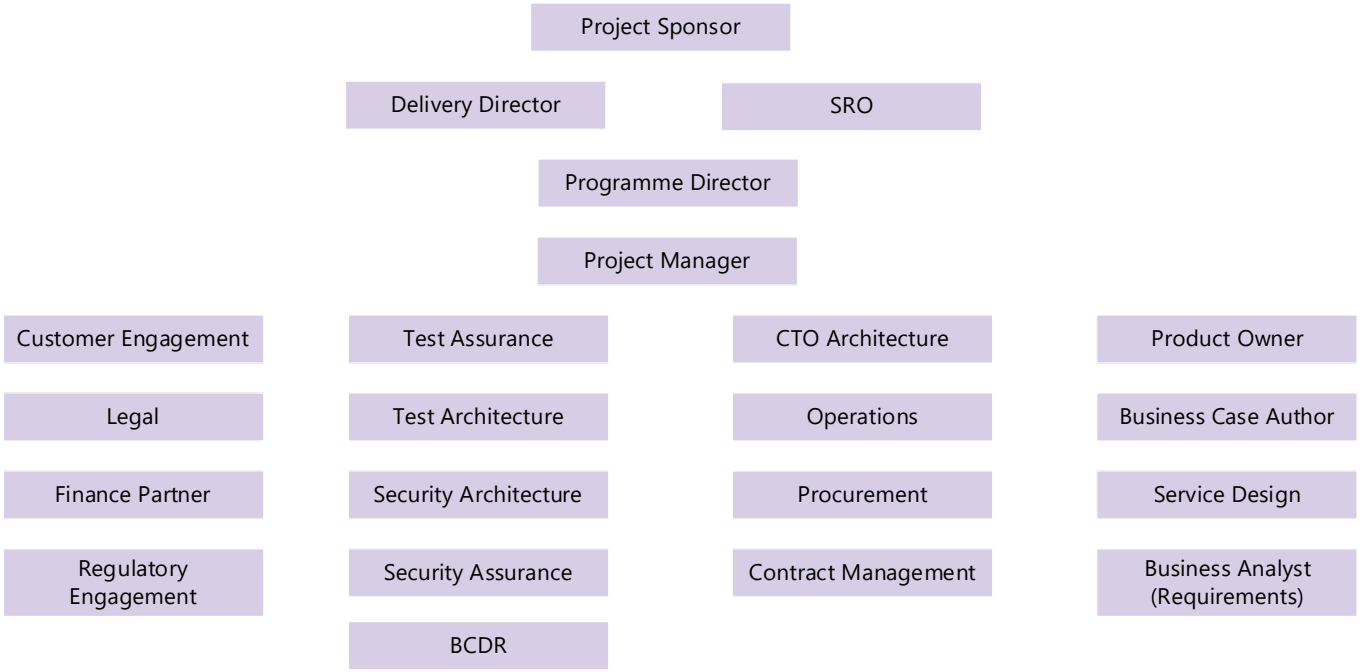


Figure 2 – ECoS business functions

1.3.1. CoS App Re-procurement Programme Resource

Overview of variance

The variance across both periods is a result of a zero baseline, and the necessary activity to deliver the single re-procurement of the full service. As discussed above, the current contracts for ECOS expire in 2028. Whilst two can be extended the third cannot. This programme is to ensure we can reprocure the service to ensure availability for our customers and value for money beyond the end of the current contracts.

The programme will not create a net increase in headcount across DCC in RY26/27.

Scope of variance and key challenges

In RY25/26 the following activities were delivered:

[1] DCC Price Control decision: regulatory year 2022 to 2023 | Ofgem

- August 2025 – January 2026: Customer engagement, development of the SOC, and support from SEC Panel & DESNZ.
- February 2026 – March 2026: issue of RFI, and subsequent collation of responses.

The programme utilised the following FTEs in RY25/26, representing 3.13 total FTE across the year:

Aug-25	Sept-25	Oct -25	Nov -25	Dec – 25	Jan – 26	Feb - 26	Mar-26
1.62	2.78	4.34	5.03	5.85	5.37	5.61	5.83

Table 3 - CoS App Re-procurement FTE

These FTE consisted predominantly of:

- Operations: 0.63 FTE responsible for: customer engagement, developing the SOC, achieving SEC panel and DESNZ support, issuing the RFI and collating responses.
- CTO: 1.32 FTE responsible for providing engineering, architecture and design input.
- Service Delivery: 0.65 FTE responsible for managing and enable day to day completion of the programme, track tasks and ensure the risks are appropriately identified and managed. There is further resource ensuring adherence to governance structures and providing overall programme direction.

The programme has forecast a total of 5.66 FTE across RY26/27. 3.71 FTE is forecast to support the delivery of the programme:

- 0.54 FTE from within the Operations functions of Contract Management, Service Operations, Customer Relationship Management and Lifecycle Management
    - These will provide key subject matter expertise into developing and analysing the RFP and the responses, providing insight into the OBC and FBC as appropriate.
- 1.28 FTE from within Service Delivery
    - Mostly split across two people whose roles are to manage and enable day to day completion of the programme, track tasks and ensure the risks are appropriately identified and managed. There is further resource ensuring adherence to governance structures and providing overall programme direction.
- 0.64 FTE within Business Analysts
    - These resources will develop the requirements for the RFP and ensure traceability to customer endorsed business needs and drive development of the OBC and FBC.
- 0.25 FTE within testing services

Subject matter expertise from across DCC makes up the remaining 1.94 FTE

- 0.56 FTE from the Procurement team
    - This resource will manage the collation of the RFI response analysis for use in the OBC, they will also drive the development and analysis of the RFP and subsequent negotiations with suppliers alongside contract management.
- 0.63 FTE from CTO – Architecture and design
- 0.08 FTE Legal
- 0.68 FTE from the Security function

Securing Value for Money

All resource is expected to come from existing internal resources with no increase in overall DCC headcount. Programme resource is managed by our EPMO and Project Managers on a regular basis and time recording is used to correctly cross charge FTE from BAU to programmes.

Future Considerations

This is a one-off procurement activity. Contracts are expected to be signed during 2027, and a subsequent DBT process is expected to end in 2028. Details of these costs have been submitted into the first ex-ante price control.

1.4. Drivers of Internal Cost variance – Non-Resource

Not applicable for this chapter.

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

Not applicable for this chapter.

1.6. Drivers for External Cost – CRs and PRs

No material Change Request (CR) and Project Request (PR) of more than £1.000m signed in RY25/26.

1.7. Baseline Margin Project Performance Adjustment (BMPPA)

Details of the ECoS BMPPA can be found in 5.Perf_BMPPA_RY2526 for RY25/26.

Data Communications Company

DCC Price Control RY25/26 – Market-wide Half Hourly Settlement

Version: 1.0
Date: 31.07.2026

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

Summary

What is this and why is it important?

Market-wide Half-Hourly Settlement (MHHS) is an industry-wide reform designed to enable more accurate and timely settlement, facilitating the move to a smarter and more flexible energy system (e.g. by enabling greater provision of time of use tariffs) which Ofgem expects will bring net benefits for consumers in Great Britain of between £1.6bn and £4.5bn over the period 2021-2045. Smart meters are essential for this reform and to achieve these benefits.

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

RY25/26 activities and costs

In RY25/26 we incurred £0.5m of internal costs on the programme, £0.6m below the regulatory baseline of £1.1m (and £0.6m below the forecast spend for RY25/26 in the RY24/25 submission). This reduction reflects lower payroll costs on this programme in the Service Delivery and Operations functions.

Future activities and costs

The programme was closed in January 2026, with the remaining migrations now managed as BAU. As such, we are not forecasting any costs in RY26/27.

DCC played a significant and successful role in the MHHS Programme. Not only did the DCC deliver the necessary functional changes on time to support the complicated approach to the Programme, it also supported the testing of the wider Migration phase leading up to Go-Live. It should be noted that DCC conducted intricate performance testing to ensure it supported the migration phase itself and has successfully overseen 3 peak performance tests to prove the DCC infrastructure and solution was stable, reliable and resilient.

1.1. RY25/26 Cost Variances Overview

1.1.1. Internal cost overview

Programme variance by GL

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

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

Baseline			RY25/26	RY26/27
Total MHHS		**£m**	**1.061**	**-**
Payroll costs	PR	£m	1.061	-
Incurred			**RY25/26**	**RY26/27**
Total MHHS		**£m**	**0.483**	**0.034**
Payroll costs	PR	£m	0.483	0.034
Variance			**RY25/26**	**RY26/27**
Total MHHS		**£m**	**-0.579**	**0.034**
Payroll costs	PR	£m	-0.579	0.034

Table 1 – Variance by GL

1.1.2. External Costs overview

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

Schedules 4 of the RIGs Supplementary Schedules summarise our External Costs for RY25/26.

1.2. Purpose, Scope, and Structure

1.2.1. Purpose

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

DCC is a delivery partner to the wider MHHS Programme, building enabling changes to facilitate the new Meter Data Retrieval (MDR) role as well as supporting customers to successfully access half-hourly data. We work in collaboration with [redacted] Industry MHHS Programme team, in discussing and agreeing dependencies. We have supported the Programme in presenting material to customers on the overarching programme as well as the specific changes which DCC is building via multiple forums as managed by [redacted], gaining buy-in and understanding from the intended customer base. This new MDR role will allow third party companies to offer services at competitive rates that could be passed onto customers in their homes. These services could request information from Smart Meters at a much higher cadence per day that allows accurate forecasting of buying and selling of electricity.

In November 2024, Ofgem approved a change request CR055 to revise the programme timeline and change the migration go-live date in October 2025.[1] This October date was kept, and the Programme went Live as per the CR055 requirement.

1.2.2. Scope

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

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

SEC/REC releases

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

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

The resourcing costs incurred by DCC in RY25/26 have been absorbed by the existing SEC Release Management Team. This has included the work to support the progress of the SEC Modification and the capacity uplift. There has been support from the Strategy and Regulation team assigned to respond to items such as the MHHS consultations, attend cross code working groups, and lead the additional engagement with Ofgem. These additional roles have been integral to DCC ensuring that our stakeholders stay informed and ultimately ensuring that stakeholder opinion is taken into consideration when any decisions are made regarding spend and programme delivery. This is particularly important to DCC given the material benefit that MHHS plans to bring to our customers, and we are committed to ensuring this result is optimal.

Capacity Programme

Ofgem directed DCC to ensure the capacity requirements for MHHS were met outside of the SEC Release framework via letter in August 2022. The budget for this was still included in the overall Ofgem business case as mentioned above. As the capacity requirements matured and submitted to DCC Service Providers for consideration, DCC challenged multiple estimates to ensure that value for money was at the heart of delivering the capacity uplifts, while, at the same time, ensuring the service it provides is maintained and, where possible, enhanced. The objective of DCC's Service Providers was to size their systems according to DCC requirements and ensure the service met agreed performance standards. Our established processes

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

for procurement have ensured that we have delivered within the budget agreed with Ofgem at the start of this work, despite a difficult operating environment of rising costs, due to inflation and other factors. MHHS migration (go-live) started in October 2025, and 3 separate peak tests were performed through November, December 2025 and January 2026 – each one successful in supported migrations at volume. DCC continues to monitor MHHS volumes in real-time and to date have seen no capacity issues occur.

Testing

The test assurance role for MHHS over RY25/26 was mainly focused on assuring the delivery activity for SMETS1 optimisation changes, as a result of increased volumes of half hourly reads. This included:

FOC cohort MHHS implementation, with assurance across build and end-to-end testing through the B-Stream environments, delivered as part of the November 2025 maintenance release, requiring TAG and TAB approvals.

IOC and MOC follow-on changes to optimise the use of the temporary data store / data cache, with assurance across A-Stream environments, delivered in the July 2025 maintenance release.

The main IOC and MOC MHHS changes were completed in 2024 (through the SECMOD), during RY25/26 changes to FOC were completed along with all three SMETS1 cohorts operational optimisation to support the MHHS solution.

DCC has completed all elements of preparation for MHHS migrations.

Migration

This migration support commenced from April 2025, and focused on enabling the industry-led migration of MPANs to MHHS via existing CSS/DSP systems, supported by enhanced CSS data for monitoring.

- DCC also implemented data sharing arrangements to align with [redacted], enabling effective exchange of major incident and change information.
- A 13-week hypercare period validated migration performance and network stability through phased volume increases up to the [redacted] threshold, with no issues identified. The service transitioned to BAU in January 2026, with migrations continuing through to [redacted] without additional resource.

These activities are critical to ensuring the implementation of MHHS to timescale and ensuring the required support is in place at DCC.

The MHHS changes were raised under a SEC Modification (MP162) and were progressed in the same way that any other modification would be progressed. The MHHS changes were not complex and thus a separate project team was not required to support these changes outside of the enduring SEC Release team. We have utilised the existing team in absorbing the additional change request, thereby providing value for money for our customers in delivering this additional scope in the wider MHHS programme.

Our programme structure

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

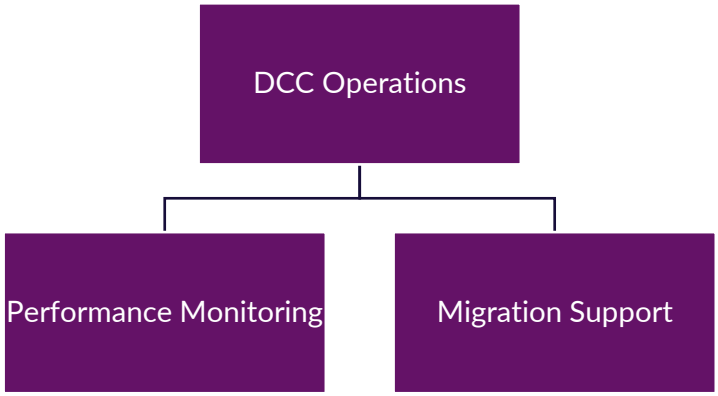


Figure 1 – Programme organisational structure

Sub-team RY24/25	Sub-team RY25/26	Description
N/A	Migration	Accountable for: • Support for Industry Migration • Service Delivery
N/A	Performance Monitoring	Accountable for: • Monitoring of the Ofgem mandated capacity/infrastructure elements to ensure the new MHHS Service operates within agreed levels and supports the Migration phase.

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

1.3. Drivers of Internal Cost variance – Payroll

Programme variance by Sub-Team

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

Baseline		RY25/26	RY26/27
MHHS Payroll Costs	**£m**	**1.061**	**-**
Commercial and Regulation	£m	0.005	-
CTO	£m	0.019	-
Finance & People	£m	-	-
Operations	£m	0.239	-
Security	£m	0.073	-
Service Delivery	£m	0.709	-
Testing	£m	0.016	-
Incurred		**RY25/26**	**RY26/27**
MHHS Payroll Costs	**£m**	**0.483**	**0.034**
Commercial and Regulation	£m	0.004	-

CTO	£m	0.027	-
Finance & People	£m	0.011	-
Operations	£m	0.130	0.034
Security	£m	0.000	-
Service Delivery	£m	0.287	-
Testing	£m	0.025	-
Variance		**RY25/26**	**RY26/27**
MHHS Payroll Costs	**£m**	**-0.579**	**0.034**
Commercial and Regulation	£m	-0.001	-
CTO	£m	0.007	-
Finance & People	£m	0.011	-
Operations	£m	-0.109	0.034
Security	£m	-0.072	-
Service Delivery	£m	-0.422	-
Testing	£m	0.009	-

Table 3 – Variance by sub team

There was a significant underspend in resourcing costs compared to baseline due to the closing down of the MHHS programme.

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

Not applicable for this chapter.

1.5. Drivers for Internal Cost variance – Non-Resource

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

1.6. Drivers for External Cost – RY25/26 CRs, PRs and new scope

There are no material CRs or PRs for this programme for RY25/26.

Data Communications Company

DCC Price Control RY25/26 – Test Automation Framework (TAF)

Version: 1.0
Date: 31.07.2026

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1. Test Automation Framework (TAF)

Summary

What is this and why is it important?

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

DCC developed the Test Automation Framework (TAF) business case to improve its testing capability to deliver a solution that lowered the cost of testing for customers (and received a letter of non-objection from DESNZ's in July 2022). The FBC sought to reduce costs by increasing the speed of regression and User Integration Testing (UIT) and improve quality by increasing test scope and device model combination coverage. This is achieved through a mix of utilising enhanced, automated testing capabilities and mechanical robotics, which provides greater value for money when regression testing SEC releases, maintenance releases and firmware releases.

RY25/26 activities and costs

DCC incurred no internal costs on the TAF programme in RY25/26, in alignment with the regulatory baseline.

Reviews were carried out throughout RY25/26, and a contract Change Request (CR - CAN006) was agreed with the TAF service provider, revising the testing scope, to include re-purposing the robotics and adapter for the DSP programme. This change was assessed and validated as the optimum solution to maximise benefits realisation across both the TAF and DSP business cases.

The revised CR introduced a clear delineation between Operational Phases, introducing a structured split between the Initial Operational Phase and the Full Operational Phase. This provided greater certainty over supplier obligations, governance, and acceptance during each phase of the TAF programme at no additional cost to the TAF Programme.

Future activities and costs

DCC does not anticipate future costs beyond those addressed through CAN006. CAN006 was specifically implemented to incorporate the outcomes of the technical workshops, re-baseline the Delivery Plan, and clarify contractual scope, milestones, and operational phases to provide a stable platform for delivery.

Future costs are therefore expected to be limited to the Milestone Payments and recurring Operational Charges. Any further changes that could incur additional costs would only arise in relation to material changes and would be subject to the Change Control procedure.

1.1. RY25/26 Cost Variances Overview

1.1.1. Internal Costs

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

The table below provides a breakdown of incurred and forecast costs in price control format i.e., mapping costs directly against the price control (GLs). Internal Costs for this programme are aggregated under Network Evolution in the Main RIGs. Network Evolution includes our DSP, CH&N, FSM, PKI-E and TAF programmes. There was no resourcing costs applied to TAF in RY25/26.

Programme variance by GL

Baseline			RY25/26	RY26/27
Total TAF		£m	-	-
Payroll costs	PR	£m	-	-
Incurred			**RY25/26**	**RY26/27**
Total TAF		£m	-	-
Payroll costs	PR	£m	-	-
Variance			**RY25/26**	**RY26/27**
Total TAF		£m	-	-
Payroll costs	PR	£m	-	-

Table 1 – Variances by GL

1.1.2. External Costs

We have one fundamental services provider dedicated to our programme, [redacted] (acting as the TAF implementation partner). There are no material cost variances in Section 1.7.

Annex 3p of the RIGs summarise our External Costs for RY25/26.

1.2. Purpose, Scope and Structure

1.2.1. Purpose

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

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

changes on the behaviour of devices in the live environment, reducing the likelihood of incidents in production.

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

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

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

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

Indirect benefits anticipated from the new TAF solution include:

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

1.2.2. Scope

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

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

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

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

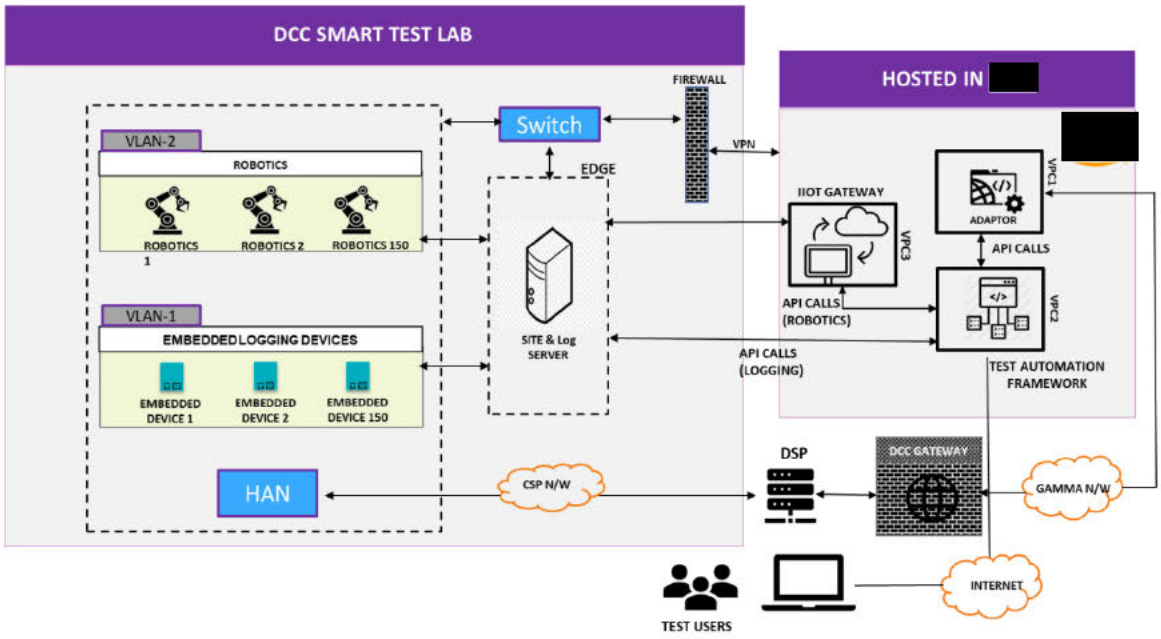


Figure 1. TAF scope schematic

Key planned events and objectives driving activity and cost in RY25/26

As mentioned in last year's submission, we have experienced delays to the TAF Programme for a variety of reasons. A significant factor has been agreeing the requirements associated with interfacing with the DSP Programme. TAF build was in part expected to test the evolution of the DSP solution and contractual costs for this were based upon a set of assumptions, primarily that the DSP would not be re-procured. Following the DSP 2.0 programme commencing, at the beginning of RY25/26, [redacted] and DCC have been in discussion to establish the impact of appointing a new DSP solution and the subsequent changes required on the operation of TAF. The dependency on the DSP programme in establishing their testing platform meant that [redacted] had to postpone further development until key DSP decisions were made. Following this several workshops between the DSP programme team, System Integrator and TAF Programme team have agreed the new requirements.

Tri-party discussions identified several critical design and development changes to ensure the TAF Solution can operate effectively. A re-baselined Delivery Plan was developed to align activities, strengthen milestone assurance (Milestone Criteria), and mitigate delivery slippage. These Contractor Milestones (D1-D7) shall formulate the updated Master Milestone Table in Schedule 6.1 (Implementation Planning), superseding Milestones C2 and C3 which were contracted under CAN005. As such, the Change Value is a redistribution of those Milestone Payments.

In addition to re-baselining the Delivery Plan and associated Contractor Milestones, CAN006 also provided an opportunity to address and clarify ambiguities within the Agreement. There is now a clear delineation between the various contract phases, particularly the splitting of the Operational Phases into the 'Initial Operational Phase' and the 'Full Operational Phase'. The deliverables and each DCC requirement are mapped appropriately, as well as being subject to testing and acceptance in accordance with Schedule 6.2.

CAN006 was signed in March 2026, differentiating between two Operational sub-phases. The 'Initial Operational Phase' began upon the achievement of Milestone 7A. This transfer occurred in August 2024. During this phase, the Contractor shall perform the Initial Operational Services, which shall include the following high-level activities, performed in accordance with the DCC Requirements and the Contractor's Service Management Framework:

(a) Maintaining the Robotics Solution

(b) Implementation of DUIS changes

(c) Monitoring of environment availability

(d) Execution of Testing activity

e) Maintaining and monitoring of access through the DCC Adapter

(f) Managing and maintaining all the infrastructure that underpins the solution

The 'Full Operational Phase' shall commence upon achievement of Milestone D7. This is currently scheduled for February 2027. During the Full Operational Phase, the Contractor shall perform the Operational Services, which shall include the following high-level activities, performed in accordance with the DCC Requirements and the Contractor's Service Management Framework:

(a) Support and maintenance services required to ensure the ongoing maintenance of the Contractor Solution and delivery of the Operational Releases including all of the activities provided during the Initial Operational Phase

(b) On-going hosting of the Test Automation Framework within the [redacted] cloud platform

Structure

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

1.3. Drivers of Internal Cost variance - Payroll

Programme variance by Sub-Team

There was no payroll costs incurred within the TAF cost centre in RY25/26.

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

Not applicable for this chapter.

1.5. Drivers for Internal Cost variance – Non-Resource

Not applicable for this chapter.

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

Not applicable for this chapter.

1.7. Drivers for External Costs –CRs and PRs

There are no material CRs and PRs for RY25/26 for TAF.

