Data Communications Company

DCC Price Control RY25/26 – Corporate Management

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Table of Contents

1. Corporate Management 3
1.1. RY25/26 Cost Variances Overview 4
1.1.1. Internal Costs 4
1.1.2. External costs 5
1.2. Purpose, Scope, and Structure 5
1.3. Driver for Variance – RY25/26 Resource 8
1.3.1. Partnerships and Projects 8
1.3.2. Executive and Board 9
1.3.3. Licence Renewal 10
1.3.4. Regulatory Design and Delivery 11
1.3.5. Other User Onboarding Enhancement Project Resource 12
1.4. Driver of variance – RY26/27 Resource 14
1.4.1. Sustainability Team 14
1.4.2. Partnerships and Projects 14
1.4.3. Ex-Ante Price Control Project Resource 15
1.5. Drivers for variance – Non-Resource RY25/26 16
1.5.1. Ibex, Brabazon and Riverscape 16
1.5.2. Brabazon Rent 17
1.5.3. Ibex Rent 17
1.5.4. Ibex Service Charge 17
1.5.5. Test Lab Operator 18
1.5.6. [redacted] - Licence Renewal 19
1.5.7. Licence Renewal - Capita Separation 20
1.6. Drivers for variance - non-resource RY26/27 21
1.6.1. [redacted] - Licence Renewal support 21
1.6.2. DCC2 HR & Finance Systems Implementation 22
1.6.3. Licence Renewal - Joint Handover Steering Group 23
1.6.4. Price Control support 23
1.6.5. Licence Renewal - Capita Separation 25

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. Corporate Management

Summary

What is this and why is it important?

Corporate Management provides the strategic leadership, governance, and regulatory capability that underpin DCC's ability to fulfil its Licence obligations and maintain public trust.

By integrating executive and board leadership, corporate strategy, regulatory compliance and readiness, and customer engagement, Corporate Management ensures that DCC operates transparently, credibly, and efficiently within a changing regulatory landscape.

RY25/26 activities and costs

Total costs were £19.6m, which was £4.8m below Ofgem's regulatory baseline of £24.3m. This reflects DCC's continued focus on cost efficiency with cost reduction achieved in payroll (£1.6m below baseline), external services (£1.8m below baseline) and accommodation costs (£1.4m below baseline).

As outlined in the Executive Summary, these reductions demonstrate a material and sustained reduction in expenditure within the function, compared to RY24/25.

Alongside these significant savings, DCC successfully completed a number of transformation milestones for the organisation, supporting the Licence Renewal programme (which included the appointment of the Successor Licensee in March 26). Under renewed leadership (with a new CEO joining DCC in March 2025), DCC established a new governance, processes and capabilities needed to support effective delivery under the new regulatory framework (which led to the submission of DCC's first ex-ante Business Plan in December 25).

These activities have strengthened DCC's readiness for the transition to DCC2 while maintaining a strong focus on customer outcomes and value for money.

In 2025/26, the energy transition continued to accelerate with increased focus on the digital infrastructure required to underpin these changes. As the source network for smart meter data in GB, DCC continued to play a unique role to develop solutions to drive value for our customers and generate broader public good for GB consumers. As part of this, we engaged with industry on a proposal to design, build and operate a Smart Meter Energy Data Repository (SMEDR) to allow insights from energy data to drive consumer benefit, while reducing the costs of operating the network (e.g. through reducing network traffic).

Future activities and costs

Looking ahead, DCC will continue to focus on increasing customer centricity, delivering value for money and supporting a smooth transition to DCC2.

The function will also continue to embed the governance and processes required under the Ex-Ante Price Control framework, ensuring DCC remains well positioned to meet future regulatory requirements and deliver value for customers and consumers.

The Strategy, Policy and Partnership & Projects teams will continue to work very closely with Customer Engagement to maximise the value of our network and data - DCC's first Business Strategy and Technology Roadmap (BSTR) to be published in Summer 2027 will be an important part of this.

1.1. RY25/26 Cost Variances Overview

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

1.1.1. Internal Costs

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

Cost Centre 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).

Baseline			RY25/26	RY26/27
Total Corporate Management		**£m**	**24.328**	**23.720**
Payroll costs	PR	£m	12.631	11.817
Non-payroll costs	NP	£m	0.250	0.250
Recruitment	RC	£m	0.366	0.191
Accommodation	AC	£m	7.439	6.683
External services	ES	£m	3.228	4.362
Internal services	IS	£m	0.266	0.270
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	0.147	0.147
Office Sundry	OS	£m	-	-
Incurred			**RY25/26**	**RY26/27**
Total Corporate Management		**£m**	**19.550**	**15.974**
Payroll costs	PR	£m	10.994	7.749
Non-payroll costs	NP	£m	0.242	0.077
Recruitment	RC	£m	0.207	-
Accommodation	AC	£m	6.090	2.819
External services	ES	£m	1.469	4.462
Internal services	IS	£m	0.496	0.810
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	0.053	0.057
Office Sundry	OS	£m	-	-
Variance			**RY25/26**	**RY26/27**

Total Corporate Management		£m	-4.777	-7.747
Payroll costs	PR	£m	-1.637	-4.068
Non-payroll costs	NP	£m	-0.008	-0.173
Recruitment	RC	£m	-0.159	-0.191
Accommodation	AC	£m	-1.350	-3.864
External services	ES	£m	-1.759	0.100
Internal services	IS	£m	0.230	0.540
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	-0.094	-0.090
Office Sundry	OS	£m	-	-

Table 1 – Corporate management variance by GL

1.1.2. External costs

Not applicable for this function.

1.2. Purpose, Scope, and Structure

The Corporate Management cost centre in RY25/26 included primary regulatory and strategy functions and broader corporate capabilities, such as external communications, business case authoring and customer engagement. The capabilities