1.8. Drivers for External Costs – [redacted] - (CAN006 – CR5833)

1.8.1. FSP cost reconciliation

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



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

1.8.2. Design Clarifications and Service Provider management

Driver for Change

As evidenced in last year's price control submission, we have been engaging with [redacted] to mitigate delays to the programme and continue to manage their delivery. During this period, we have raised with [redacted] the specific aspects of its services that have not met its contractual obligations to the DCC, as well as the revisions required to [redacted] design to deliver a solution that meets DCC's specified requirements. DCC has withheld payments for unmet milestones and endeavoured to avoid inefficient spending.

The activities formalised under CAN006 were delivered within the commercial envelope of CAN005, because it was necessary to clarify and specify requirements as they evolved. As the DSP Programme progressed, operational and technical requirements developed, requiring the parties to engage through technical workshops to ensure a shared understanding of scope, dependencies, and delivery expectations. This formed the basis of the updated Implementation Plan. As requirements evolved, clarification was necessary to avoid ambiguity, mitigate delivery risk, and ensure continued compliance with an agreed Delivery Plan. Structured technical workshops were therefore undertaken as a prudent and proportionate control measure to align interpretation of existing requirements, protecting value for money and minimise the risk of an ineffectual Contractor Solution being delivered.

Scope of the Change

CAN006 was required to re-baseline the DCC Requirements and the Implementation Plan. Following a series of collaborative workshops between the Parties, it has been identified that several updates to the Contractor's Solution Design Documents are required and this shall necessitate amendments to the Master Milestone Table in Schedule 6.1 (Implementation Planning) 'Appendix 1 – Milestones for Implementation Plan'. To this end, the parties proposed a comprehensive series of Milestones (D01 – D07). These superseded Milestones C2, C3 in the Agreement, which were contracted under CAN005. A brief summary of these updates is explained in the following table:

Milestone	Milestone Description	Date	Achieved / Paid
C1	This Milestone represents the successful completion of Design, Build and Pre-Integration Test Activity	16th December 2024	[redacted]
~~C2~~	~~This Milestone represents the successful completion of Solution Systems Integration Testing~~	~~07th March 2025~~	
~~C3~~	~~This Milestone represents the successful completion of parallel run~~	~~28th March 2025~~	

Table 3 – Implementation Plan (CAN005)

The Milestone Dates, as agreed under CAN006, are set out in the following table:

Milestone	Milestone Description	Date	Achieved / Paid
D1	This Milestone represents the approval and signature of CAN006	One (1) Business Day following the date on which CAN006 is signed	[redacted]
D2	This Milestone represents the approval of the Detailed Design of the Contractor Solution, in accordance with V3.0 'Requirements Traceability Matrix'	23rd January 2026	
D3	Test Automation Framework Programme – Interim Test Scenario Milestone 1	11th June 2026	

	(50 Test Scenarios)		[redacted]
D4	Test Automation Framework Programme – Interim Test Scenario Milestone 2 (250 Test Scenarios)	06th August 2026	
D5	Test Automation Framework Programme – Interim Test Scenario Milestone 3 (450 Test Scenarios)	02nd October 2026	
D6	Test Automation Framework Programme – Interim Test Scenario Milestone 4 (646 Test Scenarios)	27th November 2026	
D7	This Milestone represents the successful completion of the Systems Integration Test Phase, transition to the Full Operations Phase and The Final Go Live	03rd February 2027	

Table 4 – Implementation Plan (CAN006)

While the Milestone Payments against D1 and D2 have been made, DCC has exercised robust and proactive Contract Management of [redacted] throughout the duration of the programme; DCC has applied challenge, technical oversight and ensured commercial discipline to protect consumer value. Furthermore, DCC has also taken a proportionate and evidence-based approach in acknowledging that delivery against Contractor Milestones was constrained by dependencies for the DSP2 Programme. This was outside of [redacted]'s sole control. Within these constraints, DCC has actively sought to mitigate cost (adhering to the cost profile of CAN005), manage risk (consensual, detailed requirements to support delivery) and continues to hold [redacted] to account under the contract.

Securing Value for Money

DCC had withheld payment from [redacted] for missed milestones, in line with the provisions set out in CAN005. This was confirmed in the 24/25 PC submission and the resulting determination response. Prior to the signature of CAN006, DCC had paid against Milestone C1 only. Accordingly, the Milestone Payments in Table 4 (Milestones D1-D7) are a reappropriation of the Milestone Values which were withheld from CAN005 (Milestones C2 and C3). No additional cost was incurred, despite the supplier consenting to a more thorough, detailed set of requirements.

Data Communications Company

DCC Price Control RY25/26 – 4G Communication Hubs and Network

Version: 1.0
Date: 31.07.2026

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

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

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

Summary

What is this and why is it important?

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

The upgrade to 4G is necessary to support the Government's ambition to complete the smart meter roll out to domestic premises by 2030 and enable proactive replacement of legacy assets. Without this upgrade, approximately 11m SMETS2 premises and 6m SMETS1 premises would cease to receive smart functionality. There is a short window before 2G/3G sunsetting by 2033, so successful and timely delivery of our next generation 4G Communications Hubs (CHs) is critical.

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

RY25/26 activities and costs

In 2022, DCC consulted on a delivery plan to carry out a pilot (known as the Initial Pallet Validation or IPV) in December 2024 and to deliver the first mass manufactured 4G comms hubs at the end of June 2025. Both dates were met and within the budget set out in the Full Business Case (FBC). In line with customer feedback, this included successfully accelerating deployment of 4G communication hubs in the North region to enable nationwide go live. In May 2025, the programme formally closed with a small amount of residual work (with accompanying budget) passed to the In-life team to complete.

As of May 2026, over 1 million 4G comms hubs have been installed which underlines the huge success of the programme enabling the benefits set out in the FBC to be realised by industry. This is supported by positive customer feedback on real world performance.

For RY25/26, internal costs of £1.6m were incurred on the CH&N programme compared to a regulatory baseline of £1.0m, representing a £0.6m variance. While the core programme successfully closed in May 2025, a number of activities continued during the transition to in-life service management and large-scale customer deployment

The additional costs primarily reflect work to support operational readiness for mass rollout, establish business-as-usual capabilities, provide early-life support following go-live, and undertake a detailed coverage assurance exercise requested by DESNZ to validate and improve network coverage across Great Britain.

The expenditure also reflects mobilisation of future CH&N activities, following engagement with key stakeholders. These activities include development of the Device Manager re-procurement and initial '4G-and-Beyond' planning. These activities were not included in the assumptions underpinning the prior-year business plan because they had not yet completed DCC's project authorisation process when the forecast was prepared.

Future activities and costs

In RY26/27, we will continue developing the second maintenance release (MR2) scheduled to go live in October 2026. We are also designing and developing the re-procurement of the Device Manager contract in preparation for contract signature in 2028. Work will also continue on planning for the future risk of 4G technology sunsetting, to develop options and support the business case process with DESNZ.

1.1. RY25/26 Cost Variances Overview

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

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

1.1.1. Internal Costs overview

Programme Variance by GL

Baseline			RY25/26	RY26/27
Total CH&N		£m	0.961	-
Payroll costs	PR	£m	0.836	-
External services	ES	£m	0.125	-
Incurred			RY25/26	RY26/27
Total CH&N		£m	1.613	0.972
Payroll costs	PR	£m	1.212	0.972
External services	ES	£m	0.401	-
Variance			RY25/26	RY26/27
Total CH&N		£m	0.651	0.972
Payroll costs	PR	£m	0.376	0.972
External services	ES	£m	0.276	-

Table 1 – Operations variance by GL

1.1.2. External Costs overview



Schedules 4 of the RIGs Supplementary Schedules summarise our External Costs for RY25/26. Sections 1.7 and 1.8 explain some of our key contracts.

1.2. Purpose, Scope, and Structure

1.2.1. Purpose

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. DCC anticipated this as much as possible and proceeded to upgrade its communications provisions, to ensure smart meters continue to function effectively post-2033.

In upgrading its systems to 4G, DCC has taken the decision to move to a disaggregated solution, comprised of individually procured components. This was identified as the most economically efficient model for customers and consumers. While this decision has enabled the programme to be delivered at significantly lower cost than the 2G/3G model, the disaggregated model also requires DCC to play a much larger role in the design, build, test, and operation of the service than it is required to do for 2G/3G services.

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

In 2022, DCC consulted on a delivery plan to carry out a pilot (known as the Initial Pallet Validation or IPV) in December 2024 and to deliver the first mass manufactured 4G comms hubs at the end of June 2025. Both of these dates were met well within the budget set out in the Full Business Case (FBC). As of May 2026, over 1 million 4G comms hubs have been installed which underlines the huge success of the program enabling the benefits set out in the FBC to be realised by industry.

In May 2025, the programme formally closed and handed a small amount of work (and programme budget) to in-life teams to complete during RY25/26 which are now complete.

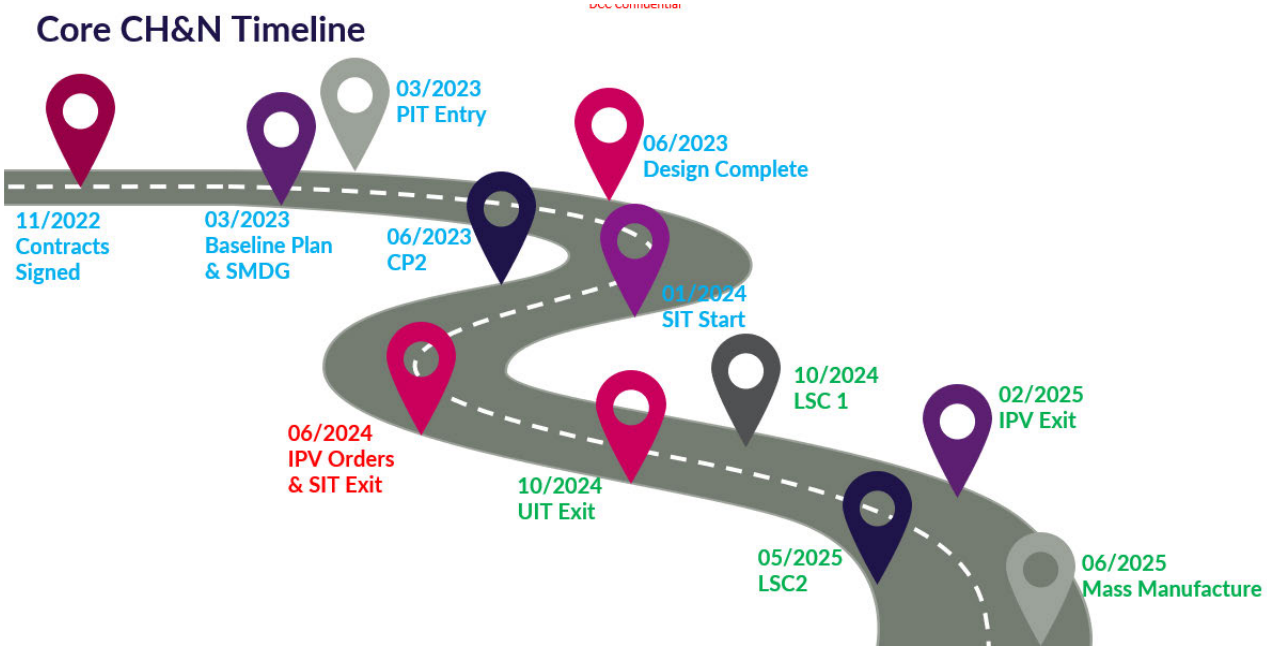


Figure 1 – CH&N programme timeline

1.2.2. Scope

Delivery of the programme scope was completed by May 2025 with the exception of a few items that were handed over to in-life teams to manage. These are outlined in the following sections.

Maintenance Release 1 (MR1)

A small number of defects were found during SIT testing that could not be fixed ahead of the go-live date. These were fixed in MR1.

4G Maintenance Releases (MR). Stage 1 took place in September 2025, a second release will take place in 2026, and a third will take place during the business plan (ex-ante) period.

Coverage Assurance

At the point of go-live, DCC were only able to assure the solution to cover 90% of UK addresses. In agreement with DESNZ, DCC undertook a piece of work to get a more accurate coverage assessment and to identify opportunities to improve coverage. This required a detailed technical assessment and measurement of comms hub performance under different network conditions. This led to a revised assessment that the coverage that could be achieved was 96% of UK addresses. DCC also implemented network roaming on 4G Comms Hubs, at no additional cost to industry, to achieve an assured overall coverage of over 99%.

This work involved working closely with the Comms Hub provider [redacted] the network provider [redacted] and a specialist technology company [redacted] to do the technical assurance of the integrated solution.

There are no further activities or costs planned under the current programme phase, which has now closed down.

However, two key workstreams are progressing as part of the programme's next steps:

Device Manager (DM) Re-procurement – DCC is preparing for the re-procurement of the Device Manager. As installations ramp up, the current solution must scale to maintain performance and resilience. This project will deliver the competitive procurement of hosting and service provision, ensuring a future-proof and scalable Device Manager capability. Work is underway with DESNZ to obtain approval of the Strategic Outline Case, which will enable DCC to draft the Outline Business Case. The re-procurement covers both current device manager contracts [redacted] and delivery of new 4G Device Manager capability by December 2028. This work was not forecast in last year's ABP, which formed the basis of the forecasts of our RY24/25 price control submission. The ABP was finalised before this re-procurement went through our 'Front Door' process to review and authorise project commencement.

4G and Beyond – DCC has identified the strategic need to define DCC's approach to connectivity beyond the expected 4G sunset and into the post-2044 landscape. A 5G-enabled Communications Hub is required to ensure customers with assets installed from 2029 can obtain the 15-year minimum asset life. This programme will procure and deliver that future comms hub.

1.2.3. Programme Structure

The maintenance release was delivered by DCC Service Delivery's in-life change team using BAU processes to deliver maintenance releases. This team is led by the Service Delivery function and includes appropriate resources from:

- CTO to carry out design assurance on the release
- Security to carry out security assurance
- Test Assurance team to agree the scope and to assure the outcome of PIT and SIT testing
- Commercial and finance teams to manage the commercial relationships with suppliers building the release

The coverage assessment was carried out by a small team led by DCC Operations which included Subject Matter Experts (SMEs) on Comms Hub design and operation with support from regulatory, commercial and finance teams.

1.3. Driver of Internal Cost variance – Payroll

Programme Variance by Sub-Team

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

Baseline		RY25/26	RY26/27
CH&N Payroll Costs	£m	0.836	-
Commercial and Regulation	£m	0.076	-
CTO	£m	0.094	-
Finance & People	£m	-	-
Operations	£m	0.110	-
Security	£m	0.065	-
Service Delivery	£m	0.491	-
Testing	£m	-	-
Incurred		**RY25/26**	**RY26/27**
CH&N Payroll Costs	£m	1.212	0.972
Commercial and Regulation	£m	0.070	0.157
CTO	£m	0.206	0.081
Finance & People	£m	-	0.008
Operations	£m	0.579	0.236
Security	£m	0.056	0.038
Service Delivery	£m	0.229	0.099
Testing	£m	0.156	0.353
Variance		**RY25/26**	**RY26/27**
CH&N Payroll Costs	£m	0.376	0.972
Commercial and Regulation	£m	-0.006	0.157
CTO	£m	0.111	0.081
Finance & People	£m	-	0.008
Operations	£m	0.385	0.236
Security	£m	-0.009	0.038
Service Delivery	£m	-0.263	0.099
Testing	£m	0.156	0.353

Table 3 – Operations variance by Sub-Team

1.3.1. Operations

This variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.

Overview of variance

The Operations team has on average included 4.49 FTEs for RY25/26 (peak of 7.93 FTE at the start of the year, ramping down to 2.74 FTE at the end of the year) The variance in RY25/26 reflects activity associated with the transition of the CH&N programme from delivery into in-life operations, following programme closure in May 2025 and subsequent go-live approval. During the early part of the year, the programme was in a transitional state, with operational teams supporting readiness for mass rollout and establishing business-as-usual (BAU) service capabilities.

Following go-live, Communications Hubs were released to customers in late July 2025, supporting a gradual ramp-up of installations on the 4G network from August 2025. This ramp-up culminated in the milestone of 100,000 4G Communications Hubs installed by late October 2025, demonstrating sufficient scale to evidence the success and stability of the 4G solution within the DCC portfolio.

The variance is driven by a need for increased resources above our RY24/25 Annual Business Plan forecast. The programme required sustained operational support during the transition to BAU, including hypercare, supplier management, and coverage assurance activity.

Work also began on our 4G and Beyond activities to start the design of a 5G solution. Current activities include liaising with customers and DESNZ to progress through the Green Book business case process, alongside running a competitive procurement and planning for technical delivery.

Scope of variance and key challenges

Operational effort during RY25/26 was focused across several core areas:

Transition to in-life Operations and hypercare
Core Operations resources supported the transition from programme delivery into live service, including pre-live governance, readiness activities, and the initial hypercare period following go-live. This included operational support for 4G in the Central and South regions and also early preparation for 4G service introduction in the North (note, 4G North was accelerated at the request of DESNZ and therefore hadn't been planned this early in our resourcing), ensuring operational processes and governance structures were in place to support scaled deployment.

Customer rollout and service stabilisation
Operational teams supported the early phases of customer rollout, which progressed more slowly than initially anticipated as customers prioritised the reduction of existing 2G/3G Communications Hub stock. This required continued operational oversight and engagement to support a controlled transition to 4G installations, while maintaining service stability.

In-life supplier Management and BAU governance
Significant effort was dedicated to managing key suppliers including [redacted] and [redacted] as services transitioned into BAU. Activities included:

- Establishing BAU governance forums and processes
- Monitoring delivery, service performance and contractual obligations
- Managing risks and service issues during early life operation
- Financial and commercial performance tracking to ensure value for money, while driving cost efficiencies

Product & Networks and technical readiness
Product & Networks resource (c.0.25 FTE) supported supply chain readiness ahead of the initial release of Communications Hubs to customers in July 2025, to ensure on-time delivery and that the devices were able to be used post-delivery confirmation.

The Firmware Assurance team also undertook preparations for the firmware iteration delivered later in 2025 and ensuring technical readiness of the solution during the transition to live service.

Lifecycle Management (LCM) and coverage assurance
A key driver of operational activity between April and October 2025 was Lifecycle Management activity associated with 4G coverage assurance. This work was initiated in response to an LC13b request from DESNZ to validate and improve network coverage, and to define the pathway to achieving 99.25% coverage across Great Britain.

This involved cross-functional collaboration and technical assessment of coverage performance, building on earlier assurance activity and supporting the continued maturity of the 4G service offering.

Key Challenges

- Transition complexity: Moving from programme delivery to BAU required simultaneous management of go-live activities, supplier transition, and early-life service support.
- Slower customer uptake: Initial rollout volumes were lower than expected due to customer use of legacy stock, extending the period of operational support required.
- Coverage assurance requirements: Additional activity was required to meet DESNZ expectations on coverage validation and improvement, increasing operational demand.
- Disaggregated service model: The 4G model requires greater operational oversight and coordination across multiple suppliers compared to the legacy CSP model.

Securing Value for Money

Operations activity during this period was focused on ensuring a stable and efficient transition to BAU while protecting the long-term value of the 4G CH&N investment. This included:

- Proactive supplier performance management to avoid service degradation
- Governance and risk management to minimise operational issues during hypercare
- Supporting efficient rollout to enable realisation of programme benefits
- Driving commercial discipline across suppliers to maintain cost control

The achievement of the 100,000th installation milestone provided early evidence of successful operationalisation of the service and confidence in the long-term scalability of the solution.

Future Considerations

Operational activity continues into RY26/27 as the service transitions to steady-state BAU, requiring an average of 3.28 FTE, with this effort [redacted] covering ongoing contract and supplier management, service governance, customer and stakeholder engagement, and limited lifecycle activity, including support for coverage improvements and service evolution.

The primary activities through to business handover are supporting the:

- MR2 release with the Testing team (see below)
- 4G and Beyond business case for DESNZ's Green Book process, through customer engagement and option design

- mobilisation phase for the new Device Manager service re-procurement, including customer and stakeholder engagement, and service and procurement design.

1.3.2. Testing

This variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.

Overview of variance

Over RY25/26 the testing function had an average of 1.76 FTE, which ramped up over the course of the year to be 3.35 FTE by FY end, driven by 4G Roaming. The variance of £0.156m is due to the zero-baseline provided by Ofgem in the RY24/25 Final Determination. DCC forecasted in last year's submission to spend £0.315m for testing, as the programme timeline and the requirement for the maintenance releases were known activities. Due to efficiencies, DCC has been able to deliver this work for £0.156m. The associated testing resources to support this work in RY2025/26 represents 60% (c. £94k) of the £156k variation. The remaining resourcing variance was tasked to support the re-procurement of the Device Manager contract in response to the challenge from OFGEM, and to support a review of options on future CH development (4G and Beyond Project).

Scope of variance and key challenges

The was a 2-month Initial Pallet Validation (IPV) phase which commenced in December 2024. After its conclusion in February 2025 there was a final review which the test assurance team supported throughout April and May 2025 to finalise decision to enter mass 4G CH production on 7 April 2025. There were some final tasks to complete test governance artefacts following the closure of the IPV phase. Subsequently the programme was closed in June 2025 and planning of two further maintenance releases (MR) commenced:

- 4G CH MR1 included application layer fixes to address 11 testing issues that had been raised over the preliminary and integrated testing phases.
- 4G CH MR2 which included a Silab stack uplift and several further Silab fixes along with all other application layer fixes.

Test Assurance resources were fully engaged in supporting the first maintenance release (4G CH MR1) to fix 11 open test issues. This was done in collaboration with Service Users to prioritise and agree the full scope and went into production in September 2025. Testing resources would have been allocated to support the development of the test approach and testing governance.

4G MR1 was not released until four months after initial go-live because the immediate focus was on the [redacted] WAN coverage, which was prioritised as business critical. There were several non-business critical fixes (11) required for the CHs (Comms Hubs) and Device Manager components.

Securing Value for Money

The test assurance team are essential in advising upon the appropriate amount of testing required, ensuring that our Service Providers do not include additional or unnecessary testing to inflate costs. This ensures that the test approach and scope is properly risk assessed and offers customers the best value for money.

The test assurance team have identified an opportunity to reduce testing costs further by including combining changes for the Virtual WAN CH variant within the 4G CH MR2 into a single release. This release will include an important fix that allows our customers to successfully install CHs in poor WAN regions, where previously CH were struggling to connect and remain connected to the consumers Wi-Fi network because of the presence of a weak 4G cellular signal. This could have required a separate release trajectory

and testing cycle, but the test assurance team were able to align the testing in collaboration with our service providers and reduce future testing costs.

Future Considerations

Throughout RY26/27, the test assurance team are supporting the definition and delivery of the second 4G CH planned maintenance release (4G CH MR2). The 4G CH MR2 release is due to Go-Live in October 2026. It has an extensive scope which comprises of changes that impact all aspects of the solution including:

4G Comms Hub changes:

- Silab stack update – version 7.2.6
- Telit modem firmware upgrade
- GBCS version 4.4
- [redacted] recommended firmware enhancements
- enhancements including WAN switching algorithm and interpan route priority.
- VWCH WAN route switching between 4G WAN to Internet based WAN.
- Comms Hub application testing issue fixes

Device Manager (DM) changes:

- New and updated DM commands
- New and updated DM alerts
- Additional supporting attributes for the new WAN switching algorithm

Virtual WAN Provider changes:

- Interpan enhancements
- Introduction of the Cellular Heartbeat messaging
- Support for WAN Switching Algorithm

The Test Assurance team are heavily involved in all aspects of testing from agreeing the test approach through PIT Assurance and working with the System Integrator on the scope of integration and service user testing required to support the go-live in October 2026.

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

1.4.1. Commercial and Regulation

This *variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.*

We forecast an average of 2 FTE for RY26/27. The Commercial and Regulation variance is focused on:

- Developing the case for 5G communication hub solution through DESNZ's Green Book business case processes.
- Procurement FTE support, which is required to deliver the re-procurement of Device Manager ahead of the next contractual break point in December 2028.

Scope of variance and key challenges

This requirement has been driven by Ofgem's request to re-procure at the next break point. The re-procurement will follow the Treasury Green Book process and requires dedicated Procurement resource from 1 April to 31 October 2026, with continued support through to contract signature in 2028. Procurement resources are critical to delivering the Ofgem approved Procurement Strategy.

Given the complexity and scale of Device Manager, a full and open competitive process will be undertaken. Between April and October 2026, Procurement will lead key preparatory activities, including due diligence, market engagement, completion of the Strategic Outline Case (SOC), execution of the RFI, and preparation for the RFP.

For the 4G and Beyond activities, commercial and regulation support is required to develop the business case and develop the procurement.

Securing Value for Money

The Device Manager Procurement team are essential in running a full competitive sourcing process including the execution of contracts. By initiating a re-procurement at the next contract break point, DCC are creating a new opportunity for the open market. Conducting a full and open competitive process will enable DCC to attract a broad range of credible suppliers, drive competitive tension, and secure optimal value and commercial benefits.

For the 4G and beyond business case, the next key milestone is DESNZ Non-Objection of the Outline Business Case, expected in August 2026.

Future Considerations

The Procurement process will run into 2028 up to contract signature, dedicated Procurement resources are required up to this point.

The 4G and Beyond process will depend on the option selected and hence procurement required.

1.5. Drivers of Internal Cost variance – Non-Resource

1.5.1. [redacted]

Variance	GL		RY25/26	RY26/27
[redacted]	ES	£m	0.287	-

Table 4 – Internal Cost Variance – Non Resource

Overview of variance

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

Scope of variance and key challenges

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

The list of activities performed by external assurance:

Part 1:

- LTE Cat1 based device Communication Hub evaluation based on field performance (through Initial Pallet Validation deployment)

- Focused lab testing to evaluate performance of Communications Hub.
- Evaluate performance of LTE Cat 1 device performance according to industry best practices and global standards.

Part 2:

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

Phase 3:

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

In RY25/26 all planned activities were completed, and the report submitted to DCC. The technical assessment and recommendations provided by the external assurance was shared with DESNZ and customers through established customer engagement forums such as TABASC.

Securing Value for Money

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

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

Future Considerations

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

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

There are no variances in RY26/27.

1.7. Drivers for External Cost – CRs and PRs and new scope

There was one material PR signed in RY25/26, described below.

1.7.1. PR8333[redacted]

Drivers for Change

PR8333 was raised to enable [redacted] to commence critical 4G MR2 development activity in advance of formal approval of CR5717 and its associated Change Authorisation Note (CAN), ensuring continuity of delivery for the MR2/VWAN programme while maintaining appropriate commercial governance. In line with Ofgem's expectations regarding suppliers undertaking work at risk, PR8333 was established as a controlled contractual mechanism to provide [redacted] with appropriate commercial coverage for early-stage mobilisation. This ensured that all activity was formally authorised and auditable, avoiding any exposure to unmanaged or non-recoverable spend.

The scope instructed under PR8333 does not represent incremental or additional activity beyond that ultimately captured under CR5717. Rather, it reflects the early initiation of MR2 scope required to maintain service reliability and deliver necessary system enhancements following PIT completion. This includes

defect remediation, design enhancements, and comms hub changes to support VWAN scaling and ongoing network performance.

Alignment to the RY24/25 decision:

The RY24/25 determination did not include provision for this specific MR2 scope, as the detailed requirements for post-PIT defect resolution, service enhancements, and VWAN scaling were not fully defined at the time of the submission. PR8333 therefore reflects efficient delivery of necessary in-year activity consistent with DCC's obligation to operate and maintain the SMETS2 network, rather than a deviation from the intent of the price control. The use of PR8333 to initiate activity ensured that delivery timelines were maintained without introducing additional inefficiencies or duplicate mobilisation costs.

All activities and associated costs under PR8333 are fully incorporated within CR5717, with no separate or duplicative charging. No invoices are raised under PR8333, and all costs are consolidated and recovered under CR5717 once approved. This ensures clear alignment with approved governance pathways, transparent cost recovery, and consistency with regulatory expectations on cost control and value for money.

Scope of the Change

The scope, which was supported by industry subcommittees throughout August 2025 (Technical Architecture and Business Architecture Sub-Committee (TABASC) 7 August, SEC Operations Group (OPSG) on 14 August and the Communications Transition Group (CTG) 18 August, includes the following:

1. 34 'Must do' Defect Fixes & Maintenance items on 4G service that will ensure continued operation. [redacted] will bear the costs of this development and as per business as usual (BAU) DCC will cover the cost for the testing environments.
   - 5 critical 'Design Enhancements' that enable faster service recovery post major incident, better comms hub data and accuracy to reduce diagnostic times plus improvement to test lab quality and efficiency.
2. 1 CH design change to enable the 4G CH for vWAN scaling for customers.

Securing Value for Money

DCC has ensured value for money for this activity by maximising the scope for 4G-Release 2, thereby securing the best possible return on fixed test costs associated with the Maintenance Release 2 (MR2) programme. This approach ensures that the incremental cost of delivering MR2 functionality is minimised by consolidating required defect fixes, code enhancements, and CTO-recommended improvements into a single, efficiently structured release.

A competitive procurement was not feasible—nor is it typical—due to the exclusive in-life supplier arrangements governing the current contractual model. Under these arrangements, only [redacted] is contractually able to perform development, defect resolution, and testing activities on the [redacted] software delivered as part of the 4G MR2 scope. As a result, DCC has instead ensured value for money through stringent internal commercial controls and detailed assessments of the proposed costs. These reviews have been undertaken by DCC Contract Management and the CTO, who have evaluated the supplier costings against established contractual benchmarks and rate cards to confirm that they represent fair and efficient pricing.

Beyond cost benchmarking, VfM has also been secured through the early consolidation of related work packages. By authorising [redacted] to commence MR2 development under PR8333 while the CAN for CR5717 was being finalised, DCC avoided delays to the MR2/VWAN programme that would have resulted in duplication of effort, increased programme overheads, and potentially higher resource costs. Ensuring

continuity of delivery has thereby prevented unnecessary cost escalation while protecting critical programme milestones.

The scope included under the 4G-R2 plan leverages existing test environments, governance structures, and technical frameworks, meaning there is no need to establish new testing capabilities or incur additional mobilisation costs. This maximisation of fixed-cost utilisation is a key contributor to VfM, ensuring DCC derives the highest practical output from already-funded programme infrastructure.

Furthermore, by aligning defect remediation, enhancements, and CTO-recommended improvements into a single release, DCC reduces the likelihood of multiple future releases—each of which would introduce their own fixed costs, regression testing burdens, and programme overhead. This approach ensures more efficient delivery and minimises long-term cost exposure.

Price Breakdown

The charges under PR8333 of [redacted] are the sum of the Project team charge of [redacted] minus the Post PIT charges of [redacted] as set out under CR5717.

[redacted]

[redacted]

[redacted]

Linked CRs/PRs

CR5717 incorporates all requirements captured under PR8333. To meet the delivery obligations and milestones of the MR2/VWAN Programme, it was necessary to instruct [redacted] to commence MR2 activities via PR8333 while CR5717 (4G Maintenance Release 2 (MR2)) and its associated Change Authorisation Note ("**CAN**") were being finalised and approved.

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)

CR5717 – MR2	*CR5717 – Maintenance Release 2 is for the full scope of MR2 and will replace PR8333 which was for interim cover only until the CAN for CR5717 is agreed*	*PR8333 – Includes scope included in CR5717. It was necessary to agree PR8333 to ensure MR2 was delivered on time*

Table 8 – Linked PRs and CRs

Future Considerations

All technology platforms require ongoing defect fixes, maintenance and design enhancements to ensure reliable operation and continuous improvement. This release enables the DCC to fulfil its regulatory obligation to maintain and operate the SMETS2 network (Section H13.1 ""The DCC shall provide, operate and maintain the DCC Services in accordance with this Code and the Technical Specifications.").

1.8. Drivers for External Cost – Other large RIGs variances

This year, the CH&N programme had CRs and PRs with [redacted] and [redacted] relating to Device Manager and Comms Hubs.

From the variances seen in the RIGS, we have noted where total PR&CR costs meet the threshold of a variance greater than £1m:

1.1.1. 3r CH&N DM - [redacted]

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
CRs	[redacted]	[redacted]	0	1.31	1.31

Table 9 – CRs for DM - [redacted]

The £1.31m variance against baseline is primarily driven by two CRs totalling ~£1m, summarised in the supplementary schedule. CR5303 covers Accenture's post-PIT Communication Hub development and testing activities in support of the VWAN programme, mirroring the equivalent CR raised under the DSP contract (see VWAN chapter for full programme context). The remainder relates to CR5534, covering Future Connectivity North requirements consistent with the DSP supplier scope (see Future Connectivity chapter for further detail).

Future considerations

Ofgem queried the level of Device Manager-related expenditure and whether future costs are adequately reflected within the submission. While Device Manager remains a key area of investment, a proportion of activity that supports Device Manager outcomes is reported under Future Connectivity and vWAN-related cost categories. As a result, not all future connectivity expenditure is directly identifiable as Device Manager spend within the reported cost allocations.

For RY25/26, the most material change activity reported under Future Connectivity is CR5534, which is described in further detail within the Future Connectivity chapter. This remains a significant driver of costs within the ex-post period and is also expected to contribute to costs incurred beyond the reporting period.

For RY26/27, DCC currently forecasts approximately £1.169m of change-related costs that have not yet been allocated to specific CR or PR scopes. These costs predominantly relate to Future Connectivity activities, including support from [redacted] (covering both enduring and change-related activities) and [redacted] (change-related activities). In addition, DCC expects to continue incurring Future Connectivity costs associated with CR5534, including approximately £0.7m of ongoing activity reflected within current ex-ante forecasts.

DCC will provide further detail on the allocation and scope of these activities, including any material new CRs/PRs and their expected impact on future periods, as part of its final RY26/27 ex-post submission.

1.8.1. 3s CH&N CH – [redacted]

Service	Supplier	[redacted]	Baseline (£m)	Incurred (£m)	Variance (£m)
PRs	[redacted]	[redacted]	0.50	1.60	1.10
CRs	[redacted]	[redacted]	0	1.54	1.54

Table 10 – PRs & CRs for DM - [redacted]

For PRs: £1.41m comes from PR8333 already described above in section 1.7.1 with the rest coming from 9 other small PRs. For the CRs, most of the variance is primarily driven by a small number of material CRs relating to testing and post-deployment support across key programmes:

- **CR5341:** Costs reflect extended testing activity beyond PIT in support of the Future Service Management programme, including Pre-SIT, SIT and UIT phases, alongside associated environment uplift, test data preparation, defect triage, and early life support.
- **CR5534:** Supports the Future Connectivity North programme (see Future Connectivity section), with [redacted] providing additional resource during integrated testing to enable deployment of the Network Evolution solution in the North region.
- **CR5594:** Relates to post go-live remediation of testing issues for Communication Hub Release 1 (MR1), including delivery of required fixes and enhancements to support system performance and functionality.

Data Communications Company

DCC Price Control RY25/26 – Future Service Management

Version: 1.0
Date: 31.07.2026

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

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

1. Future Service Management

Summary

What is this and why is it important?

The DCC Service Management System (DSMS) is a critical component of DCC's operational infrastructure, enabling customers to request services, raise incidents, and access reporting and diagnostics across the smart metering network. It underpins service continuity for over 50 DCC customers and suppliers, making it a core enabler of the end-to-end smart metering ecosystem.

The Future Service Management (FSM) programme was established to procure and implement a replacement for DSMS that meets SEC obligations and evolving Service User needs. The incumbent platform (Remedy/BMC Helix) was reaching end-of-life, creating a clear imperative to transition to a modern, secure and scalable solution.

The complexity of FSM cannot be understated. The solution required deep integration across more than 50 DCC customers and suppliers, each with their own systems, processes and dependencies. This scale of integration significantly increases delivery risk, particularly during testing phases.

RY25/26 activities and costs

DCC has a strong and predictable programme delivery pedigree, having successfully delivered multiple complex, regulated programmes across the smart metering estate. Of the 50 programmes delivered last year, all but one were delivered on time or early. The FSM programme leveraged the delivery disciplines, governance and assurance approaches established across previous programmes, while managing the integration complexity outlined above.

Between April 2025 and March 2026, the programme focused on completing design, build, testing and implementation readiness. This included progression through four stages of testing: Pre-Integration Testing (PIT), System Integration Testing (SIT), Business Acceptance Testing (BAT), and User Acceptance Testing (UIT).

In RY25/26, the FSM programme incurred internal costs of £3.2m, £0.4m above the regulatory baseline of £2.9m. This variance comprises higher payroll costs (£1.9m above baseline) offset by significantly lower external services spend (£1.5m below baseline) as we transitioned to a greater in house resourcing model across DCC.

This payroll variance is driven by:

- **Zero baseline for Service Delivery Costs**: £1.1m of Service Delivery costs incurred in RY25/26 is reported as a variance following the full disallowance of £0.8m of forecast costs in RY24/25.
- **Delivery profile changes**: Continued programme delivery, testing, assurance and operational readiness activity beyond original assumptions following timeline adjustments. This resulted in an increase in resourcing required to complete extended testing, assurance and readiness activities

The scale of integration drove higher-than-anticipated defect volumes during SIT, a direct consequence of the breadth of interfaces and participants. In response, DCC undertook additional defect remediation, integration assurance and deployment readiness activities to ensure a stable end-state.

Importantly:

- **Some delays were unavoidable**, with external factors, including unrelated incidents and wider industry constraints (such as timing sensitivities linked to tariff changes), impacting the delivery timeline alongside the programme's focus on resolving defects and ensuring operational readiness prior to go-live. More detail and evidence of these factors is provided in this chapter.

- **Customers supported the decision to delay go-live**, recognising that additional assurance was necessary to avoid disruption to live service. Centrica were supportive of the delay in FSM go live, indicating that: "British Gas appreciated the decision from the DCC to delay the go-live of FSM until defects with the solution were resolved. Had FSM been launched with known defects outstanding, the operational impact to British Gas would have been material and the service would have been a retrograde in capability."

Consistent with DCC's delivery principles, the programme prioritised quality and service continuity over adherence to initial timelines, ensuring that no adverse customer impact materialised.

DCC is committed to minimising any cost impacts of delays but delivering to quality is non-negotiable. In this instance, deferring go-live to ensure service stability and protect end consumers was required to deliver a better overall outcome for customers.

FSM successfully transitioned into live service on 16 May 2026.

Future activities and costs

Following successful go-live in May 2026, remaining activity is focused on programme closure and governance completion, post-implementation support, final operational handover, and transition into BAU service management arrangements.

The programme is expected to conclude by the end of September 2026. Post-implementation, internal resource requirements will reduce significantly. There will be no continuation of full programme delivery costs, following successful transition into live operation.

DCC is also engaged in ongoing commercial discussions with suppliers regarding costs associated with the extended implementation timeline. These discussions remain subject to agreement and governance, with any financial adjustments or recoveries to be reflected transparently in future reporting periods (including the RY26/27 submission).

1.1. RY25/26 Cost Variances Overview

1.1.1. Internal Costs

Ofgem disallowed £0.78m of forecast RY25/26 Service Delivery payroll costs in the RY24/25 Final Determination due to uncertainty associated with early-stage FSM expenditure. These costs have now fully materialised, therefore this disallowance is the primary driver of the Service Delivery variance.

Following programme approval in September 2024, FSM progressed rapidly into active delivery, requiring dedicated Service Delivery resource to support:

- programme governance and integrated delivery management;
- supplier coordination across multiple delivery partners;
- testing oversight, defect management and assurance; and
- operational readiness and implementation planning.

These costs, while excluded from the regulatory baseline, were necessary and proportionate to deliver a complex, highly integrated transformation programme. The scale of coordination required—across DCC, multiple service providers and a large user base—significantly exceeds that of a standard capability release.

DCC has a strong track record of delivering major programmes of this nature. Consistent with this pedigree, delivery decisions on FSM have been driven by a non-negotiable commitment to quality. Where required, this has included deferring go-live to ensure operational resilience and protect customers. Such decisions should not be penalised, particularly given:

- the need to manage significant technical integration complexity;

- the importance of ensuring safe transition to live service; and
- customer support for a controlled and stable implementation.

External factors—including unrelated incidents and industry constraints such as tariff-related pressures—also affected the implementation timeline.

Additional variance reflects the sustained level of Service Delivery effort required during testing, assurance and deployment readiness. This included increased activity to manage higher-than-anticipated defect volumes during System Integration Testing and extended cross-party coordination.

Programme Variance by GL

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

Baseline			RY25/26	RY26/27
Total FSM		£m	2.873	-
Payroll costs	PR	£m	1.289	-
External services	ES	£m	1.584	-
Incurred			**RY25/26**	**RY26/27**
Total FSM		£m	3.248	0.563
Payroll costs	PR	£m	3.153	0.563
External services	ES	£m	0.095	-
Variance			**RY25/26**	**RY26/27**
Total FSM		£m	0.376	0.563
Payroll costs	PR	£m	1.865	0.563
External services	ES	£m	-1.489	-

Table 1 – Variances by GL

1.1.2. External Costs

DCC engaged a primary FSM service provider [redacted]. No material variance was incurred in RY25/26 in relation to this contract.

However, the programme required a series of changes to the DSP [redacted], reflecting the complexity of integrating FSM into the existing DCC ecosystem. These changes collectively contributed to a variance of >£1m, as detailed in Section 1.8.

1.2. Purpose, scope and structure

1.2.1. Purpose

DCC's existing Device and Service Management System (DSMS) supports day-to-day operational interactions between DCC, its customers and service providers, including incident management, service requests, work order management and operational reporting activities.

The existing DSMS capability is heavily customised, supported through legacy tooling and forms part of the original DSP solution footprint. The current solution presents increasing operational and service risk due to limitations in scalability, maintainability and future extensibility, together with supplier plans to withdraw support for elements of the existing platform following implementation of FSM.

The Future Service Management (FSM) programme was established to procure and implement a modern replacement service management capability for DCC and its customers. FSM is being delivered primarily using ServiceNow-based SaaS/PaaS technology with limited bespoke customisation in order to improve maintainability, scalability, resilience and long-term operational efficiency.

FSM consolidates multiple existing service management functions into an integrated platform supporting incident, request, change and operational workflow management, together with improved asset management, reporting, customer interaction and administration capabilities. The FSM implementation was a highly complex transformation, involving the integration connectivity of 14+ partner organisations, 23 interconnected systems, and the successful migration of more than 1,700 service users across over 50 customers, requiring significant coordination across multiple stakeholders, technologies, and operational teams.

The new platform is intended to:

- improve customer and service provider experience through more streamlined and accessible service management processes;
- provide enhanced governance, operational controls and service management capability;
- support future growth and automation through scalable cloud-based architecture;
- improve resilience, security and maintainability through modernised tooling and multi-factor authentication capabilities; and
- reduce long-term change complexity, operational overhead and supportability risk through greater use of standardised and configurable platform functionality.

FSM also supports implementation of new operational capabilities, including support for 4G communications hub operations and enhanced logistics management processes.

The Strategic Outline Case was submitted in December 2023, followed by the Outline Business Case in March 2024. The remainder of this section describes the delivery activity, implementation progress and associated expenditure incurred during the RY25/26 reporting period.

1.2.2. Scope

During the period FY25/26, the primary focus of the FSM programme was completion of the remaining design, build, testing and implementation readiness activities required to support transition into live service. This represented a significant phase of the programme, with activity focused on progressing the solution from development into operational deployment readiness across DCC, suppliers, service providers and customer representatives.

Programme activity during the period included:

- Completion of solution design and build activities: progression through the key testing phases including Pre-Integration Testing (PIT), System Integration Testing (SIT), Business Acceptance Testing (BAT), User Acceptance Testing (UIT) as well as integration assurance and deployment preparation activities.

- **Resolution of defects:** during the testing phases, the programme experienced higher-than-anticipated defect volumes, particularly during System Integration Testing, which resulted in extended remediation, retesting, assurance and implementation readiness activity across multiple workstreams involving DCC, suppliers and service providers. Commitment to thorough testing and defect resolution was critical to ensuring a smooth and stable transition for all customers.
- **Live Service Criteria:** In parallel, the programme continued to develop, evidence and validate the Live Service Criteria (LSC) required to support operational readiness, customer readiness and regulatory obligations ahead of implementation. This included readiness assessments, governance approvals, operational support model development, service transition planning and assurance activities required to support safe entry into live service.
- **Stakeholder Engagement and onboarding:** Additional activity was also undertaken during the period to support stakeholder engagement, customer onboarding, communications planning and the development and delivery of training for internal teams, service providers and service users to support operational adoption of the new FSM platform and associated processes.

FSM subsequently transitioned successfully into live service on 16 May 2026.

- While the resolution of defects was the cause of some of the schedule slippage, some of the slippage was caused by factors outside of the programme's direct control. In all cases, decisions to adjust implementation timelines were taken with customer agreement, prioritising service stability and operational integrity over adherence to schedule.

The activities undertaken during the period required coordinated programme delivery, testing, assurance, operational readiness and stakeholder engagement activity across DCC, suppliers, service providers and customer representatives to support safe and controlled transition to live service. The majority of the activity undertaken during the reporting period related to continuation and completion of core implementation and deployment activities associated with delivery of the FSM programme, rather than expansion of programme scope.

DCC is continuing to work with suppliers in relation to the impacts arising from the extended implementation timeline and associated delivery activity. Any resulting commercial recovery activity and associated financial impacts will be reflected within future reporting periods.

Activity	Date
Strategic Outline Case Submission	22/12/23
DESNZ decision on non-Objection to Strategic Outline Case	02/02/24
Outline Business Case Submission	05/03/24
DESNZ decision on non-Objection to Outline Business Case	05/04/24
RFP Issued	08/04/24
Full Business Case Submission	30/07/24
DESNZ decision on non-Objection to Full Business Case	30/08/24
Award Contract	02/09/24
Control Point 1 (Contract Award)	09/09/24
Proposed scope of regulatory change	20/09/24
Control Point 2 (Detailed Design)	02/12/24
Confirmation of regulatory change	30/03/25
SIT-B Exit	25/02/26
UIT-B Commences	05/01/26
UIT-A Commences	05/01/26
UIT-B Exit	02/04/26
UIT-A Exit	02/04/26

LSC Go-Live Submission	08/04/26
Go Live	16/05/26

Table 2 – FSM timeline

Programme Structure

It should be noted that the sub-team structure within the payroll system (below) does not always match the FSM programme structure set out in the table below. To deliver the service in the most efficient way, resources from different sub-teams are deployed and prioritised across the service in a matrix managed approach.

RY23/24 – RY25/26 Sub-teams	Description
Commercial and Regulation (Commercial and Customer Engagement in RY 23/24)	• The commercial procurement team set out the revised procurement strategy for the FSM programme to secure a service provider to be responsible for the delivery of the new DSMS solution. • The commercial contract management team provide the interface for the programme to DCC's existing service providers to achieve the change requests required to coordinate and integrate the new solution into the existing DCC ecosystem, with appropriate challenge to ensure the best value for money is achieved. • The customer engagement team ensure that the progress of the programme is regularly communicated to customers through industry forums and SEC governance. This has been a significant piece of work during RY25/26
Design and Assurance	• The CTO team provides expertise on technical direction, definition, and evaluation of the FSM service provider recommendations for the technical solution, and specifically how to maximise the exploitation of 'Out of the box' functionality to minimise any customisations required, whilst ensuring the business needs can be achieved. • This team also ensures the integrity of the DCC solution architecture to ensure the solution has no adverse impact on the DSP solution or any other programmes in the DCC portfolio. The team guarantees that new functionality and changes to the architecture are fit for purpose and comply with the standards necessary to maintain a robust, consistent, and integrated technical infrastructure. • This team includes the business analysts who set out the functional and non-functional requirements within the programme Requirements Traceability Matrix to ensure appropriate management of the baseline requirements across internal and external supplier artefacts.
Finance	• This team supports the programme to ensure the revised programme financial forecast of external and internal spend is accurately represented within the DCC Lock process and consistently represented in the Annual Business Plan and the Green Book business cases.
Operations	• This team ensures that DCC has properly considered the business needs of our business users, and that the changes to any processes required to support the future DCC service and technical landscape are coherent, efficient, and properly defined to meet the needs of in-life operations, including SLAs. This includes the processes that customers will need to use to access and operate DCC services. This team leads the engagement with our service users in coordination with the Customer Engagement team, including the preparation for and chairing of the Service Management Working Group.
Service Delivery	• Service Delivery includes the Delivery Director, Programme Directors, Programme Managers, Project Managers, and Programme Monitoring Office (PMO), required to deliver the programme. These roles are standard for the delivery of major programmes. Work on a complex programme is broken down into work packages, each of which requires project management effort to deliver.

Security	• This team ensures that the High-Level Architecture set out by CTO will meet all DCC security obligations, and that these security requirements are included within the new service provider designs. They ensure that the existing service providers' technical, data or process changes are compliant with all security protocols and tested appropriately. • This team takes the lead on engagement with the external Government security stakeholders and the SEC Security sub-committee.
Regulatory affairs	• This team ensures that the FSM programme is delivering in line with DCC Licence Conditions, and proposed changes are understood and supported by DESNZ and Ofgem. • This team also ensures that FSM is properly represented within and alongside the DSP LC13b consultation process; and that the plan for FSM specific SEC changes is set out in a consultation timeline that allows industry sufficient time to consider and comment upon proposed changes. • This team leads the engagement with DESNZ to ensure the business cases are appropriately socialised with, and key points discussed with customers and SECAS so that DCC proposals are understood and supported.
Testing	• This team ensures that DCC's test approach for FSM is appropriate given this is somewhat different to traditional capability releases that require significant device testing. • This team sets out the methodologies for technical testing and user testing through the appropriate environments in a manner that supports customer requirements for the changes required to implement the new FSM capability.

Table 3 – Sub-team roles

1.3. Drivers for Variance – Resource

Programme Variance by Sub-Team

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

Baseline		RY25/26	RY26/27
FSM Payroll Costs	£m	1.289	-
Commercial and Regulation	£m	0.067	-
CTO	£m	0.213	-
Finance & People	£m	-	-
Operations	£m	0.363	-
Security	£m	0.476	-
Service Delivery	£m	0.000	-
Testing	£m	0.169	-
Incurred		**RY25/26**	**RY26/27**
FSM Payroll Costs	£m	3.153	**0.563**
Commercial and Regulation	£m	0.039	-
CTO	£m	0.394	0.137
Finance & People	£m	0.024	0.008
Operations	£m	0.923	0.128

Security	£m	0.155	0.011
Service Delivery	£m	1.109	0.195
Testing	£m	0.508	0.084
Variance		RY25/26	RY26/27
FSM Payroll Costs	£m	1.865	**0.563**
Commercial and Regulation	£m	-0.028	-
CTO	£m	0.181	0.137
Finance & People	£m	0.024	0.008
Operations	£m	0.560	0.128
Security	£m	-0.321	0.011
Service Delivery	£m	1.109	0.195
Testing	£m	0.339	0.084

Table 4 – Variances by sub team

Due to Ofgem determining all FSM costs relating to Service delivery to not be committed expenditure, the entirety of the payroll costs for this period are shown as a variance.

1.3.1. Design and Assurance (CTO)

This variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.

Overview of variance

In RY25/26, Design and Assurance incurred payroll costs of **£0.394m** against a baseline of **£0.213m**, resulting in a **£0.181m variance**.

This variance reflects delivery exceeding the prior year forecast, primarily due to the extension of programme activity following the revised go-live date of **16 May 2026,** necessary to ensure operational resilience and protect customers, as discussed above.

Scope of variance and key drivers

The RY24/25 forecast assumed an FSM go live of October 2025, whereas the ultimate delay to 16 May 2026 increased the resource costs accordingly (extending the forecast existing design assurance and test support activities). The majority of the spend relates to 2-3 FTE [redacted] of architecture and design resource delivering design assurance, governance, roadmaps and support of testing issues and integration challenges. This resource support was required up until the programme went live and will be throughout the hypercare period into RY26/27 to ensure a stable transition for all before the service is handed over into the BAU run team. The CTO resources are supporting with troubleshooting, design queries and system optimisation.

Securing value for money

Design and Assurance focused on minimising bespoke customisation by maximising use of ServiceNow "out-of-the-box" functionality and inclusion of an integration / abstraction layer in the solution to reduce

change to existing systems. This reduced downstream change risk and future configuration costs, consistent with the Full Business Case assumptions. Resource deployment was time limited and aligned to programme phase, with no enduring uplift to BAU capability.

Future considerations

Design and Assurance input is expected to reduce as FSM progresses through build and into testing, with activity increasingly focused on assurance and sign-off. The residual RY26/27 cost [redacted] reflects limited assurance activity as the programme approaches completion, rather than ongoing design effort. This reduction in activity will be phased rather than immediate, reflecting the ongoing assurance requirements during integration, hypercare, and early operational stability.

This is reflected in the supporting FTE profile which shows a significant ramp-down in Architecture & Design, Testing Assurance, and Technology Engineering resource post-RY25/26, with many delivery-focused roles reducing to near-zero by RY27/28 as intensive design and test phases complete.

A lean Design Authority and Design Integrity capability will remain, with senior architecture, governance and design roles maintained at ~1 FTE per function. This supports ongoing CTO responsibilities for technical governance, compliance, supplier alignment and architectural oversight post-delivery.

The residual RY26/27 cost [redacted] is therefore consistent with a steady-state assurance model, where activity is focused on governance, targeted issue resolution, and incremental optimisation, rather than sustained design or large-scale testing effort.

1.3.2. Operations

Overview of variance

In RY25/26, Operations incurred payroll costs of **£0.923m** against a baseline of **£0.363m**, resulting in a **£0.560m variance**.

This variance reflects delivery exceeding the prior year forecast, primarily due to the extension of programme activity following the revised go-live date of **16 May 2026,** necessary to ensure operational resilience and protect customers, as discussed above.

Scope of variance and key drivers

The RY24/25 forecast assumed more limited operational involvement, aligned to an October 2025 go-live. The subsequent extension required sustained operational resource to support delivery through testing, readiness and implementation. In particular, this heightened activity level delivered:

- Additional data validation exercises
- Extended Customer readiness engagement
- Delivery of training to our service users and service providers
- Necessary replanning to address delays caused by both defect resolution and unavoidable external delays

More broadly, the Operations team provided Delivery end-to-end service enablement support across the programme lifecycle, ensuring controlled, high-quality transition of services into live operations. Key contributions included:

- **Early engagement and alignment:** Proactive mobilisation of operational teams and stakeholders was essential given the scale of coordination required across DCC, multiple service providers and a large user base, ensuring alignment across delivery, support and industry parties from inception
- **Assurance and governance:** Enhanced oversight was required to manage a highly integrated solution spanning legacy DSP systems, security requirements and regulatory obligations, ensuring all dependencies were tracked, evidenced and met. Supported key deliverables including business acceptance testing, service outcomes, and compliance obligations.
- **Readiness management:** Complex interdependencies across technical, operational and third-party components required structured Go/No-Go processes to ensure full resolution ahead of deployment;
- **Operational enablement:** Ensured completion of training, documentation, and knowledge transfer activities across diverse user groups and service providers, enabling efficient transition into live support with minimal disruption.
- **Hypercare support and stabilisation:** Intensive early-life support was needed to monitor live deployments using real-time data across multiple systems and interfaces, enabling rapid identification and resolution of issues in a live, business-critical environment.

Service acceptance and BAU transition: Delivered formal acceptance into service, confirming that exit criteria were met and ensuring a smooth, controlled handover of residual activities into Business-as-Usual operations.

Securing value for money

Early and sustained operational involvement was critical to delivering value for money by minimising downstream rework, avoiding unnecessary customisation, and ensuring that only customer-driven requirements were implemented.

DCC undertook detailed validation of Business Needs and Requirements, securing endorsement from TABASC and OPSG for an approach that maximised out-of-the-box ServiceNow capability and minimised bespoke configuration. This reduced both delivery risk and long-term cost. The Operations team establishment of the Service Management Working Group, including SSI users, ensured that any customisation was strictly prioritised based on usability, avoiding unnecessary spend.

The Operations team ensured that all engagement was conducted in line with the Programme Assurance Policy, ensuring structured, proportionate industry involvement and robust challenge on scope and design decisions.

This approach delivered demonstrable value for money by:

- **Reducing rework and change costs** through early validation and disciplined scope control;
- **Minimising customisation** to lower both implementation and ongoing maintenance costs;
- **Avoiding inefficient delivery** by prioritising only high-value, user-critical requirements;

- **Improving stability at go-live**, reducing the need for costly remediation; and
- **Enabling an efficient transition to BAU**, limiting ongoing operational overhead.

Overall, these activities protected long-term value for money while ensuring a high-quality, stable service at go-live.

Future considerations

Operational effort continues through testing and transition, before tapering post-commissioning in line with a proportionate delivery approach.

Post go-live support is delivered through a **time-limited hypercare phase**, focused on service enablement and early-life stability. This includes:

- targeted, high-frequency engagement with service users (twice daily) and service providers (daily) to rapidly resolve issues;
- structured governance through fortnightly SECAS-led readiness forums; and
- focused training and drop-in support sessions to accelerate user adoption.

This intensive support model is deliberately **short-term (c.12 weeks)** and reduces in frequency as service stability is achieved, ensuring resources are deployed efficiently and only where required.

The **£0.052m in RY26/27** therefore reflects **transitional support and controlled handover**, rather than any enduring uplift in BAU operations—demonstrating a disciplined, cost-efficient approach that prioritises stability at go-live while minimising long-term operational cost.

1.3.3. Service Delivery

Overview of variance

In RY25/26, Service Delivery incurred payroll costs of **£1.109m** against a **£0m baseline**, resulting in a **£1.109m variance**.

A significant proportion (**£0.78m**) reflects Ofgem's prior disallowance of Service Delivery costs in the baseline (disallowed due to the cost uncertainty at the time) which materially inflates the apparent variance. The remaining variance arises from extended delivery, governance and coordination activity as the FSM timeline moved beyond the original October 2025 go-live assumption.

Variance in RY26/27 similarly reflects a zero baseline, with costs shifting into that year due to the revised go-live date.

Scope of variance and key challenges

The original forecast assumed a less complex and shorter delivery. In practice, FSM required sustained programme leadership and coordination to manage a highly complex, multi-party transformation, including integration across DCC, [redacted] service providers, and a large industry user base. These activities drove the majority of the spend.

DCC has a strong and consistent track record of delivering major programmes. In line with this pedigree, FSM was delivered with a **non-negotiable focus on quality and service stability**, with timelines adjusted where necessary to ensure a safe, controlled transition.

Key drivers of the variance include:

- Extended programme delivery and coordination activity due to the revised go-live date (From October 2025 to May 2026);
- Higher-than-anticipated defect volumes during SIT, requiring additional programme management activity to coordinate defect remediation, oversee recovery planning and manage dependencies across multiple parties;
- Significant integration complexity, requiring enhanced cross-party governance, testing oversight and deployment planning;
- Multiple replanning cycles, driven by evolving delivery timelines and dependencies across systems, suppliers and stakeholders. These required enhanced governance;
- Expanded governance and stakeholder engagement, including DESNZ oversight and IMF reporting, to maintain transparency and alignment.
- Readiness Planning: Service Delivery resource also supported implementation readiness assessments, customer readiness activities, deployment planning and governance approvals required to support successful transition into live service on 16 May 2026.

Not all delays were within the programme's control. External factors (including unrelated incidents and wider industry pressures such as tariff-related constraints) also impacted timelines. In all cases, **customers supported the decision to defer go-live** to ensure no disruption to live service.

Securing Value for Money

Service Delivery activity focused on maintaining control, coordination and transparency during an extended implementation period involving DCC, [redacted] service providers, customer representatives, DESNZ and industry stakeholders, ensuring efficient use of resources despite increased complexity.

Service Delivery resources coordinated testing recovery activities, implementation planning, deployment readiness and stakeholder engagement across multiple delivery partners and workstreams.

While three formal replanning exercises were required (October 2025 → March, April and May 2026), these were managed in a controlled and transparent manner, enabling the programme to maintain delivery momentum and ultimately transition successfully to live service.

Delivery teams also supported enhanced governance and reporting activities, including weekly engagement with DESNZ and monthly updates through the Industry Management Forum (IMF), providing transparency on programme progress, implementation readiness and proposed replanning activities where required. This ensured stakeholders remained informed and aligned throughout the implementation period and supported timely decision-making as the programme progressed through testing, assurance and deployment phases.

Service Delivery resources also coordinated the governance, readiness and assurance activities required to support transition into live service. These activities enabled the programme to maintain delivery control throughout the extended implementation period, support recovery from testing delays and successfully transition FSM into live service on 16 May 2026.

Future Considerations

FSM successfully transitioned into live service on 16 May 2026. Remaining Service Delivery activity is focused on programme closure, completion of post-implementation support activities, closure of residual actions and final transition into BAU service management arrangements. The programme is expected to conclude by the end of July 2026.

Following implementation, Service Delivery resource requirements are expected to reduce significantly. The residual RY26/27 cost reflects limited programme closure, transition and handover activity associated

with completion of the FSM implementation, rather than an ongoing increase in operational delivery capability.

DCC is also engaged in ongoing commercial discussions with suppliers regarding delay-related impacts incurred during implementation. The outcome of these discussions remains subject to agreement and governance approvals. Any associated cost recoveries or financial adjustments will be reflected in future reporting periods, including the RY26/27 submission.

1.3.4. Testing

This variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.

Overview of variance

Testing incurred £0.508m of payroll costs in RY25/26 against a baseline of £0.169m, resulting in a net variance of £0.339m.

Testing for FSM covers the delivery of Test Assurance across all programme Service Providers, and support for DCC User Testing in the User Integration Testing (UIT) Phase. This involved:

- Defining the test approach and scope of testing to be conducted by the Service Providers in Pre-Integration Testing (PIT) and Systems Integration Testing (SIT) phases, ensuring that the plans for each align with the scope and approach
- Assuring test preparation and execution, consulting with DESNZ and industry on changes to regulatory requirements
- Obtaining approval from industry on the approach and scope of testing through engagement with the SEC Panel's Testing Advisory Group (TAG) sub-committee
- Evidencing test execution
- Supporting testing issue resolution
- Managing and agreeing changes to testing scope and approach
- Preparing and presenting to industry for approval of test results and completion reports,
- Supporting DCC Users through regular bi-lateral and multi-lateral engagements.

Scope of variance and key challenges

The variance in Testing costs in RY25/26 was primarily driven by a necessary extension to the testing phase, reflecting both the inherent complexity of the FSM programme and the requirement to ensure a high-quality, stable solution at go-live.

FSM represents a highly complex, large-scale integration programme, requiring coordination across multiple service providers, legacy DSP systems and a broad user base. This complexity was particularly evident during testing, where issues arose in:

- connecting and stabilising service provider integrated testing environments;
- higher-than-anticipated defect volumes across PIT, SIT and UIT; and
- migration and data validation activities.

In line with DCC's strong and consistent track record of delivering major programmes, quality and service stability remained non-negotiable. As a result, testing was extended where required to ensure full defect remediation and operational readiness. These decisions were taken deliberately to protect customers and should not be viewed as inefficient delivery.

To mitigate further delay and manage overall programme cost, DCC adopted a parallel testing approach, increasing internal test resource during the peak period (October 2025 to March 2026). While this resulted in higher short-term payroll costs, it:

- accelerated defect resolution and recovery activity;
- reduced the risk of further schedule slippage; and
- limited exposure to more significant cost impacts, including service provider additional charges and the need to extend legacy platform (Remedy) support.

Securing Value for Money

DCC Test Assurance deployed experienced resources with prior DSP programme delivery experience (including earlier implementation of Order and Device Management), enabling effective delivery with a leaner team than typically required for a programme of this scale and complexity. This reduced overall payroll costs while maintaining delivery quality.

A risk-based testing approach was implemented to ensure testing scope and effort remained proportionate to cost and risk. This included:

- actively challenging service providers and governance stakeholders to streamline decision-making;
- scoping testing activity appropriately for each fix, avoiding unnecessary re-testing; and
- driving efficiency across integrated test phases to minimise time and cost without compromising quality.

This disciplined approach ensured that testing effort was targeted and cost-efficient, avoiding over-testing while maintaining assurance standards.

Critically, by resolving defects and validating the solution thoroughly ahead of go-live, DCC avoided significantly higher downstream costs associated with releasing an under-tested solution, including operational disruption, rework and extended legacy system reliance.

Overall, Test Assurance activity reflects a proportionate, efficiency-driven approach, balancing cost control with a non-negotiable focus on service quality and stability.

Future Considerations

Once the programme Go Live is achieved, it is anticipated that the Test Assurance team will reduce in size, with a smaller team supporting initial programme led maintenance and defect work-off activity, providing assurance of any changes or fixes that require PIT and/or SIT testing, and supporting ongoing User testing.

1.4. Drivers for Internal Cost Variance – RY26/27 only

Not applicable in this chapter given no RY26/27 resource variances greater than £0.150m.

1.5. Drivers for Internal Cost Variance – Non-Resource

Not applicable in this chapter given no RY25/26 non-resource variances greater than £0.150m.

1.6. Drivers for Internal Cost Variance – Non-resource RY26/27 only

Not applicable in this chapter given no RY26/27 non-resource variances greater than £0.150m.

1.7. Drivers for External Costs – RY25/26 CRs, PRs and new scope

There are no material CRs and PRs for RY25/26.

1.8. Drivers for External Costs – Other large variances

From the variances seen in the RIGS, we have noted one service provider's costs meet the threshold of greater than £1m variance in RY25/26:

Service	Supplier	Ref	Baseline (£m)	Incurred (£m)	Variance (£m)
Network Evolution – FSM	[redacted]	3a- DSP	4.65	6.28	1.64

Table 5 – FSM CRs over £1m variance

The majority of the of variance is attributable to new PRs and CRs under the £1m threshold. These cover a range of discrete, newly scoped requirements as seen in the supplementary schedules, [redacted]

[redacted]

Data Communications Company

DCC Price Control RY25/26 – Data Services Provider (DSP)

Version: 1.0
Date: 31.07.2026

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

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

1. Data Services Provider (DSP)

Summary

What is this and why is it important?

The DSP is the core technology platform at the heart of Great Britain's smart metering system, enabling secure communication with more than 37 million smart meters and supporting the delivery of essential services to energy suppliers, network operators and consumers. As the 'brain' of the DCC network, it is a critical national infrastructure service which enables secure message flows, meter commissioning and the continued operation of smart metering services across Great Britain.

Originally awarded to [redacted] by DECC (now DESNZ) in 2013, the contract has been extended [redacted] to maintain the current DSP1.0 capability until the transition to DSP2.0 is fully delivered. This approach ensures continuity of service and avoids unnecessary operational risk during what will be one of the largest and most complex technology migrations undertaken within the smart metering system.

DSP2.0 is expected to deliver over £20m in annual savings from 2029 while maintaining reliability and improving responsiveness to customer needs through more modular, scalable, and flexible technology, enabling faster industry change, reducing costs, and supporting future expansion of network services. The programme is therefore a key enabler of DCC's long-term strategy to transition from legacy technology to a more efficient, resilient and scalable platform, delivering better value for money, reducing future operating costs and supporting the evolving needs of customers and consumers.

RY25/26 activities and costs

During RY25/26 the DSP2.0 programme moved successfully from procurement into delivery, with contracts mobilised across all four service towers and a number of major milestones achieved. This represents a significant step forward in delivering DCC's largest technology transformation programme and the foundation for future smart metering services. Activities included completion of Blueprint Design, commencement of the core environment build, delivery of DCC Connect, completion of the Modular DUIS design and establishment of the governance and assurance arrangements required to oversee delivery of the new platform.

DCC has continued extensive engagement with customers, SEC forums and regulators throughout the year to ensure the future platform is aligned to customer needs and supports an efficient transition from DSP1.0. The programme is now progressing through the build and testing phases of the new platform, with customer migration activities planned from 2027 onwards ahead of full migration to DSP2.0 by the end of 2028.

The DSP programme incurred internal costs of £6.3m in RY25/26, compared to a regulatory baseline of £8.5m. The favourable variance reflects lower payroll and external services costs due to a continued focus on maintaining a lean internal resource model during the early stages of mobilisation and delivery. Despite the lower level of expenditure, the programme successfully delivered all key milestones planned for RY25/26 and remains aligned to the delivery profile and benefits approved through the Full Business Case (FBC).

External programme costs were £6.4m compared to a baseline of £8.7m, primarily reflecting a later mobilisation following the DSP2.0 contracts being executed in March 2025 rather than December 2024 (as assumed in the FBC).

Future activities and costs

In RY26/27, the programme will focus on progressing the transition to DSP2.0 through several key activities: migrating customers to DCC Connect; building the core [redacted]-delivered environment, and planning for Release 1 (to enable migration to the new Smart Routing Gateway in September 2027) and Release 2 (the start of large-scale device migration in February 2028).

Additionally, approximately £10.5m of Change Requests are under review, with funding set aside subject to business case approval (working closely with DESNZ and industry) and demonstrable customer

benefit. DCC will continue to apply robust governance, customer engagement and value-for-money challenge to all future investment decisions to ensure expenditure remains focused on delivering clear customer and consumer benefits.

1.1. DSP – RY25/26 Variances Overview

1.1.1. Internal Costs overview

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

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

Baseline			RY25/26	RY26/27
Total DSP		**£m**	**8.481**	**8.741**
Payroll costs	PR	£m	7.695	7.826
External services	ES	£m	0.786	0.915
Incurred			**RY25/26**	**RY26/27**
Total DSP		**£m**	**6.252**	**3.706**
Payroll costs	PR	£m	6.179	3.242
External services	ES	£m	0.073	0.465
Variance			**RY25/26**	**RY26/27**
Total DSP		**£m**	**-2.229**	**-5.035**
Payroll costs	PR	£m	-1.516	-4.585
External services	ES	£m	-0.713	-0.450

Table 1 – Programme variance by GL

1.1.2. External Costs overview

We have one service provider dedicated to our existing DSP system [redacted] and four for DSP2 [redacted]). There were three material individual CRs and PRs for the DSP programme for RY25/26 (see Section 1.7). External costs are primarily driven by including support to major programmes such as DCC Connect cutovers. In addition, costs incurred in RY25/26 following the mobilisation of new DSP contracts, reflecting the transition into long-term service delivery under the re-procurement.

DSP Programme	RY25/26 Baseline	RY25/26 Incurred	Variance (£m)
DSP - [redacted]	0.765	0.410	(0.355)

DSP_SI - [redacted]	1.677	0.925	(0.752)
DSP_MF - [redacted]	5.775	4.266	(1.508)
DSP_NW - [redacted]	0.292	0.778	0.486
DSP_DUIS - [redacted]	0.235	0.207	(0.028)
External Costs reported in RIGs	**8.744**	**6.379**	**(2.157)**
Internal Costs reported in RIGs	**8.481**	**6.252**	**(2.229)**
Total Costs reported in RIGs	**17.225**	**12.631**	**(4.386)**

Table 2 – DSP spend and variance in RY25/26

We set out CR and PR changes to our existing DSP system in our 'External Costs' chapter, as these are unrelated to the DSP programme, Schedules 4 of the RIGs Supplementary Schedules summarise our External Costs for RY25/26.

1.2. Purpose, scope and structure

1.2.1. Purpose

The Data Service Provider (DSP) Data Service is the 'brain' of the DCC network, enabling and managing secure message flow between DCC customers and installed smart meter devices and enabling commissioning of new devices to the smart metering network. It is an essential service that cannot be interrupted.

In September 2013 the Department for Energy & Climate Change (DECC), now the Department for Energy Security & Net Zero (DESNZ) selected [redacted] to deliver the data services covering the whole of Great Britain for Smart DCC. The contract is due to expire in October 2026, but DCC are invoking the contractual option to extend it further to October 2028. Maintaining the current DSP1.0 capability until such time that the DSP2.0 design, build, test and Device migration is completed to ensure a seamless transition with no degradation of services.

DSP2.0 is anticipated to save more than £20m per annum, from 2029, when compared to the current DSP. DSP2.0 will ensure continued reliability of the critical services while better meeting the needs of customers with more pace and less costs of delivering industry change. This will be achieved through the introduction of more modular and scalable technology, making the solution more responsive to evolving customer requirements and enabling faster implementation of change. Additionally, the use of more flexible technology will reduce operational costs for DCC's customers and support future re-use of the network for new services.

1.2.2. Scope

The DSP2.0 re-procurement was launched in October 2023 and following a comprehensive selection process, preferred bidders were down-selected in August 2024 and contracts were executed with the successful bidders in March 2025. The contracts were awarded as follows for DSP2.0: 1) Core Services – [redacted], 2) Networks – [redacted], 3) DCC User Interface (DUIS) – [redacted], 4) DSP 2. 0 System Integration – [redacted].

[redacted] and [redacted] completed a 2-month mobilisation period for DSP2.0, followed by 5-month blueprint design which concluded in November 2025. During mobilisation, [redacted] and [redacted] completed preparatory activities which included, but was not limited to, the establishment of a governance cadence and the procurement of the tools necessary for blueprint design. [redacted] and [redacted] were not subject to a formal mobilisation phase as commencement of their activities started immediately following the execution of their respective contracts under DSP2.0. This included Vodafone's development of DCC Connect, and Netcompany's designs for the new Modular DUIS.

DSP DUIS

Ofgem requested to understand DCC's incurred costs for [redacted] on the DSP DUIS in RY25/26.

Under the DSP2 contract, we had scheduled that [redacted] would be required to commence delivery of the Modular DUIS design from RY25/26 and also forecast costs in our ex-post and ex-ante submissions.

DCC determined that the Modular DUIS would not be required in line with the original contract schedule and instead would be required as part of Release 3, to better align the scope of the remainder of the DUIS contract with the DSP Programme's timelines. Accordingly, we temporarily suspended the [redacted] contract from December 2025 to April 2028. This resulted in an estimated saving of approximately £760k by avoiding [redacted] service run costs during a period in which the existing [redacted] service continues to be provided under the [redacted] DSP service contract. As the capability would not have delivered additional operational benefit prior to device migration completion, DCC considered it inappropriate to incur the cost of running both services in parallel.

We did still require some support from [redacted] on the design and build, as [redacted] needed this as an input to the Design, Build and Test (DBT) activities for the DSP2 Mainframe. [redacted] completed the Modular DUIS design and build, including Product Integration Testing (PIT), with assurance provided by [redacted] While the capability was not implemented, the completed design and build provided [redacted] with the information and artefacts required to design the DSP platform to support the future Modular DUIS architecture. Without this work, [redacted] would have faced significantly greater design complexity and integration risk. The costs incurred in RY25/26 therefore relate to work that was necessary to support the DSP Programme and reduce future delivery risk, notwithstanding the subsequent decision to defer implementation until the capability can be fully realised following completion of device migration.

DSP programme status

In addition, the programme now continues to progress through its first Programme Increment (PI) for the core environment build whilst also planning future PIs which shall deliver the transition and migration phases to come. The completion of the Design Assurance phase of Programme Increment 1 shall formally trigger the progression into Programme Increment 2 – albeit with some overlap to enable the programme to maintain momentum with appropriate levels of risk mitigation to prevent re-work. All functionalities will be delivered in Programme Increments 1 – 4 with Programme Increments 5 and 6 available for Operational Readiness, Reporting and test, any re-work or changes in advance of go live.

The following milestones were achieved in the first 12 months of the DSP2.0:

- Mobilisation (2 months – May 2025): Governance setup, team onboarding, tool deployment.
- Blueprint Design (5 months – November 2025): Development of delivery plans, system design, and cross-vendor integration strategies.
- Modular DUIS Design
- Design, Build and Test of DCC Connect (11 months – March 2026)
- Commencement of Programme Increment 1 in Core Environment Build (ongoing – May 2026)
- Ongoing Programme Management:
- Progress is be tracked internally and through governance tiers: Programme Board → ExCo → DCC Board.
- Lots 2 and 3 began work directly post-contract award, outside of formal mobilisation, and have been governed through existing structures.
- Migration and transition planning – post-DSP2 Release 1 and Release 2, plus migration and transition of customer base to DCC Connect.
- LC13B and NETMAD consultations

The figure below sets out the timeline for the programme.

[redacted]

Industry Engagement

Throughout 2025-2026, Smart DCC has continued to engage extensively with the SEC Panel and various SEC subcommittees (TABASC, SECOps, TAG, SSC).

The engagement has focused on:

- Procurement approach and options
- Migration strategy
- Modular DUIS testing
- Security and system availability
- Core Environment Build
- DCC Connect – DBT and customer ordering process

DCC has continued to provide significant technical input and supported consultation responses across a wide range of stakeholders. DSP2.0 is now 12 months post-mobilisation and is currently forecasting to complete in full in December 2028 which correlates with the FBC.

RY26/27 deliverables

- Migration to DCC Connect – the migration of our customers from [redacted] (Gamma) to DCC Connect is underway and anticipated to be 60% complete by November 2026 and concluded fully in March 2027. The forecast costs associated to this migration activity [redacted] are included within the Final Business Case (FBC) and have DCC Board approval.
- Build the core environment with [redacted] via Programme Increments 1 – 3 which are planned to

conclude in November 2027. The forecast costs for this are [redacted] are included with the FBC and have DCC Board approval.

- Plan the future transitional states of Release 1 (R1) in September 2027 and Release 2 (R2) in February 2028. Both transitional states trigger major migration activities – R1 enabling all Service Providers and Service Users to move to the new Smart Routing Gateway (SRG), and R2 enabling DCC to embark upon the wholesale device migration activities that shall, ultimately conclude the programme. The costs associated to our approach to these phases between March 2026 – November 2026 [redacted] are planned and budgeted into the DSP2.0 forecast.
- Change Requests (CRs) are being managed within the programme [redacted] of CRs currently under review. Contingency budget has been set aside to allow for these providing the business case requirements are met and that the 'change' is justified and provides the appropriate benefit to our customers.

Programme structure

Sub-teams	Description
Commercial and Regulation	• Sets the commercial strategy and leads on supplier engagements and negotiations. • Ensures that all procurement conforms to the regulated conditions. • Leads Requests for Information (RFIs) and Invitations to Tender (ITT) to understand the market and to procure services. • Provides guidance and oversight of legal and compliance issues and drafting of contracts. Detailed legal support is contracted to an external law firm under the oversight of the Head of Legal. • Plans, manages, and executes programme interactions with customers, including fora such as SEC Panel committees, Energy UK, and directly with customers. This is to ensure that customers are sighted on the programme and that the programme gets necessary input including to guide decisions on scope and business cases.
Design and Assurance	• Provides expertise on technical direction and definition of technical solutions, platforms, and methodologies. This is done to address current problems in delivering services and to facilitate the move to a future landscape. • Ensures the integrity of the DCC solution architecture. The team guarantees that new functionality and changes to the architecture are fit for purpose and comply with the standards necessary to maintain a robust, consistent, and integrated technical infrastructure.
Finance	• Budgets, forecasts, and tracks actual spend, as well as supports on business cases.
Operations	• Ensures that processes required to support the future DCC service and technical landscape are coherent, efficient, and properly defined to meet the needs of in-life operations, including SLAs. This includes the processes that customers will need to access and operate DCC services.
Security	• Makes sure that any technical, data or process changes are compliant with all security protocols and tested appropriately. • Owns the relationships with the National Cyber Security Centre (NCSC) and the SEC Security sub-committee for the Programme.

Service Delivery	• Holds all functions to account to achieve the delivery plan. • Manages the governance of the programme. • Ensures the programme is delivering in line with DCC License Conditions, and proposed changes are understood and supported by DESNZ and Ofgem as applicable. • Engages and consults with DESNZ, customers, and industry to understand existing problems and future needs and ensure that DCC proposals are understood and supported. The Regulatory Affairs team supports the Programme to deliver this DESNZ, customer, industry, and SECAS engagement.
Testing	• Ensures that testing methodologies and tools in the future DCC landscape are fit for purpose and utilise best practice.

Table 3 – DSP Structure

1.3. Drivers of Internal Cost variance – Payroll

The internal cost variance was driven by a slower than originally forecasted ramp up of resources and consequently payroll costs which was slower than the baseline – but was also in response to challenges to maintain a lean resource model on the programme wherever possible. As such this variance was deemed a positive step and the correct outcome for the programme and consumer.

Programme variance by Sub-Team

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

Baseline		RY25/26	RY26/27
DSP Payroll Costs	**£m**	**7.695**	**7.826**
Commercial and Regulation	£m	0.093	0.072
CTO	£m	1.827	1.388
Finance & People	£m	-	-
Operations	£m	1.060	1.949
Security	£m	1.186	1.170
Service Delivery	£m	2.553	2.501
Testing	£m	0.974	0.745
Incurred		**RY25/26**	**RY26/27**
DSP Payroll Costs	**£m**	**6.179**	**3.242**
Commercial and Regulation	£m	0.164	0.036
CTO	£m	1.169	0.518
Finance & People	£m	0.012	-
Operations	£m	1.240	0.937
Security	£m	0.485	0.262
Service Delivery	£m	2.194	1.088
Testing	£m	0.914	0.400

Variance		RY25/26	RY26/27
DSP Payroll Costs	**£m**	**-1.516**	**-4.585**
Commercial and Regulation	£m	0.070	-0.036
CTO	£m	-0.658	-0.870
Finance & People	£m	0.012	-
Operations	£m	0.179	-1.012
Security	£m	-0.701	-0.909
Service Delivery	£m	-0.358	-1.413
Testing	£m	-0.060	-0.345

Table 4 – Programme variance by sub-team

We note that while there was a material overspend in the Operations sub-team, this is significantly outweighed by the overall underspend across the rest of the teams, providing a positive £1.516m resource variance.

1.3.1. Operations

This variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.

Overview of variance

In RY25/26, the Operations sub-team incurred a net payroll variance of £0.179m above baseline. This variance reflects the profile and timing of operational resourcing deployed across the year to support the transition from procurement into mobilisation and early delivery readiness, rather than an increase in enduring scope or inefficiency.

This localised Operations variance is more than offset by underspends across other DSP sub-teams, resulting in a net DSP payroll underspend of £1.516m for the year. The DSP regulatory baseline does not include an allowance for internal programme payroll, and all Operations costs reported reflect actual, time recorded internal resource deployed to deliver the programme in line with licence and regulatory obligations.

Scope of variance and key challenges

Operational resourcing in RY25/26 followed a phased, role-specific profile aligned to the programme's transition from procurement completion into mobilisation and delivery readiness. The Operations variance reflects when specific operational capabilities were required, rather than a uniform increase in headcount across the year.

April–June 2025: post-award handover and residual procurement support [redacted]
In the early part of the year, Operations activity was deliberately limited and focused on a small number of roles supporting the immediate post-award period. Resource during this phase was primarily made up of:

- Contract Management roles, providing continuity from procurement into contract activation and supporting early clarification of contractual obligations; and
- Core Operations roles, contributing to handover from procurement teams and ensuring early operational considerations were captured ahead of mobilisation.

- In-Life Supplier Management roles, supporting onboarding of multiple suppliers across different DSP lots and establishing day-to-day operational interfaces;
- Lifecycle Management roles, defining how services would be operated, maintained and evolved in-life;
- At this stage, there was no requirement for broader operational mobilisation activity, and resourcing remained low and stable.

July–September 2025: mobilisation ramp-up and operational framework establishment [redacted]
As mobilisation and Blueprint Design activity commenced, operational resourcing increased to support a wider range of roles, reflecting the move from contract award into delivery preparation. This phase saw the introduction and expansion of:

- Service Architecture roles to support the development of the DCC Connect Consultation document with Customers and DESNZ to ensure the regulatory framework for DCC Connect cutovers and begin the Service Design of the Connect services;
- Cutover Control Centre roles, managing the set up and design of the migration process for the DCC Connect cutover;
- Business Analyst role, refining the Low-Level Requirements through the Requirements assurance process – this role now resides under Lifecycle Management
- Service Assurance roles, beginning work on service monitoring, incident management and performance oversight frameworks; and
- Continued Contract Management roles, managing increased interaction with suppliers as mobilisation activities accelerated.

This ramp-up reflects the point at which multiple suppliers became active in parallel and operational governance structures needed to be established at pace.

October–December 2025: peak mobilisation and service readiness activity [redacted]
Operational effort was highest during this period, corresponding to the most intensive phase of mobilisation and readiness. Resource during this phase was concentrated across:

- Lifecycle Management roles, leading detailed definition of operational processes and end-to-end service models;
- Service transition role, preparing for Service go-live and setting out and tracking the service acceptance criteria for DCC to accept the service – this role resides under Business Operations
- Service Assurance roles, finalising service level arrangements, performance measures, Service Designs and assurance mechanisms;
- Business Analyst role, continuing the requirements assurance activity in support of readiness for Programme Increment 1 – this role is now within Lifecycle Management
- In-Life Supplier Management roles, embedding ways of working with suppliers and validating readiness for subsequent build and test phases; and
- Targeted Customer-facing operational roles, ensuring that customer impacts, processes and responsibilities were fully understood and appropriately reflected – this role is in Core Operations

This activity was inherently time-bound and focused on ensuring that operational requirements were robust and deliverable before being contractually and operationally embedded.

January–March 2026: stabilisation and transition to steady-state programme support [redacted]
In the final quarter of the year, operational resourcing stabilised rather than continuing to grow. Activity shifted away from intensive mobilisation into:

- steady-state Contract and Supplier Management support;
- preparation for increased operational ownership during Design, Build and Test;
- Service transition role, preparing for Service go-live and running go/no-go criteria setting and operational acceptance of High Impact Maintenance Windows;
- Business Analyst role, continuing the requirements assurance activity in support of readiness for Programme Increment 2;
- Data Science and reporting roles, assessing the required Low-Level Requirements for the DCC Core platform in readiness for Programme Increment 2;
- Capacity and forecasting roles, engaged to support the review and assessment of future capacity and demand planning for the DSP Core platform and the review of Capacity specific deliverables;
- Migration Control Centre resourced and engaged to ensure a smooth transition and handover for DCC Service User migration process; and
- early planning for transition, cutover and in-life operational readiness in RY26/27.
- In Life Change, Lifecyle Management, Service Assurance, Core Operations had active roles during this period assessing requirements and transitional plans as and when required.

The reduction from peak levels reflects completion of the most resource-intensive mobilisation tasks, with remaining resource focused on sustaining delivery momentum rather than expanding scope.

Overall, the Operations variance in RY25/26 is driven by temporary, role-specific increases in operational capability during the middle of the year, aligned to mobilisation and service readiness needs, rather than persistent resourcing at peak levels across the full regulatory year.

Securing Value for Money

Operations resource in RY25/26 was deployed in line with programme need and scaled appropriately over time, rather than being held at elevated levels throughout the year. Concentrating operational effort during mobilisation and service readiness enabled DCC to:

- reduce the risk of operational assumptions being mis-specified or risk-priced into long-term contracts;
- minimise the likelihood of costly in-life change during Design, Build and Test; and
- ensure that customer-facing performance measures and operational processes were clearly defined and deliverable before being contractually locked in.

This approach represents prudent substitution of short-term internal resource for the avoidance of longer-term operational, commercial and customer risk, and directly supports the strong value-for-money outcomes achieved through the DSP procurement overall.

Future Considerations

The Operations resourcing profile in RY25/26 reflects a planned transition from procurement support into mobilisation and operational readiness and does not indicate an enduring increase in operational cost. Operations resourcing is expected to increase further in RY26/27 as the programme moves into pre-live testing, migration planning and early life support, before tapering as the new DSP service transitions into business-as-usual operation.

The RY25/26 Operations variance is therefore programme-phase driven and non-recurring, with no implication of structural uplift beyond the DSP transition period. Ongoing Operations costs will continue to be governed through programme controls and are expected to normalise following completion of migration and service stabilisation.

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

This is not applicable as there are no sub-teams with a variance in RY26/27 only.

1.5. Drivers for Internal Cost variance – Non-Resource

This is not applicable as there are no internal non-resource costs with a material variance.

The external services variance shown in Table 1 relates to the deferment of funds forecast as attributed to third party external assurance. The progress on the programme over RY25/26, largely in its early stages, did not lend itself to the most optimum moment for external assurance costs to be incurred. External assurance is under review for procurement assessment in RY26/27 so a rephasing decision was made as the most appropriate use of FBC approved funds in line with the governance needs of the programme – a more suitable moment for external assurance will come as services are built and tested.

1.6. DSP Re-Procurement Final Business Case

In November 2025, the programme gained approval from the DCC Board for the draw-down [redacted] from the FBC, taking the approved level of spend against the FBC in-line with the current forecast which is [redacted]

The tables below show the approved values. The changes agreed were for items know to be requirements but not able to be contracted at point of award due to the need to get through discovery and design phases – this included Policy Enforcement Point (mandatory security requirement), Early Smart-Routing Gateway (SRG) as part of DSP Release 1 and confirmation of Transition and Migration costs. In addition, a change was raised into [redacted] for the development of the Cloud Gateway service to meet capacity requirements following evaluations in Low-Level Designs.



From the [redacted] FBC envelope, [redacted] is currently forecast to be spent, with the variance largely attributable to contingency that has not yet been utilised (over 80% of the difference).

The [redacted] FBC covers the full programme lifecycle. Initial work started in Q4 2025, with Go-Live and Migration scheduled to complete by the end of 2028. This includes pre-contract and planning activities, platform development, testing, migration, go-live, and enduring operations up to 2036. Expenditure incurred to date includes development of the new DSP platform by [redacted] the new network provided by [redacted], services delivered by [redacted] and [redacted], procurement of the new DSP service providers under the 4A framework, and transition and migration activities involving both existing and incoming service providers. Costs also include programme labour, hosting, software and other supporting delivery activities.

Forecasted expenditure remains below the approved FBC envelope for several reasons. A significant proportion of contingency has not been drawn down as risks and uncertainties anticipated during business case development have not yet materialised. Current forecast includes known supplier costs with a small contingency. Further costs may reasonably be anticipated as work is undertaken on the build due to the complex nature of the delivery and inter dependencies on other systems and live change programmes within the DCC estate. However, these are not expected to exceed the FBC.

As contracts have been awarded and delivery has progressed, pricing certainty has increased. In addition, some forecast movements represent a transfer between contingency and baseline programme costs as requirements become better defined and are incorporated into approved change requests and project requests. Ongoing transition and migration activities, together with enduring service costs such as [redacted]'s operational support services, continue to be refined as delivery progresses.

The forecast also includes pre-contract and programme mobilisation costs incurred prior to contract award (DBT), alongside expenditure associated with the longer-term operation of the future DSP services.



Future Considerations

DCC has circa 2 years of DBT to go before executing migration of around 120 million devices, before eight years of run. At the point of writing, we are on track to complete the programme by the end of 2028 and will continue to review and refresh the programme in line with any changes driven by customer requirements or test results as we work through these phases of our delivery.

1.7. Drivers for External Cost – CRs and PRs

There were two Master Services Agreement Change Control documents and one PR that were signed for a value of more than £1.0m in RY25/26.

Ref	Description	Supplier
MSACC0002	Two SRG Releases (Pass Through and Full)	[redacted]
MSACC0003	Policy Enforcement Point (PEP)	[redacted]
PR8326	Incumbent SI and DSP support to DCC Connect cutovers [	[redacted]

Table 5 – MSACC and PRs

1.7.1. MSACC0002[redacted]

Drivers for Change

The current Implementation Plan for the DSP Programme contains one Go Live on 22 February 2028, with full migration of Service Providers (SPs), Service Users (SUs), and devices to complete by the end of December 2028. On further consideration, the available timeframe was deemed insufficient to complete

all migrations. This was based on feedback from a lesson learnt session, that the work package would not be achievable without this migration intervention.

Scope of the Change

This change expands the scope of delivery so that the SRG (Smart Routing Gateway) and related solution components are delivered and deployed in two stages instead of one.

The first stage (Release 1) will deploy selected components earlier than originally planned, around six months before the full DSP platform goes live. During this period, the contractor will also operate and support those early components.

The second stage (Release 2) will complete the delivery by deploying the remaining solution components as part of the full DSP platform go-live on 22 February 2028.

The updated scope reflects practical limits on how quickly devices can be migrated and ensures that migration and operational activities can be managed safely and realistically within the overall programme timeline.

The Early SRG Application Architecture sets out a secure, phased approach for deploying SRG capabilities ahead of the full DSP platform. It uses DCC's central key and certificate infrastructure to manage encryption, authentication, and security controls, while routing messages securely between external systems through smart gateways and policy enforcement points. Critical security functions such as certificate validation, key management, and mutual TLS (Transport Layer Security) are centralised within DCCKI (DCC Key Infrastructure), and message flows are monitored and audited throughout. This design enables selected SRG components to operate safely as an early release, while maintaining strong security, controlled access, and readiness for integration into the full DSP platform at later go-live. Please see the picture below:

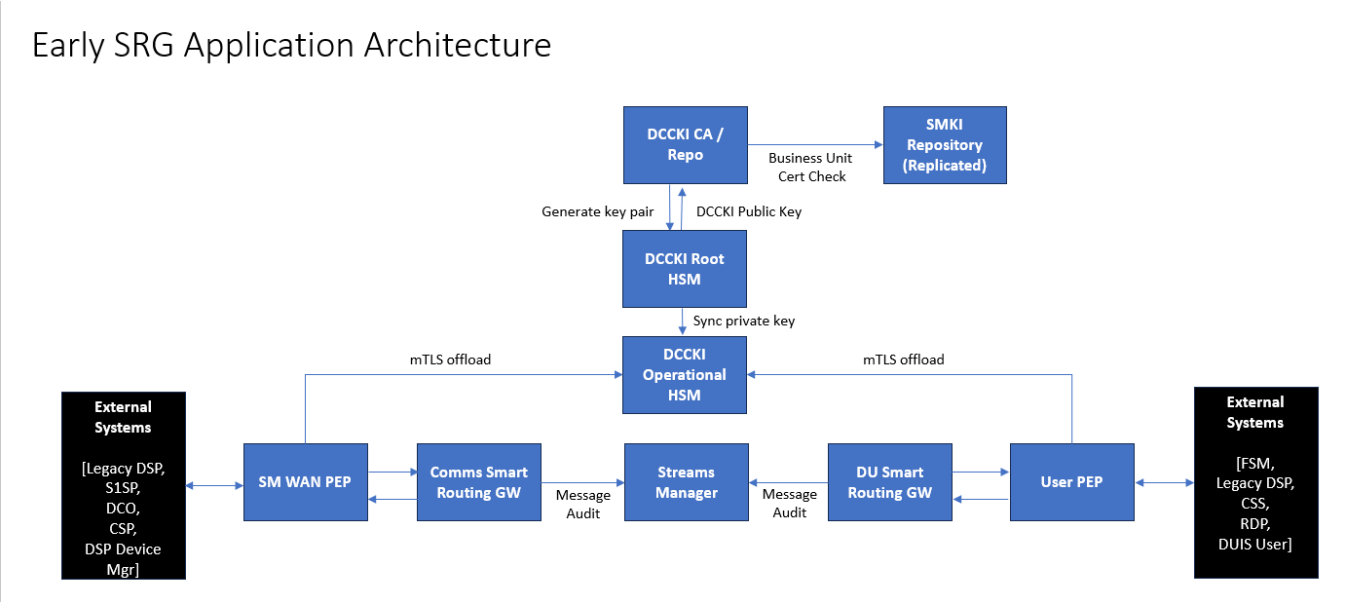


Figure 4 – SIRG application architecture

Securing Value for Money

The contractor has demonstrated clear value for money by sourcing a near-shore Product Architect from Lithuania rather than appointing a UK-based E2E Release Architect, as originally assumed in the baseline position. The Statement of Work identifies the equivalent UK role at a rate of [redacted] per day; however, by procuring the resource through Lithuania, the daily rate was reduced by approximately [redacted] Over the 360-day engagement period, this alternative sourcing approach has generated a total cost reduction of [redacted] while still meeting the required capability and delivery standards. This has been logged within the savings tracker as CMSAVING288.

Price Breakdown

The price breakdown below illustrates the variance identified following several design and scope discussions. Specifically, it compares Version 7 of the cost breakdown (July 2025) with the final Version 12 (March 2026).

Value-for-money considerations were incorporated at an early stage and are already reflected within Version 7 (July 2025)

Detail	Price initial (£)	Price final (£)
SOW1_Milestones	[redacted]	[redacted]
SOW6_Labour		[redacted]
Total Charges	[redacted]	[redacted]

Table 6 – Price breakdown

Initial IA price (£)	Final IA Price (£)	Difference (%)
[redacted]	[redacted]	**1% reduction**

Table 7 – Initial vs Final Price

Linked CRs/PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
MSACC0002[redacted] – Two SRG Releases (Pass Through and Full)	*[redacted] are the Service Integrator for IBM's DSP2 solution*	*N/A*

Table 8 – Linked CRs and PRs

Future Considerations

This change is a pull forward of the Service Route Gateway to mitigate against a risk of service instability during migration in preparation for service go-live for Labour elements only. There will be a future CR to cover the Non-Labour elements which will be required for the Service Route Gateway (SRG).

1.7.2. MSACC0003[redacted]

Drivers for Change

To add to the [redacted] DSP contract the requirement for a Policy Enforcement Point, PEP. This requirement was not contracted at the point of contract signature due to the need to get through discovery and design phases. A PEP is a critical security function that intercepts user or system requests to access resources (like files, services, or data). It helps reduce security risks and unauthorized access, which can help prevent data breaches and misuse. In this case it also prevents unnecessary processing of unauthorized requests.

Scope of the Change

This change was split across 3 various SOWs within the contract SOW 1 (DBT), SOW 3 (Hosting) and SOW 6 (Routing), this was covered under 1 CR MSAC0003. The savings have been shown as 1 CR across the programme unless stated in the evidence tab.

To include the design, build, test and thereafter on-going provision of a new PEP (Policy Enforcement Point) Solution Component within scope of the Services and the DSP Core Solution, as well as applicable Milestones, Charges and DCC Responsibilities.

As a high-level summary, the functions/ policies that shall be carried out on the PEP Solution Component are as follows:

- The Contractor will implement a Policy Enforcement Point (PEP) to terminate mTLS (Mutual Transport Layer Security) connections from DCC Service Users using DCCKI (DCC Key Infrastructure) credentials, with cryptographic operations offloaded to an HSM (Hardware Security Modules)
- The PEP will identify which Service Users are sending messages over shared mTLS connections, supporting scenarios where multiple IDs use a single connection.
- The PEP will provide DNS (Domain Name System) services to resolve domain names within the DCC ecosystem.
- The Contractor will design and configure PEP connections, allow-list functionality, and DNS configuration.
- The PEP will be integrated with SIEM (Security Information and Event Management) and SOAR (Security orchestration, automation and response) for security monitoring and with the HSM for cryptographic operations.
- The PEP will be built, configured, and tested using f5 and RedHat Ansible components.
- Once messages are received, the PEP forwards them to the correct destination within the DSP application environment.
- If DSP resources are unavailable or connection limits are reached, the PEP returns an HTTP 503 “service unavailable” error.

Securing Value for Money

The Charges are classified as Applicable Charges that qualify for a contractual discount under the MSA and is recalculated at the end of each fiscal year.

In addition, DCC & [redacted] have negotiated various aspects of the Labour elements of this change to achieve further savings through the removal of resource due to cost optimisation, discounted rates and near shore resource has been used to reduce the total cost for this change, full savings analysis in the evidence for CMSAVING289.

Price Breakdown

The table below shows line items from initial price to final; the initial price breakdown served as an indicative cost and did not include SoW6 (which was added in later, this refers to Ansible/ Big-IQ). Another nuance is the non-Labour was not split out into the various SoWs and used an Azure solution, which was then re-worked for the final version.



However, we do not believe that shows an accurate representation of the authentic savings on this change due to the constant evolving of the change, which changed the scope dramatically from July 2025 to its final form, which was formalised in December 2025. Rather we believe the below table to be a more accurate reflection of the VFM driven through negotiations with a static scope.



Linked CRs/PRs

N/A

Future Considerations

Due to the nature of the change, this is a one-off requirement for the future of the platform and as such is a protective measure to prevent user or system gaining unauthorised access to resources leading to data breaches and misuse. There are no anticipated future requirements that can be foreseen.

1.7.3. PR8326[redacted]

Drivers for Change

DCC required technical, test and release management support for migration cutovers from the current DSP network to the replacement network provided by [redacted] ("DCC Connect").

Scope of the Change

This project covers the planning, coordination and delivery of system changes across multiple test and live environments to support the migration and ongoing operation of DCC service providers.

It includes managing the full release process end-to-end—planning what needs to happen, scheduling activities, and overseeing execution during system changes. This involves creating step-by-step runbooks, controlling progress during deployment windows, and ensuring all key checkpoints and approvals are met.

The team is responsible for keeping all environments connected, ready and working together. This includes managing dependencies between systems, maintaining technical specifications, running regular governance meetings, and providing evidence that everything is prepared for release.

The scope also covers leading technical testing to make sure systems are ready for migration. This includes planning and running key readiness tests, investigating issues where necessary, and confirming connectivity in the live production environment.

Programme and project management is included to coordinate all parties involved in each migration. This means running readiness calls, tracking progress through integrated checklists, and ensuring everyone is prepared. (Managing the SIOB programme is not included.)

Support is provided by the infrastructure team to prepare, configure and test network connections, and to manage the migration of networks from one provider to another. This includes handling complex transitions, supporting cloud and on-premises moves, and ensuring service desk continuity.

Testing activities in system and user test environments are focused on regression testing to confirm stability. Where issues arise, the team will investigate, identify root causes, and coordinate fixes across the relevant environments.

During live migrations, application support is provided to check systems before and after changes, monitor system behaviour, and offer expert support throughout the cutover process.

The scope also includes broader migration support across programmes, ensuring that all technical changes are coordinated, systems remain stable, and services continue without disruption.

In addition, the team will support DCC in managing customer (SU) migrations by providing training, documentation, and—if needed—hands-on support during cutovers.

Finally, the project includes regular monthly reviews to track progress, monitor budget usage, and plan upcoming work and resource needs.

Securing Value for Money

a. Resources are provided on a part time basis to drive cost savings as this enables the same resources being allocated to multiple streams of work.

b. The Contractor has assumed a low number of issues for triage and resolution.

c. The Contractor has optimally utilised offshore efforts in line with the DCC requirements to drive a low cost.

d. The Contractor has agreed to conduct a joint monthly 'spend review' with the DCC with the aim of tracking and correcting variation of expenditure

Price Breakdown

Detail	Price initial (£)	Price final (£)
Labour Charges (incl. expense and licenses)	[redacted]	[redacted]
Discount (as per Schedule 7.1)	[redacted]	
Contingency	[redacted]	
Total Charges	[redacted]	[redacted]

Table 11 – Price breakdown

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

Table 12 – Initial vs Final Price

Linked CRs/PRs

Not Applicable

Future Considerations

The Services provided under PR8326 is a one-time activity for migration and will not require any ongoing support.

Data Communications Company

DCC Price Control RY25/26 – Public Key Infrastructure – Enduring

Version: 1.0
Date: 31.07.2026

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

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

1. Public Key Infrastructure – Enduring (PKI-E)

Summary

What is this and why is it important?

The PKI-E programme was created to competitively re-procure the system which protects the cyber security capabilities of DCC's smart metering services, known as the Trusted Service Provider (TSP).

The TSP is a fundamental service that maintains and generates key certificates, and the PKI-E programme is essential to secure communication between devices, reducing the risk of security attacks.

As part of our ongoing obligations, DCC re-tendered the whole platform contract during RY24/25. In addition to maintaining a reliable and stable service for our customers, the new solution will improve value for money, by increasing portability, reducing complexity, allowing for PKI consolidation, and addressing technology obsolescence risk.

RY25/26 activities and costs

In RY25/26 the DCC has rolled out the Enduring program that re-platformed the PKI (or TSP) platform in cloud. The program was successfully completed by March 2026 as initially planned with some residual tasks to be performed in early RY26/27. The programme met all the relevant deadlines and delivered the solution with a lower-than-expected cost, due to reduced testing and security costs and not requiring any contingency.

As of April 2026, the platform has moved into BAU, and further minor changes will be managed under the In-life budget.

In RY25/26, the programme incurred internal costs n RY25/26, which was £0.5m below the regulatory baseline of £4.7m. Overall, DBT programme expenditure is set out below, showing total costs were £3.4m below the level approved by DCC Board.

£m	FY22/23	FY23/24	FY24/25	FY25/26	FY26/27	DBT Total
Programme Spend to Date	0.5	0.5	1.2	2.0		4.2
Programme Spend to Go					0.5	0.5
Total Estimated Programme cost	0.5	0.5	1.2	2.0	0.5	4.7
DBT Adjusted Board Approval						8.1
Variance						-3.4

Future activities and costs

With the program closing, activities in RY26/27 will be focused on residual and decommissioning activities.

1.1. RY25/26 Cost Variances Overview

1.1.1. Internal Costs

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

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

Programme Variance by GL

Baseline			RY25/26	RY26/27
Total PKI E		**£m**	**4.671**	**0.043**
Payroll costs	PR	£m	1.436	0.043
Non-payroll costs	NP	£m	-	-
Recruitment	RC	£m	-	-
Accommodation	AC	£m	-	-
External services	ES	£m	3.235	-
Internal services	IS	£m	-	-
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	-	-
Office Sundry	OS	£m	-	-
Incurred			**RY25/26**	**RY26/27**
Total PKI E		**£m**	**4.140**	**0.145**
Payroll costs	PR	£m	0.675	0.145
Non-payroll costs	NP	£m	-	-
Recruitment	RC	£m	-	-
Accommodation	AC	£m	-	-
External services	ES	£m	3.465	-
Internal services	IS	£m	-	-
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	-	-
Office Sundry	OS	£m	-	-
Variance			**RY25/26**	**RY26/27**
Total PKI E		**£m**	**-0.531**	**0.102**
Payroll costs	PR	£m	-0.761	0.102

Non-payroll costs	NP	£m	-	-
Recruitment	RC	£m	-	-
Accommodation	AC	£m	-	-
External services	ES	£m	0.229	-
Internal services	IS	£m	-	-
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	-	-
Office Sundry	OS	£m	-	-

Table 1 - Variances by GL

1.1.2. External Costs

We have one Fundamental Service Provider (FSP) dedicated to the Public Key Infrastructure - Enduring (PKI-E) programme. [redacted] has this role.

Annex 3ab of the RIGs sets out the new Design, Build and Test contract.

1.2. Purpose, Scope, and Structure

1.2.1. Purpose and scope

The PKI-E Services Programme was established to conduct a full competitive re-procurement of the TSP, and to assess opportunities to consolidate other PKI applications within DCC's estate.

The previous contract with [redacted] for the SMKI (Smart Metering Key Infrastructure) and IKI (Infrastructure Key Infrastructure) services, also known as TSP, expired in March 2025, and an extension was secured to allow for the improved platform to be built. The extension had been part of the plan since the OBC stage to allow for a fair and competitive procurement.

SMKI is used for securing all messages sent between DCC users and smart metering devices installed at consumer premises. IKI is used to authenticate and sign service users but also smart meters firmware versions to avoid installation of unverified or untested software and used for securing interfaces to SMKI (including the SMKI Portal and the SMKI Web service).

Both services contracts must be maintained in order to meet our licence requirements. Through completing the programme, we will continue to be able to provide a reliable and stable service for our customers and meet our licence obligations.

The Strategic Outline Case (SOC) was submitted to DESNZ on 30 May 2023, and following discussions with DCC, DESNZ responded on 26 June 2023 stating that they were content for DCC to progress to the Outline Business Case (OBC) stage. Proposals from suppliers had been evaluated in 2024 following an RFP process and a Full Business Case (FBC) was submitted at the end of the same year and obtained a non-objection letter in January 2025.

The incumbent was selected as the best bidder, and a contract was signed in March 2025. At the time of writing, the project is reviewing all relevant Joint Industry Plan (JIP) milestones with DESNZ and will be updating them as per the revised plan.

Following workshops with key DCC stakeholders where a range of options were assessed, DCC opted for a tailored approach that safeguarded existing investments while providing a more future looking portable and flexible platform.

Investments were safeguarded by maintaining the existing Hardware Security Model (HSM) estate, while flexibility, and portability of the platform has been implemented by moving computing and front end (the part the users connect to such as the SMKI portal) to a public cloud provider.

The platform maintains the high level of resilience by expanding geographic resilience into cloud with a multi-region approach.

Key planned events and objectives driving future activity and costs

As illustrated in the FBC, the new PKI-E platform is a hybrid platform that leverages public cloud capabilities. The main enhancement is on platform portability which will reduce costs in case DCC elect to switch supplier in the future but also to disaggregate some of the costs.

The new framework allows for a much simpler integration of additional services at a much faster pace; this will provide greater visibility and reduce implementation costs.

The main programme was completed in RY25/26 with residual and decommissioning activities in early RY26/27. It is expected that the programme will close in early RY26/27 or be focused on delivering new capabilities still being negotiated at the time of writing.

Programme Structure

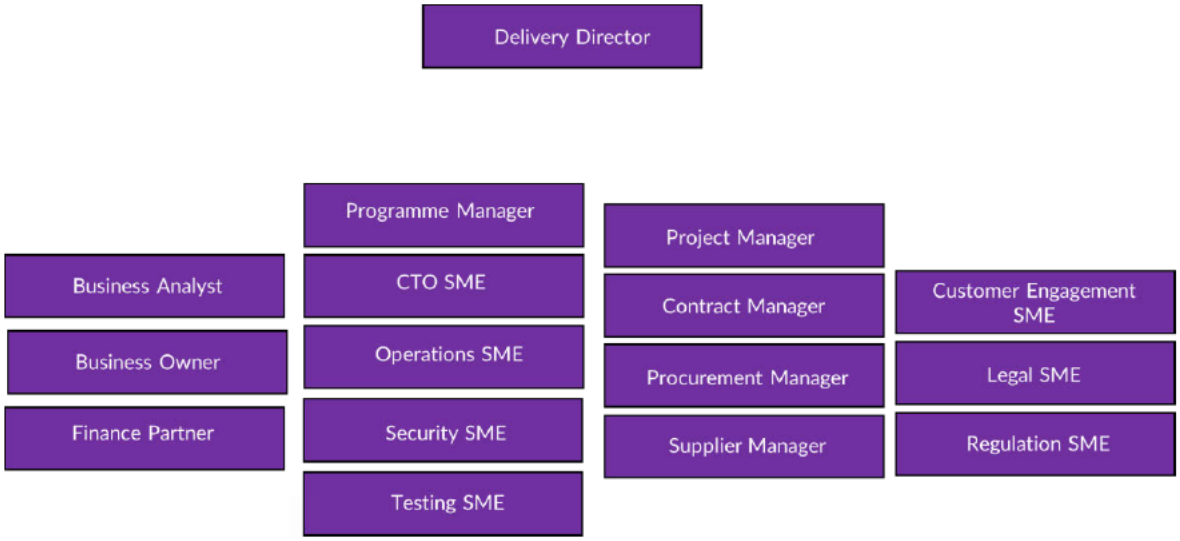


Figure 1Programme organisational structure

RY24/25 Sub-teams	RY25/26 Sub-teams	Description
Commercial and Regulation	Commercial and Regulation	• Plays a key role in cost management throughout the procurement process. This includes analysing pricing structures, identifying cost- saving opportunities, and ensuring that procurement activities are conducted within budgetary constraints. • Ensures that PKI-E programme is delivering in line with DCC Licence Conditions and the SEC. This includes the development of consultations on delivery plans under LC13B. Helps to identify any changes required to the SEC and ensures that any proposed changes are understood and supported by our customers, DESNZ and Ofgem as applicable.
Design and Assurance	Design and Assurance	• Provides expertise on technical direction and definition of the overall PKI technical solution, platform, and methodologies adopted. This is done to improve DCC's capabilities for delivering efficient and value for money services and to facilitate the move to a desired, strategic future landscape. • Assures the integrity of the DCC solution architecture, including assurance that any new functionality and changes to the architecture are fully comply with the standards necessary to maintain a robust, consistent, and integrated technical infrastructure that are fit for purpose.
Finance	Finance	• Budgets, forecasts, and tracks actual spend, as well as supports on business cases. • Review legal aspects, such as intellectual property rights, data, and security. Evaluation of bids, in particular bidders' markup of contractual documents e.g. the term sheet, and subsequently full contract. Upon selection of preferred bidder, lead the contract negotiation.

Operations	Operations	• Ensures that processes required to support the future DCC service and technical landscape are coherent, efficient, and properly defined to meet the needs of in-life operations, including SLAs. This includes the processes that customers will need to use to access and operate DCC service, support wrapper agreed with all parties and implemented. • Ensures transition plan has been created and approved and in line with security and regulatory requirements and operational standards. • All acceptance criteria and deliverables are met and evidenced prior to go/no go decision, including all defects agreed, reviewed, and accepted by DCC operations.
Security	Security	• Makes sure that any controls protecting the data or process changes are compliant with all security protocols and tested appropriately. • Owns the relationships with the National Cyber Security Centre (NCSC) and the SEC Security Sub-Committee.
Service Delivery	Service Delivery	• Ensures that programme is delivering in line with DCC Licence Conditions, and proposed changes are understood and supported by DESNZ and Ofgem as applicable. • Engages and consults with DESNZ, customers, and industry to understand existing problems and future needs and ensure that DCC proposals are understood and supported. The Regulatory Affairs team supports the Programme to deliver this DESNZ, customer, industry, and SECAS engagement.
Testing	Testing	• Ensures that testing methodologies and tools in the future DCC landscape are fit for purpose and utilise best practice.

Table 2 - PKI-E sub-team roles

1.3. Drivers for Variance – Resource

Programme Variance by Sub-Team

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

Baseline		RY25/26	RY26/27
PKI E Payroll Costs	**£m**	**1.436**	**0.043**
Commercial and Regulation	£m	0.062	-
CTO	£m	0.147	-
Finance & People	£m	-	-
Operations	£m	0.070	-
Security	£m	0.449	0.022
Service Delivery	£m	0.498	0.021
Testing	£m	0.210	-
Incurred		**RY25/26**	**RY26/27**
PKI E Payroll Costs	**£m**	**0.675**	**0.145**
Commercial and Regulation	£m	0.012	-
CTO	£m	0.080	0.013
Finance & People	£m	0.000	-
Operations	£m	0.050	0.017
Security	£m	0.270	0.073
Service Delivery	£m	0.224	0.016
Testing	£m	0.039	0.025
Variance		**RY25/26**	**RY26/27**
PKI E Payroll Costs	**£m**	**-0.761**	**0.102**

Commercial and Regulation	£m	-0.050	-
CTO	£m	-0.067	0.013
Finance & People	£m	0.000	-
Operations	£m	-0.020	0.017
Security	£m	-0.179	0.051
Service Delivery	£m	-0.274	-0.005
Testing	£m	-0.171	0.025

Table 3 - Variances by sub-team

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

Not applicable for this chapter.

1.5. Drivers for Internal Cost Variance – Non-Resource

Variance	GL		RY25/26	RY26/27	Procurement Type
SMKI HSM Support	ES	£m	0.318	-	
SMKI Annual HSM Refresh	ES	£m	0.198	-	

Table 4 -Non-resource variances

1.5.1. SMKI HSM Support

Overview of variance

During RY25/26, DCC incurred external service costs for [redacted]-provided support to the Hardware Security Module (HSM) estate underpinning the Smart Metering Key Infrastructure (SMKI) service. These costs were not included in the original forecast and therefore appear as a variance. The requirement emerged as part of the operational planning for SMKI service continuity and the need to maintain secure, resilient cryptographic operations in line with the Smart Energy Code (SEC) Section L obligation. It must be noted that the support renewal given by [redacted] was triggered under the original MSA contract.

Drivers for Change

The SMKI service shall be used to control the creation, distribution and management of x.509 digital certificates to support the manufacture and roll-out of smart meters in Great Britain for the purposes of ensuring the authenticity, integrity, confidentiality and non-repudiation of communications and data passing between the smart meters and the business systems of energy suppliers, network operators and other authorised service users.

Scope of the Change

The scope is ongoing vendor support for the Online HSMs (Online Issuing CA's) support renewal (covers period 1 March 2025 – 30 September 2029). The cost is paid in year 0 of the contract with [redacted].

Securing Value for Money

PKI-E has demonstrated value for money in key areas such as cloud scalability and flexibility, increased capacity, design portability and economies of scale (identified through the testing process), all of which feeds into the programme tracking well within budget [redacted] of underspend and circa 15% of the testing cost clawed back from suppliers. The cost for the HSM support renewal is part of the overall value for money proposition, secured via our MSA contract w[redacted]h .

Future Considerations

All considered as part of BAU ILC activities and management.

Linked CRs & PRs

The SMKI HSM support was part of the original contract with [redacted] - [redacted] and [redacted].

1.5.2. SMKI Annual HSM Refresh

This variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.

The PKI-E programme made use of the existing HSM estate without acquiring a new specific HSM capability; by doing so the programme took care of some technical refresh costs, such costs were added to the Full Business Case (FBC) that obtained a non-objection.

The tech refresh costs cover the root HSM replacement.

Drivers for Change

This change replaces some hardware that was going End of Support with hardware with similar characteristics and from the same vendor. As per DCC obligations we need to keep our technology in support and by being part of the PKI-E estate this new hardware also could support the platform in the long term.

Scope of the Change

Scope of the change was only hardware going End of Support, the DCC regularly refresh EoS hardware in general via operational budget. In this case since the project was about to kick off the change was scoped under the general business case. The technology refresh scope covered a number of HSMs both in production and in test, overall, 8 HSMs were replaced (3 Production Root, 2 Production ICA, 2 Test Root/ICA, 1 Test Root) and 2 USB HSMs used for key ceremony.

Securing Value for Money

DCC has a support contract with [redacted] for the PKI-E service, this contract does not include hardware refresh because it is a long-term contract [redacted] and suppliers do not commit on hardware costs for such long terms. Only specific hardware/software can be added to the system for integration and support reasons; however, the DCC contract management team regularly challenge any proposal and verify that the price point is aligned to market conditions.

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

Not applicable for this chapter.

1.7. External Costs

There are no material CRs and PRs that incurred costs of more than £1m in RY25/26.

Data Communications Company

DCC Price Control RY25/26 – Virtual Wide Area Network (vWAN)

Version: 1.0
Date: 31.07.2026

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

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

1. Virtual Wide Area Network (vWAN)

Summary

What is this and why is it important?

There are around 328,000 premises which fall outside of the cellular/radio coverage that the DCC licence requires us to provide. This would prevent a Smart Metering System from being able to communicate via the DCC network, with customers unable to gain the benefits of smart metering. These are known as "No WAN premises".

Virtual WAN (vWAN) is a DESNZ owned programme, delivered by DCC on their behalf. We have been working extremely closely with DESNZ to rapidly develop and implement a solution as an alternative to the traditional Smart Metering WAN. vWAN provides an alternative option to traditional cellular and radio connectivity, by allowing premises to connect via their home internet service. The delivery approach will eventually save c.£6m (and is far less complex and risky) compared to developing a brand-new solution, such as fibre. We have engaged extensively with stakeholders across industry and Government to align with this approach.

RY25/26 activities and costs

In RY25/26, we incurred internal costs of £1.9m on the vWAN programme, £0.7m above the regulatory baseline of £1.3m.

Following engagement with DESNZ and industry stakeholder, the main driver of this variance is additional spend required on essential testing and assurance activities including:

- Procurement of additional testing functionality to emulate a vWAN enabled DCC environment, without which industry participants would not have been able to build or test vWAN-enabled devices in advance of PIT, significantly increasing the risk of late design changes, misinterpretation of requirements, and downstream delivery delays
- Test lab operator support costs as a result of the expanded test scope (the development and support of the Virtual WAN Device) agreed with both the industry and DESNZ to ensure the solution being delivered was fit for purpose.

These activities enabled a successful go live for soft launch on 30 January 26, within the overall business case and budget agreed with DESNZ.

Future activities and costs

Internal costs in RY26/27 are forecast to be £0.3m, primarily to support the extended Hypercare period, complete the soft launch activities and hand over the service to BAU operations. Following lower-than-expected installation volumes during the soft launch, DCC and DESNZ agreed to extend Hypercare to July 2026. Expected costs relate mainly to ongoing service delivery, monitoring, reporting and incident triage activities required to support participants through to operational handover.

1.1. vWAN – RY25/26 Variances Overview

1.1.1. Internal Costs

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

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

Programme Variance by GL

Baseline			RY25/26	RY26/27
Total vWAN		£m	1.302	0.106
Payroll costs	PR	£m	1.302	0.106
Incurred			**RY25/26**	**RY26/27**
Total vWAN		£m	1.990	0.329
Payroll costs	PR	£m	1.351	0.329
External services	ES	£m	0.639	-
IT Services	IT	£m	0.001	-
Variance			**RY25/26**	**RY26/27**
Total vWAN		£m	0.689	0.223
Payroll costs	PR	£m	0.049	0.223
External services	ES	£m	0.639	-
IT Services	IT	£m	0.001	-

Table 1 – Programme Variances by GL

1.1.2. External Costs

We have no fundamental service providers dedicated to our programme. Schedules 4 of the RIGs Supplementary Schedules summarise our External Costs for RY25/26 our CH&N programme including vWAN elements.

1.2. Purpose, Scope and Structure

1.2.1. Purpose and scope

The vWAN project is a DESNZ led project which mandates the DCC to design, develop, implement and provide a Virtual WAN Service. As described in DESNZ's Project initiation document:

The Wide Area Network (WAN) provided by the DCC is required to cover 99.5% of premises in the North Region and 99.25% of premises in the Central and South Regions of Great Britain. The Department for Energy Security and Net Zero (DESNZ) estimates, based on DCC's Smart Meter Wide Area Network (SMWAN) Coverage Checker, that there are currently approximately 328,000 premises where an SMWAN connection would be available were a Smart Metering System to be installed and as such would not be able to communicate via the DCC.

These SMWAN limitations mean that consumers in those premises, including associated DCC users, could be denied smart metering benefits such as Time of Use (ToU) tariffs, accurate billing and half-hourly consumption data used in various propositions.

Consumer use of the Internet (fixed and mobile) is increasing across the country. Therefore, it is highly likely that many premises with marginal or non-existent SMWAN connectivity will have a reliable consumer internet connection. There will be a proportion of those consumers who would be prepared to allow use of their Internet connection to obtain the benefits of Smart Metering.

As instructed by, and on behalf of, DESNZ, DCC has taken a competitive tender approach in accordance with LC16 to the procurement of the Virtual WAN element of the Virtual WAN Service. The outcome of the process is that expansion of the 4G WAN provides best value for money representing a [redacted] reduction in the total cost of ownership compared to the nearest competitor. DCC also explored numerous delivery options to optimise the schedule. The original approach was to deliver vWAN in two phases: a Phase 1 soft launch followed by a Phase 2 mainstream release that would integrate vWAN and 4G capabilities. Independent Phase 2 testing was initially estimated to cost [redacted] By aligning the Phase 2 release with the 4G Release 2 schedule, we were able to negotiate a [redacted] reduction, bringing the cost down to [redacted]

The decision to extend the 4G WAN service delivered by the Comms Hub and Network Programme was presented to Ofgem in November 2024. No challenges were made to the procurement process or the decision taken.

Further to discussions between DESNZ and DCC, DESNZ was of the view that it would be appropriate to progress the development of a solution that would enable such premises to have access to the benefits of smart metering. The proposed solution allows smart metering devices installed in consumer premises to be communicated with by DCC securely over the internet using the consumer's broadband connection. In areas where such premises are located, broadband coverage is sufficient to support the arrangements without inconvenience to the consumer (speeds of 2Mb/s or greater) to on average around 95% of those premises.

Customer engagement

On 24 October 2024, DCC submitted an estimated implementation cost of [redacted] alongside an explanation of the estimate and an analysis of benefits developed by DESNZ. Feedback was invited on DESNZ's proposal to proceed with the Virtual WAN Arrangements and subject to agreement, to direct DCC to produce a SEC Variation Testing Approach Document (SVTAD).

The consultation closed on 21 November 2024, with 13 responses received. All respondents supported proceeding with the Virtual WAN Arrangements. They also either agreed with, or did not comment on, directing DCC to produce an SVTAD and the form of that direction. Based on this feedback, the Department decided to proceed.

A Secretary of State Direction for the SEC Variation Testing Approach was issued to DCC's Chief Strategy and Regulatory Officer on 24 November 2024.

DCC has since worked with DESNZ and service providers to develop a solution to the No WAN challenge, known as the Virtual WAN Device (VWD). With consumer consent, the VWD will connect via a home internet service to enable a fully functional smart meter experience.

DCC is also preparing to launch the next-generation Communications Hub (4G-CH) in January 2026, which will support the rollout of the virtual WAN service.

This development will address No WAN premises, ensuring all consumers who want a smart meter can access one. Energy suppliers have expressed strong support for delivering this solution as quickly as possible.

DCC received Impact Assessments from all our relevant Service Providers. This report provides a summary of the build and implementation options for a virtual WAN service as well as the ongoing support and maintenance alongside the 4G service.

DESNZ has driven the DCC to design and optimise a virtual WAN solution utilising 4G Communication Hubs. The enduring solution impacts various components and has required:

- Changes to the Data Services Provider (DSP)
- Changes to the Device Manager (DM)
- Changes to the 4G Communications Hub firmware (4G-CH FW)
- A Virtual WAN Key Infrastructure (VWKI) to enable required security controls between VWD and VWP communications
- Data exchange with DCC's Data Science & Analytics team (DS&A) and Security Operations Centre (SOC) for service monitoring and reporting
- SEC changes for provisioning of the Virtual WAN service

In addition to the changes to existing 4G components, DCC has needed to develop a new service called Virtual WAN Provider (VWP) that integrates with the Virtual WAN Devices (VWD). In order to do this DCC conducted a thorough market engagement as set out in the sourcing strategy published in May 2024.

Ofgem Engagement

DCC carried out extensive engagement with Ofgem, culminating in the submission of an Intention to Fund document in January 2025. This document included a formal stakeholder approval table, inviting DESNZ, SEC, and Ofgem to confirm agreement on the rationale, scope, procurement approach, and cost structure of the programme. This structured engagement ensured alignment and accountability across all key parties. The document also detailed a [redacted] cost reduction from initial estimates, achieved through supplier negotiations and integration with existing 4G CHN maintenance releases. These efficiencies were validated through stakeholder engagement and supported by DESNZ and Ofgem. In addition, the procurement decision to appoint[redacted] as the Virtual WAN provider was presented to Ofgem. No challenges were raised, reinforcing confidence in the procurement process and the value-for-money assessment underpinning the decision.

1.2.2. Our Programme Structure

The project Senior Responsible Owner is DCC's Director of Lifecycle Management. There is a Programme Director leading the project with the support of a project team who are progressing work on a day-to-day basis. Key roles that are being fulfilled on the team are shown below.

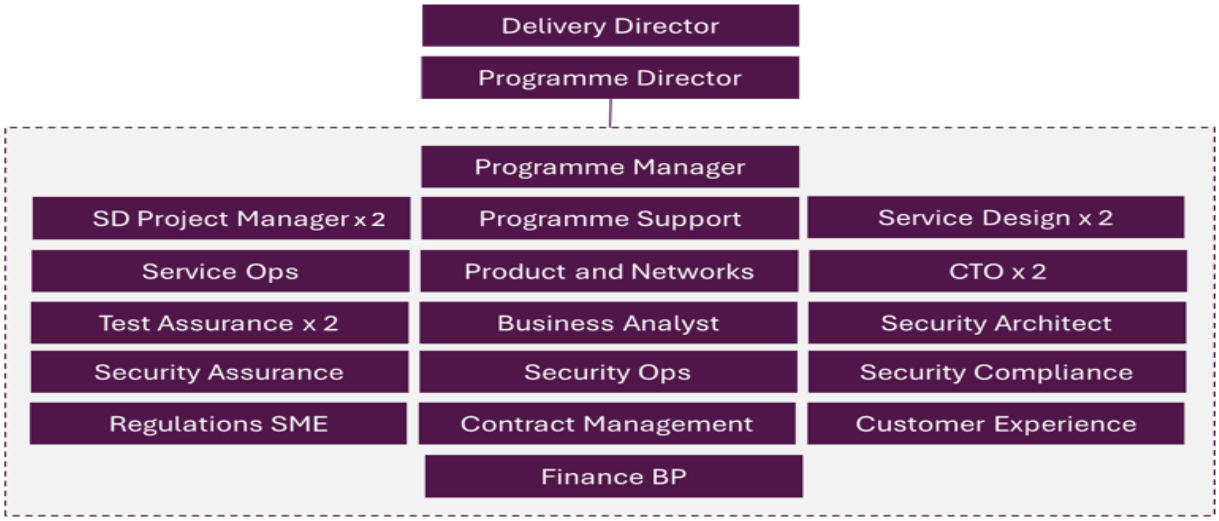


Figure 1 - Programme organisational structure

Key events and objectives driving activity and cost in RY24/25 and RY25/26

In the lead up to the formal approval of funding in February 2025 by DCC board, the programme has engaged extensively with the Department, Ofgem and DCC suppliers in responding to the Department's requirements, collaborating with the Department to formalise requirements while working on high level concepts for a technical solution with DCC suppliers. The DCC programme also devised a procurement and commercial strategy to ensure compliance with Licence Condition (LC) 16 conditions and engaged Ofgem throughout the process. Below is a timeline of key events:

- In June 2024 the Department published its formal requirements in a Project initiation document enabling DCC to complete the commercial and procurement process.
- In October 2024 DCC completed the procurement process and submitted formal costs to the Department to support their consultation with Industry.
- A Secretary of state Direction in relation to a SEC Variation Testing Approach was issued to Smart DCC's Chief Strategy and Regulatory Officer on 24 November 2024.
- Investment committee decision for funding approval received on 14 February 2025. DCC submitted an Intention to Fund document to key stakeholders, including Ofgem, outlining the rationale, scope, and procurement approach for the vWAN programme.
- Solution Delivery and Go live was achieved on 30 January 2026.
- vWAN is currently in its Hypercare period, providing enhanced support to Soft Launch participants ahead of handover to Operations for BAU support. This includes active monitoring, reporting, and triaging of incidents through the operational process defined in the service design.

[redacted]

[redacted]

Plans for RY26/27

[redacted]

vWAN is currently in its Hypercare period, providing enhanced support to Soft Launch participants ahead of handover to Operations for BAU support. This includes active monitoring, reporting, and triaging of incidents through the operational process defined in the service design.

Due to lower-than-expected installation of vWAN communications hubs by soft-launch participants, the Operational Acceptance Criteria required to exit Hypercare were not met. Following consultation between DCC and DESNZ, Hypercare support has been extended until July 2026. There is no impact on costs beyond the approved funding case.

1.3. Drivers of Internal Cost variance – Payroll

Programme variance by Sub-Team

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

Baseline		RY25/26	RY26/27
vWAN Payroll Costs	£m	1.302	0.106
Commercial and Regulation	£m	0.061	-
CTO	£m	0.196	-
Finance & People	£m	-	-
Operations	£m	0.156	-
Security	£m	0.303	-
Service Delivery	£m	0.582	0.106
Testing	£m	0.004	-
Incurred		**RY25/26**	**RY26/27**
vWAN Payroll Costs	£m	1.351	0.329
Commercial and Regulation	£m	0.043	-
CTO	£m	0.247	0.013
Finance & People	£m	0.001	-
Operations	£m	0.211	0.059
Security	£m	0.143	0.004
Service Delivery	£m	0.459	0.254
Testing	£m	0.247	-
Variance		**RY25/26**	**RY26/27**
vWAN Payroll Costs	£m	0.049	0.223
Commercial and Regulation	£m	-0.018	-
CTO	£m	0.050	0.013
Finance & People	£m	0.001	-
Operations	£m	0.055	0.059
Security	£m	-0.160	0.004
Service Delivery	£m	-0.123	0.148
Testing	£m	0.243	-

Table 2 – Programme Variances per sub-team

1.3.1. Testing

This variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.

Overview of variance

The reason for the 243k variance was the omission of any resource allocation for Test Assurance effort in the forecast. The testing of the vWAN solution had been in scope and was known about, and it is unclear why no costs had been included in the investment request. Costs should have been included which would have been based on the full impact assessments submitted by DCC suppliers and the amount of assurance effort required. The test assurance had been heavily involved in vWAN throughout the process including leading much of the engagement with customers on the approach to User testing and the support and management of the production pilot phase.

Scope of variance and key challenges

First-time testing of 4G–vWAN switching capability required expertise and support from Test Assurance SMEs. Key activities which the Test Assurance team carried out were:

- Supporting service providers in defining the scope and duration of integrated testing
- Triaging the vWAN integration issues and working with Service Providers to drive out innovative solutions to diagnose and fix the test defects.
- Refining the test scope during integration testing based upon emerging test results
- On-site presence within Test Labs to support collaboration between TLO, service providers and VWD manufactures and in the later User Testing phase, the Service Users. This included daily stand-up calls and open channel triage calls with all impacted parties, including DESNZ.
- Intensive User Integration Testing (UIT) support for industry test participants including an on-site presence and out of hours activity to remedy test issues and ensure accelerated user testing progress.

The variance has been covered by contingency contained within the vWAN investment case approved by DCC board and endorsed by DESNZ.

Securing Value for Money

DCC and its service providers supported an accelerated and intense testing approach which enabled the delivery of a robust solution in much shorted timescales than previously presented within the impact assessments. These mitigated costs associated with lengthy design, building and test phases requiring input from Test Assurance to provide a risk-based approach to testing that balanced the scope, recognising that vWAN was being built on recently tested 4G foundation services. Test Assurance set out the targeted functional and regression testing sufficient to keep time and cost of the project to a minimum and successfully achieving zero 4G service incidents since the vWAN launch in January 2026.

DCC supported the testing of the new Virtual WAN Devices (VWDs) for the meter manufacturers in parallel with the 4G CH changes and supported their triage to facilitate faster defect resolution, enabling the device manufacturers to utilise the BH labs and enabling Service Users to start a production pilot sooner.

Extended UIT support was provided to the Service Users who were supporting the vWAN pilot, at no extra cost to maintain momentum in resolution of defects and allowing the pilot to start as soon as. This triage was also extended to support the integration of VWD devices and their test issues. This significantly reduced the individual testing effort and associated costs required by DCC users to validate VWD functionality

Future Considerations

There are minimal testing activities planned for RY26/27.

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

This section is not applicable to this chapter.

1.5. Drivers of Internal Cost variance – Non-Resource

Variance	GL		RY25/26	RY26/27
DCC Boxed Uplift for vWAN CR5512	ES	£m	0.297	-
TLO Support for vWAN	ES	£m	0.235	-

Table 3 – Internal cost variances – non-resource

1.5.1. DCC Boxed Uplift for vWAN CR5512

Overview of Variance

This variance relates to a one-off non-resource cost of £0.297m in RY25/26 to deliver an uplift to DCC Boxed, DCC's design-proving and test environment to support the Virtual WAN (vWAN) solution. There was no baseline allowance for this activity.

A provision of £0.2m was included in the investment case approved by the DCC Board and in the intent-to-funding request approved by DESNZ. The remaining £0.1m was covered by contingency within the approved investment case.

The uplift was delivered by [redacted] under the SMETS2 Consolidated Agreement and approved via CR5512 / CAN072. The work was necessary to incorporate the vWAN / Virtual WAN Device (VWD) design into DCC Boxed, enabling secure and representative end-to-end testing ahead of the Programme Integration Test (PIT) and soft launch.

Scope of variance and key challenges

The DCC Boxed uplift introduced functionality required to emulate a vWAN-enabled DCC environment, including secure message tunnelling, encryption and key management, firmware distribution, and vWAN-specific device management behaviours. This provided an essential proving environment for device manufacturers and vWAN suppliers, allowing solutions to be developed and validated against a single, consistent design baseline.

Without this uplift, industry participants would not have been able to build or test vWAN-enabled devices in advance of PIT, significantly increasing the risk of late design changes, misinterpretation of requirements, and downstream delivery delays. The Boxed environment also enabled DCC to fully understand and validate the proposed design, identify limitations, and resolve defects prior to committing suppliers to production builds.

Securing value for money

The spend represented a fixed-price uplift scoped specifically to the minimum functionality required to enable PIT readiness. During early proving, a number of design and implementation issues were identified and resolved within DCC Boxed before suppliers had commenced development. Addressing these issues early required only limited incremental change to the Boxed environment and affected a single supplier [redacted]

Had these issues emerged later, once vWAN suppliers had started their builds, they would likely have resulted in multiple change requests across suppliers (including [redacted], [redacted], [redacted] and [redacted]), materially higher costs, and potential delays to soft launch. The proactive investment in DCC Boxed therefore avoided significantly greater downstream costs and schedule risk, representing good value for money for consumers.

Future considerations

No further DCC Boxed changes are anticipated as part of the vWAN Programme. The uplift delivered under CR5512 provides the required capability for completed PIT, soft launch, and transition to BAU operations.

1.5.2. TLO Support for vWAN

This variance is below the new threshold agreed with Ofgem and we would not expect this to be reviewed by Ofgem unless a specific concern emerges.

Overview of Variance

Test Lab Operator (TLO) support costs were not included in the board paper or the RY24/25 forecast because it was initially assumed that BAU TLO resources would have sufficient capacity to support the Virtual WAN. However, following the design phase and subsequent consultation with industry and DESNZ the test scope was expanded.

The increased complexity of the 4G service changes, the development and support of the Virtual WAN Device (which had originally been assumed to be out of DCC scope), and the introduction of switching capability all required specialist expertise. In addition, the programme accelerated delivery by three months to meet industry demand for an early Soft Launch.

As a result, the programme incurred £0.3m in TLO testing costs. This expenditure was funded from contingency within the approved investment case and the intent-to-fund paper endorsed by DESNZ.

Scope of variance and key challenges

Demand for Test Lab Operator (TLO) support for vWAN Programme Functional Testing at the Manchester Test Lab increased significantly due to:

1. The complexity of the solution, including extensive changes across the 4G service, Comms Hub, DSP, WAN, and Device Manager.
2. The need to replicate challenging test scenarios, which led to the introduction of the switching algorithm and required specialist expertise.
3. The introduction of the Virtual WAN Device (VWD) into the smart metering ecosystem, which expanded the overall testing scope.
4. The acceleration of delivery timelines to achieve vWAN go-live in January 2026 - three months earlier than originally planned.

Securing Value for Money

The increased focus on testing ensured a robust and reliable solution was delivered ahead of schedule, maximising value for money. By expanding regression testing to protect the existing 4G service on which vWAN is built, the team avoided costly service disruptions on 4G service. Since the vWAN service launched in January 2026, there have been zero service incidents, demonstrating strong operational stability and reducing the need for reactive support expenditure.

Additional we provided extended support to DCC users in User Integration Testing to ensure Soft Launch participants were fully prepared for rollout of vWAN.

Cost for the dedicated resources to carry out all the activities as per catalogue service as agreed between DCC and TLO.

Future Considerations

None – All testing activities is now complete.

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

There were no variances relating to non-resource costs in RY26/27 only.

1.7. Drivers of External Cost – RY25/26 CRs, PRs and new scope

1.7.1. CR5303[redacted]

Drivers for Change

DCC progressed a solution to address the small proportion of consumer premises where current WAN connectivity is either, impacting smart meter installation or reliable operation (No-WAN properties). DCC is aligned on fulfilling our obligation to support Smart Meter roll-out across the UK and within geographically remote or impacted areas to reduce WAN coverage exemptions through technically feasible and cost-proportionate measures.

The prioritisation and requirement for the initiative increased due to the closure of the Radio Teleswitch Service (RTS) and sustained demand from consumers in WAN-exempt areas requesting access to Smart Metering. Improving coverage also directly supports the DCC's strategic objectives by increasing the total number of meters deployed (reducing cost per meter) and improving connectivity performance for existing devices (supporting 99.5% availability).

Following consultation in Autumn 2024 with DESNZ, the DCC, and other Service Providers, it was agreed to enhance the existing [redacted] WAN service by introducing a new vWAN solution. The development work required to reach PIT completion was authorised under CR5177, approved in May 2025.

The change in question, CR5303 provided commercial cover for all post-PIT activities necessary to complete implementation of the vWAN solution.

Scope of the Change

The requirements of this CR5303 were as follows:

- provide leadership and drive through delivery of the vWAN programme plan in accordance with an agreed RACI, supporting the DCC programme objectives;
- organise, orchestrate and support Technical Readiness Testing (TRT);
- provide Release Management services to document, organise and oversee deployments;
- as Systems Integrator, specify, prepare and execute tests in the SIT-A, SIT-B, UIT-A and UIT-B environments;
- the provision of SI Triage services to identify, track and validate closure of any defects identified as a result of integration testing;
- provide implementation team support throughout SIT testing;
- perform Firewall changes and F5 iRule configuration; and
- provide security assurance and governance throughout the duration of the Change.

Securing Value for Money

Offshore resourcing

The Contractor considered the volume of offshore activities within this proposal. The onshore / offshore ratio is driven by rules regarding which parts of the system can be coded, changed or tested offshore. The offshore allocation was applied to maximise it within these rules.

Whilst the Contractor was drafting the Final Impact Assessment (FIA), a security review of these rules was in progress. DCC would need to approve any risks associated with any such future change in approach via the DCC/ DSP security sub-committee. The Contractor cannot therefore assign work that must be carried out onshore to offshore resources.

The estimates for onshore and offshore were carried out separately, based on the specific requirements that can be delivered onshore and offshore respectively.

If, in the future, more activities are approved by the DCC/DSP security sub-committee to be delivered offshore, the Contractor will support this. It should be noted that knowledge transfer and training would be required to enable transfer of activities to offshore resources.

Whilst the cost saving is significant, the proportion of offshore resources within this Change is relatively small with just two roles conducted offshore. This is a 'Senior IT Developer' within the PIT Implementation team and a 'Project Manager' within the System Integration (SI) Release Management team. The expected effort of both of these resources combined is just 28 working days out of a total of 2,673.8 working days. For work to be conducted offshore, DCC need to be satisfied security requirements can be achieved, and the resource is able to align to UK working hours.

SIT Phase

As part of PR8185 the SIT team validated that existing 4G Comms Hub functionality remains unaffected by the firmware updates introduced for the new vWAN capabilities. Early confirmation of feature stability allowed the Contractor to streamline testing efforts, focusing SIT resources on the new vWAN functionality. The Contractor maintained this 4G vWAN capability throughout the SIT Phase, thereby providing the opportunity to isolate potential device-related issues sooner, minimizing the risk of costly rework and ensuring efficient use of time and resources.

UIT Phase

To provide better value for money for the DCC, a 'mix 'n match' approach has been taken to testing the new functionality across the three (3) different Virtual Wan Devices (VWDs) meter sets, e.g. a Comms Hub replacement will be performed on only one (1) of the meter sets. In the UIT-B test environment all three (3) meter sets will be tested, whereas in the UIT-A test environment testing will be conducted on only one (1) meter set. Regression testing of existing 3G and 4G Dual Band Comms Hub (DBCH) meter sets will be covered via the existing daily monitoring that is performed in UIT.

Test Scaling

To provide flexibility to DCC in case of any changes to the plan, the Contractor has provided a mechanism to flex the volume of SIT and UIT tests to be executed beyond those included in the assumed test volumetrics set out in sections 3.3.6 and 3.4.2 of the Final Impact Assessment (FIA). As such, the Contractor has included such a mechanism within its offer. This mechanism is in addition to any options that the Contractor has presented within the Price Breakdown for execution of specific tests. The mechanism is based on the following principles:

Pricing per test:

- the Price Breakdown includes an indication of the average "price per test" based on the preparation and execution of manual and automated tests associated with the core scope of SIT and UIT testing included in the Fixed Price (FP) offer;
- the presentation of the average cost per test is intended to provide a budgetary view for flexing the volume of tests to be executed to enable DCC to budget only;
- the actual pricing variation will be dependent on the complexity of tests to be added or removed. This is because the level of effort associated with adding or removing a test will require varying levels of preparation and manual versus automated testing; and
- on finalisation of the scope, the Contactor will provide a Price Breakdown which will contain additional summary detail as follows:
    - test Volumetrics tables will be updated to clearly show final agreed test volumes;
    - Cost Per Test tables will be augmented to show the additional volumes associated pricing and rationale for any deviation from the previously proposed average costs; and
    - a price delta for each milestone as a result of the updated test volumetrics with the Working Capital Charge tab.
- as a result of the variation of scope, the Contractor shall also consider whether any variation is required to milestone dates. Where this is the case, a rationale shall be provided which will feed into wider planning activities that include all Service Providers.

Additional Out of Hours (OOH) System Integration Testing:

- the Price Breakdown includes an indication of an average monthly price for OOH SIT based on the preparation and execution of manual and automated tests associated with the core scope of testing included in the FP offer, should there be a requirement for additional OOH SIT beyond that stated in the Price Breakdown.

Variation of Milestones:

In order for the scope of CR5303 to commence and progress in accordance with the plan in section 6.1 of the FIA, it will be necessary to agree a CAN with associated payment milestones; the Change Authorisation Notice (CAN) shall refer to the Test Scaling process documented within this section and acknowledge that the milestone values and, potentially, milestone dates shall be subject to variation as a result of varying the volumetrics; the Parties shall use reasonable efforts to agree the revised milestones within ten (10) Working Days of providing the updated Price Breakdown; and a simple CAN documenting the updated milestone to be included in schedule 7.1 of the FIA shall be produced and signed to formalise the agreement.

Further to [redacted] value for money measures outlined above, DCC also explored additional opportunities to deliver cost savings through detailed analysis of common cost drivers, including labour charges. This exercise was particularly challenging given the condensed timeframe available to progress this Change to signature.

Structuring the early phase of CR5303 as a Statement of Work under PR8289, on a time and materials basis, proved beneficial. Notably, resources were engaged on a part-time basis, enabling them to be flexibly allocated across multiple workstreams. This approach resulted in a cost avoidance saving of [redacted] upon completion.

Against a total Statement of Work (SoW) value on PR8289 [redacted] this equates to a saving of approximately 5%.

[redacted]



Linked CRs/PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
CR5177 – which covered activities for the No-WAN Programme until PIT complete;	*CR5177 is the predecessor of CR5303 covering the phases of work until PIT completes. CR5303 covers activity beyond PIT complete.*	*Costs cannot be compared as CR5177 covered charges for PIT only.*
PR8185 - which provided early engagement cover for the Contractor's Systems Integrator (SI) PPM team, Systems Integrator Release Management team, SIT team, UIT team and SI Triage Team;	*PR8185 provided early engagement support for CR5303, whilst the commercials were being finalised.*	*Costs cannot be compared as this PR covered tasks in support for finalising the commercials for CR5303*
PR8289 - vWAN Cover Aug 25 and Sep 25'	*Covered the post-PIT activities previously included in CR5303 v1.0 for the months of July, August and September.*	*Costs cannot be compared as this PR covered additional tasks in support for finalising the commercials for CR5303*

Table 6 – Linked CRs and PRs

Future Considerations

This change has enabled DCC to successfully complete home installations of its new vWAN technology, marking a significant step in expanding access to Great Britain's smart metering network. With over 22 million premises already connected, primarily via cellular and radio technologies, including recently introduced 4G hubs, vWAN adds a new connectivity option.

vWAN uses a household's existing broadband connection to securely link smart meters to the national network, without impacting internet performance and only with customer consent. It meets the same high security standards as existing systems, ensuring data protection.

This innovation will enable more homes and small businesses to connect to smart meters, giving consumers greater control over their energy usage and access to suitable tariffs. The technology has been developed in partnership with the Department for Energy Security and Net Zero (DESNZ), highlighting a joint effort to strengthen and expand the UK's smart metering infrastructure.

1.7.2. CR5673 [redacted]

Drivers for Change

There is an increasing demand from consumers wanting a smart meter, however some areas fall outside of the cellular/radio coverage that the DCC licence requires the DCC to provide, resulting in a lack of connectivity via the DCC. The Department for Energy Security and Net Zero (DESNZ) estimates that there are currently approximately 328,000 premises where connection would not currently be available if a Smart Metering System was installed, and hence where smart metering devices would not be able to communicate via the DCC "No WAN".

At present those living in No WAN premises are not able to benefit from the functionality of a smart meter, such as Time of Use (ToU) tariffs and accurate billing. The aim of VWS programme is to provide a service in relation to fulfilling Users' needs.

DCC, DESNZ and our Service Providers have developed a solution, to address the challenge of No WAN. The solution proposal is known as the Virtual WAN Solution (VWS). The VWS – subject to a consumer consent - can connect via their home internet service, enabling a fully capable Smart Meter service experience. This will enable consumers with No WAN premises who want a smart meter to have one. The [redacted] 4G comms hub released in December 2024 will be the basis for the development and rollout of a VWS. This will ensure that all future connectivity requirements (cellular and WIFI) can be supported by a single comms hub.

Scope of the Change

DCC, DESNZ and DCC service providers have collaborated to design and optimise a Virtual WAN solution utilising 4G Communication Hubs. The term "Virtual WAN arrangements" is used to refer to the communications arrangements that will be used by the DCC to communicate over the internet with Smart Metering Systems installed in consumer premises and which are connected to the consumer's broadband via a Virtual WAN Device (VWD). The enduring solution impacts various components and will require:

- Changes to the existing 4G Communications Hub firmware (4G4G-CH FW)
- SEC changes for provisioning of the VWS

Securing Value for Money

1st E2E IA issued to DCC 25 April 2024

1. Cost to deliver full lifecycle to 'Trial phase' = [redacted]
2. In final IA issued to DCC covering Cost to deliver full lifecycle to end of Hypercare = [redacted] and with [redacted] discount included for lab test phase final cost is [redacted]

The final figure also includes additional work not included in 1 above specifically NEWAN regression test support, Hypercare and testbench.

[redacted] and DCC worked together to agree new approaches to deliver the programme quicker and cheaper. achieving around [redacted] reduction in cost from the 1st IA 25 April 2024, whilst delivering more work in a shorter timescale. This was done through a combination of discounted rates, improvements in test efficiency i.e. via ability to better automate testing via the use of [redacted] emulator, reduction from 9xDevice Model Combination (DMC) to 4XDMC and finally 1xDMC, the implementation of a dev-ops

approach enabling the ability to run development and pre-PIT effort to same timescale, moving the code merge costs into Maintenance Release 2 (MR2), Moving Commercial Product Certification (CPA) certification into MR2.

To enable the vWAN project to be successfu[redacted] has provided the following value add activities:

- [redacted]'s final IA submission[redacted] has charged DCC for 1 x full test cycle and 1 x regression cycle. (Please refer to the 'To Pre-Integration Testing (PIT) exit 1 x DMC tab lines 18-19')
- Additionally, we have also undertaken a 2nd test cycle (to test additional DCC mandated functionality and an additional 22 WAN switching tests mandated by Technical Assurance Board (TAG) introduced part way through cycle 1[redacted] has not charged DCC for this 2nd test cycle nor for the extra development and pre-PIT testing prior to cycle 2.
- Similarly, Once DCC had issued the Coverage Test Document (CTD) it became clear that the test coverage could not be met with a single DMC[redacted] therefore executed PIT against the 6 DMC's necessary to meet test coverage requirements.[redacted] has not charged for the additional DMC's nor the additional test effort against them.

In summary therefore,[redacted] has not charged DCC for:

- Development and testing of new functionality introduced post PIT entry.
- Test cycle 2
- 22 additional WAN Switching tests not in scope of the original CTD
- PIT against 6 x DMCs in order to meet test coverage requirement

Price Breakdown

Detail	Price initial (£)	Price final (£)
E2E IA 25/4/24	[redacted]	
Total Charges		

Table 7 – Price breakdown

Initial IA price (£)	Final IA Price (£)	Difference (%)
[redacted]		48% reduction

Table 8 – Initial vs Final Price

The Total Charges of [redacted] have been broken down into separate Contract Changes to allow the vWAN Programme to commence quickly to maintain the aggressive delivery plan.

Detail	Price initial (£)
CR5177 – CAN29 (Pre PIT)	[redacted]
CR5673 – CAN34 (Post PIT to Soft Launch)	
Total Fixed Charges to Date	

Table 9 – Total charges

The following Charges will be subject to further Contract Change Approval Notices for the Industrialisation Costs set out below:

Detail	Price initial (£)
Industrialisation Costs (CPA/Zigbee Certifications and ALT Testing required for mass manufacture.	[redacted]
Optional Annual Code Stream Maintenance which would be payable to Toshiba in the event MR2 integration with vWAN code is delayed beyond 29/1/27.	
Total Future Changes **Total Charges to Date (CR5177 & CR5673)** **Total Fixed Charges**	

Table 10 – Total contract change approval charges

*Total Including Code Stream Maintenance

Data Communications Company

DCC Price Control RY25/26 – Future Connectivity

Version: 1.0
Date: 31.07.2026

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1. Future Connectivity

Summary

What is this and why is it important?

The Future Connectivity programme encompasses the Future Connectivity North (FCN) Project and the Long-Range Radio Committed Term (LRRCT) Programme.

The Future Connectivity North (FCN) Project aims to scale DCC's network in the North Region from 5 million to 10.5 million premises. The chosen approach, extending the existing 4G solution from the Central and South regions into the North, delivers the best value for money, being the most economic and efficient option once the current 5 million volume limit is reached. This solution will enable Energy Suppliers to install 4G Communication Hubs in the North providing parity with the Central & South Regions and cost savings of 30% compared to the next best alternative solution.

The Long-Range Radio Committed Term (LRRCT) Programme aims to produce a Business Case to address the issue arising from the Long-Range Radio (LRR) service contract with [redacted] expiring in 2028, ensuring continuity of service to DCC customers. This activity is time-critical due to the long lead times associated with the technology refresh and replacement.

RY25/26 activities and costs

In RY25/26, we incurred £0.9m of internal costs, which was £1.1m below the regulatory baseline of £2.0m. The majority of incurred cost (£0.8m) related to payroll, driven by resources required from the Operations, Design and Assurance, and Service Delivery teams.

The primary driver of underspend against baseline was due to an agreement with the Testing Advisory Group (TAG) to reduce the user testing timeframe from 6 weeks to 3 days. This agreement was confirmed in May 2025 and is a great example of collaboration with customers and SEC Forums to achieve the best outcome for customers.

For the LRRCT Programme, the key RY25/26 activities include the production of an FBC informed by negotiations with the incumbent supplier [redacted]. The DCC is on track for a non-objection from DESNZ.

Future activities and costs

The 4G FCN programme was concluded in 2025 and has moved into DCC Operations, supporting the 4G Communication Hub roll out.

The LRRCT Programme will extend into 2026, with forecast costs to be confirmed through the FBC. Key activities include drafting the Full business case, getting the non-objection from DESNZ and achieving contract signature. We are planning to close the programme down by December 2026.

1.1. RY25/26 Cost Variances Overview

1.1.1. Internal Costs

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

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

Baseline			RY25/26	RY26/27
Total Future Connectivity		£m	2.031	1.233
Payroll costs	PR	£m	2.031	1.233
External services	ES	£m	-	-
Incurred			**RY25/26**	**RY26/27**
Total Future Connectivity		£m	0.894	0.710
Payroll costs	PR	£m	0.833	0.660
External services	ES	£m	0.060	0.050
Variance			**RY25/26**	**RY26/27**
Total Future Connectivity		£m	-1.137	-0.522
Payroll costs	PR	£m	-1.198	-0.572
External services	ES	£m	0.060	0.050

Table 1 – Future Connectivity Variance by GL

1.1.2. External Costs

We have no fundamental service provides dedicated to this programme.

Schedules 4 of the RIGs Supplementary Schedules summarise our External Costs for RY25/26, where 'RIGs category' is denoted as Future Connectivity.

1.2. Purpose, Scope and Structure

1.2.1. Purpose and scope

The Future Connectivity Programme consists of two sub-projects:

- The Future Connectivity North project
- The Long-Range Radio Committed Term project

The Future Connectivity North (FCN) project purpose and scope is to scale connectivity in the North Region from 5 million to 10.5 million premises by 2035. To achieve this, DCC has extended the 4G solution previously only deployed in the Central and South regions.

The LRRCT (Long-Range Radio Committed Term) project purpose is to resolve the issue of the [redacted] contract expiry in 2028 and provide a solution to maintain continuity of Service in the North Region. As [redacted] is the only supplier with the ability to provide the technical service offering, there is no option for a competitive re-procurement. Therefore, DCC is conducting an independent assurance activity to inform the negotiation to achieve a value for money outcome.

Cost Centre Structure

The cost centre structure consists of:

- DCC internal resources
- Supplier costs

1.2.2. Our Programme Structure

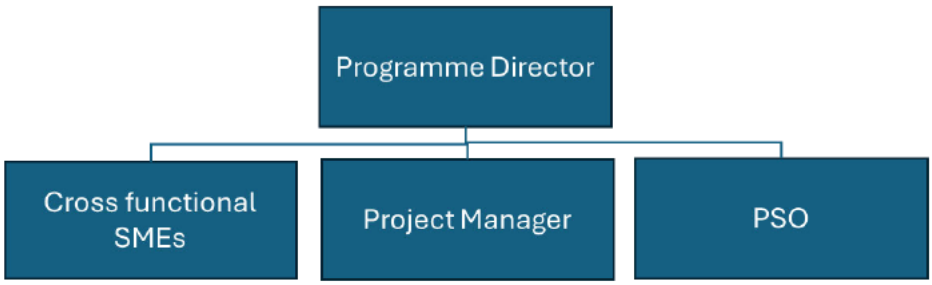


Figure 1. Programme organisational structure

Role	Sub-Team RY25/26	Description
Programme Director	Service Delivery	Overall Leadership of the Programme.
Project Manager	Service Delivery	Oversees the delivery of the day-to-day project management.
Programme Support Analyst	Service Delivery	Provides project support to standards, policies and procedures.
Regulation, Engagement and Commercial & Legal SMEs	Commercial and Regulation	Functional support including external engagement and regulatory matters.
Business Analysis	Design and Assurance	Comprehensively captures requirements, informing the solution to be delivered.
Early Life Support Device Management **Transition**	Operations	Designs and manages the structure of the service transition. Manages and operates Data Science and Analytics function.
Solutions Architecture Service Design	Design and Assurance	Provides solution architecture and planning of initial design.
Testing and Test Assurance	Testing	Manages and provides testing services of the designed solution and assurance of system interoperability across service providers.
Security Architects and Assurance	Security	Specify design, build, and testing of security requirements to ensure that the process is designed so that data remains secure through the change of supplier process.

Table 2 – Description per sub-team

Key events and objectives driving activity and cost in RY25/26

4G FCN Project
The objective of the 4G FCN Programme in the RY25/26 period was to go live with 4G CH installations in the Northern region from 1 June 2025 and to provide the Industry with Coverage Data Capability.

The key activities to deliver this objective, in line with plan, included:

- Design Build Test – 6 May 2025
- System Integration Testing – 21 May 2025
- User Testing – 30 May 2025
- Coverage Checker Go Live - 30 May 2025
- Commence 4G CH installations in the Northern Region – 1 June 2025

Broadly, each of the phases of this project were delivered to time and budget. The only material variance to plan was the delivery of the User Testing phase in 3 days as opposed to the 6 weeks originally planned. This was due to the acceptance (by the Testing Subgroup and SEC forum) that the level of risk was very low, which was ultimately proven in Production, and drove a material underspend.

LRRCT Project
The objective of the LRRCT project in RY25/26 was to progress the development of the Full business case. This was following engagement with DESNZ through which it was agreed that no SOC or OBC was required for this project.

The key activity in this period was the development of the Full business case, culminating in the approval of the draft by the DCC investment committee on 18 March 2026

Key events and objectives driving activity and cost in RY26/27

4G FCN project
The 4G FCN project concluded in 2025. Handover was made to DCC Operations in RY25/26 to support the 4G Communication Hub roll out in RY26/27, and as such, no costs associated with the 4G FCN project have been included in the cost forecast.

LRRCT project:
The Objective of the LRRCT project in RY26/27 is to finalise the Full business case and ultimately sign the renewed [redacted] contract.

The key milestone to deliver this include:

- DCC Board Funding approval - 23 June 2026
- Full business case submission to DESNZ – 30 July 2026, achieving non-objection
- Contract signature – 16 October 2026
- Handover to operations and resulting Programme Closure – 18 December 2026

1.3. Drivers of Internal Costs variance - Payroll

Programme variance by Sub-Team

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

Baseline		RY25/26	RY26/27
Future Connectivity Payroll Costs	£m	2.031	1.233
Commercial and Regulation	£m	0.060	-

CTO	£m	0.361	0.066
Finance & People	£m	-	-
Operations	£m	0.361	0.269
Security	£m	0.319	0.103
Service Delivery	£m	0.908	0.795
Testing	£m	0.021	-
Incurred		**RY25/26**	**RY26/27**
Future Connectivity Payroll Costs	£m	0.833	0.660
Commercial and Regulation	£m	0.078	0.025
CTO	£m	0.213	0.083
Finance & People	£m	0.009	0.024
Operations	£m	0.218	0.131
Security	£m	0.021	0.043
Service Delivery	£m	0.256	0.315
Testing	£m	0.039	0.040
Variance		**RY25/26**	**RY26/27**
Future Connectivity Payroll Costs	£m	-1.198	-0.572
Commercial and Regulation	£m	0.017	0.025
CTO	£m	-0.148	0.017
Finance & People	£m	0.009	0.024
Operations	£m	-0.144	-0.138
Security	£m	-0.298	-0.060
Service Delivery	£m	-0.653	-0.480
Testing	£m	0.018	0.040

Table 3 – Programme variance by sub-team

The primary driver of cost variance is underspend on the FCN project. This was largely due to an agreement with the Testing Advisory Group to reduce the user testing timeframe from 6 weeks to 3 days. This was due to the acceptance that the level of risk was very low which was proven in Production. This agreement was confirmed in May 2025 and is a great example of sensible collaboration with customers and SEC Forums.

The Long-Range programme is delivering in line with profiled cost.

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

There were no variances relating to payroll in RY26/27.

1.5. Drivers of Internal Cost variance – Non-Resource

There were no variances relating to non-resource costs.

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

There were no variances relating to non-resource costs in RY26/27.

1.7. Drivers of External Cost – RY25/26 CRs and PRs and new scope

The following relates to 3a-DSP | CR5534 | Future Connectivity - North Requirements and delivery plan:

1.7.1. CR5534[redacted]

Drivers for Change

DCC needs to ensure sustainable long-term smart metering connectivity infrastructure for continuity of service and performance up to and beyond 2033, so that customers can build their long-terms plans and ensure value for money. The national connectivity strategy needs to have the necessary headroom to be able to meet evolving demand forecasts and customer needs. CR5534 addresses the need to expand 4G services into the North region to support CHs installation in the region. The managed devices on Device Manager are expected to increase from 6 million to 13 million over a three-year period.

Scope of the Change

[redacted] is contracted to design and build the Device Manager service which supports the installation, in-life operations and management of the Communication Hubs. The Device Manager solution currently supports:

- Forecasting and Ordering
- Supporting the manufacture of Communications Hubs
- Installation, Operation and Maintenance
- Faults and Returns
- Warranties, recall and refresh; and
- Reconditioning and Disposal.

As part of DCC's Future Connectivity North Programme, DCC has extended these services currently provided in the Central and South Regions under the Network Evolution Programme to the North Region.

Changes are required to the Agreement:

- DCC's exercise of its option pursuant to Paragraph 1.5 of Schedule 2.1 (DCC Requirements) to add coverage for the North Region, alongside the existing South and Central Regions. As a result, the Territory of the Agreement will include the North Region, and the Services listed above will continue to be provided to the Territory (as revised) in accordance with the Agreement; and
- The Parties agreement on pricing for increased volumes from 6 million to 13 million Communication Hubs.

Securing Value for Money

The initial resource price breakdown that [redacted] submitted was based on a high-level assumption that performance testing would be required every year and that DCC would need to pay for that. DCC challenged [redacted] to review this assumption and ultimately the Parties agreed that DCC would only pay for one round of performance testing and tuning in Year 2 -2026 with [redacted] agreeing to absorb the cost for performance testing and tuning in years 2027 and 2028. This amounted to a cost reduction of **£630k.**

[redacted] also agreed to provide 2 resources for free to support testing activities between 1 May 2025 and 30 May 2025. This presented a further saving of £8,642 which was absorbed within the monthly operational charges.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Future Considerations

The work to support Future Connectivity North will continue up to and beyond the first breakpoint on02 December 2028 and the operational charges will be paid via a mix of milestone payments and fixed monthly charges. However, the breakpoint represents the opportunity to re-price the Device Manager service and all costs will undergo a full re-evaluation to ensure that they still represent value for money as part of the DM Re-procurement programme that has already kicked off.

1.7.2. CR5534[redacted]

Drivers for Change

The overall purpose of the Future Connectivity North Project is to ensure that there is a sustainable smart metering connectivity infrastructure to maintain continuity of service and performance for up to 10.5 million premises in the North region, so that customers can build their long-term plans, as well as to ensure value for money.

Scope of the Change

[redacted] provided a Wide Area Network (WAN) service which is required to support the installation, in-life operations and management of the NE Communication Hubs. The WAN provides mobile data connectivity within each Communication Hub and supports the exchange of data / energy utilisation messages into DCC's network and the Distribution Network Operators (DNO).

DCC exercised its option, pursuant to Paragraph 2 (Coverage for the North Region) in Appendix 2 (Service Catalogue) of Schedule 2.7 (Catalogue Services) to add coverage for the North Region, alongside the existing South and Central Regions.

The same services that were provided in South and Central Region are extended to the North region; this includes cellular coverage, WAN gateway and the coverage checker.

Securing Value for Money

DCC did not undertake any open market procurement activity to deliver the rollout of 4G cellular technology in the North region. DCC had the contractual right to add the North region coverage under the [redacted] contract. The procurement for this contract was concluded in October 2022 and the services under the contract went live in December 2024. The structure of the contract is such that there are Break Points in addition for the ability for DCC to conduct financial audit to identify cost savings – further adding to our confidence about the long-term viability of these arrangements.

The first break point is 4 years after the go-live milestone for South and Central region (November 2028) and then every 3 years thereafter.

The structure of these contracts utilising DCC's contractual right to expand these contracts to cover the North region enables DCC to avoid significant Design, Build and Test (DBT) costs and increased support & maintenance costs that would be associated with introducing new 4G WAN.

<u>Area of pricing</u>

- SIM Connectivity – The existing contract already has pre-defined Step pricing which is structured around a sliding downwards scale for unit pricing as volume goes up. DCC has provided [redacted] a forecast to price against and requested to increase step up to 36 million SIMs. DCC will only pay based on the actual number of Active Sims installed in the network.
- FTE - [redacted] have a core support team for the central and south regions so resources can be scaled up to meet a faster roll-out and a larger volume.
- Non-FTE – This relates mainly to programme activities such as Drive testing and Lab work which DCC included optional element in there so they can be removed if not required.
- TUPE – A TUPE calculation is present in the contract and relates to fund built up to cover any liability if TUPE is invoked, this increases in line with the resources.
- [redacted] – [redacted] infrastructure and supporting [redacted] resources would scale up after the 6.4 million mark to meet the increased volumes and capacity. [redacted] and DCC agreed to move to a consumption-based model post 6.4 million SIMs with applicable KPIs, this gave DCC the ability to benefit from lower pricing once the solution is more understood and efficiencies can be gained.

[redacted] provided DCC with three iterations of the pricing as negotiations progressed.

1. Initial budgetary pricing (January 2025)
    a. This scope included a go-live date of January 2026

This initial budgetary pricing was produced by [redacted] to provide guidance on the internal direction of the change - these numbers would be used in the Business Case.

2. Not-to-exceed pricing (February 2025)
    a. This scope included a go-live date of July 2025

    The not-to-exceed was provided to DCC and was input into the Full business case (FBC) which was submitted to DESNZ in February. This revised pricing increased from the previous submission, with the two main factors driving this change

    a. The go-live date for installations being brought forward from January 2026 to July 2025, accompanied by an accelerated install rate.
    b. Contingency added to [redacted] pricing and drive testing to enable submission into the FBC.

3. Best and Final Offer pricing (March 2025)

    DCC and [redacted] took part in extensive negotiations during March 2025 to drive down the price by [redacted] million.

    The key areas of reduction were as follows

    a. [redacted] pricing – [redacted] removed the contingency relating to [redacted] [redacted] due to collaboration with the DCC cloud teams to ensure the solution was correct in size and scale and DCC also negotiated the [redacted] margin that [redacted] are entitled to applied to the [redacted] pricing [redacted].
    b. Drive testing/Crowd sourcing split – based on previous experience DCC decided to lower the 50% of drive testing that would be used to provide validation of the coverage. This was replaced by a crowd sourcing method which was completed by [redacted] at zero cost. This resulted in a saving [redacted] and an additional [redacted] saving from a re-baseline of the contingency relating to this activity.
    c. FTE – Both parties conducted a detailed review and audit of the FTE that were outlined to complete this work, through this review DCC were able to reduce the cost by [redacted] including the following actions
        a. Delaying the start of resources to optimise costings to DCC
        b. Reduction in the level and grade of resources while maintain the quality of the service
        c. Removal of resources that did not provide substantial material benefit
        d. Lowering of the % of FTE working on the contract

In addition to the above, the parties worked on a model of the [redacted] pricing moving from a fixed price model to a consumption-based model once the 6.4 million installed SIMs mark is passed. [redacted] were currently negotiating a partner discount at the time, and this would be passed onto DCC at a minimum of 12%. If no agreement was finalised between [redacted] and [redacted], then [redacted] had an obligation to ensure [redacted] entered a Private Pricing agreement with [redacted].

[redacted]

[redacted]

There is additional scope for reductions in cost post signature from the following areas

- Drive Testing contingency; There is a contingency line built into the drive testing element if further routes are needed, this may not be needed as DCC and [redacted] have worked closely together on optimal route planning, the potential further saving for this
- Lab testing – there was provision in the finances for Lab Testing of comms hubs, this was not required as it was completed via an alternative method saving [redacted]
- There was provision for expenses that would be used by [redacted] and [redacted] resources during the first DBT phase which may not be required saving [redacted]

Linked CRs/PRs

CR / PR name	Relationship they have	Cost comparison (if not already in the write up)
CR5267 – 4G Future Connectivity North Go Live from 30/07/2025 to 30/05/2025) was a follow-on CR to CR5534.	*The CR brought forward the go live date for the north. CR5267 change milestone dates and did not result in a financial increase or decrease.*	*There was no change in cost to deliver the project despite the go live date being brought forward from July to May.*

Table 10 – Linked CRs and PRs

There will be a future CR raised to implement the programme of work to expand the solution capability so that can support up to 13.4 million SIMs this is likely to be in either 2026 or 2027.

Future Considerations

In CR5534 DCC negotiated a more detailed gainshare clause which outlines there will be a quarterly review between the two parties to determine if the resource profile is rightsized for the number of incidents the solution is seeing. This could result in a cost reduction to DCC.

DCC has a most favoured nation clause in its contract with [redacted] which obligates [redacted] to provide DCC with the lowest price for transactional SIM charges compared to other customers. This can be enacted once 250,000 active sims are installed.

Within Phase 2 of the DBT programme, the budget includes a five-month period allocated for SIT/UIT testing of the expanded solution. DCC retains the option to shorten this testing window or remove it entirely, should it be deemed non-essential. Exercising this option would generate cost savings of up to [redacted] reducing overall programme expenditure without impacting the core delivery scope.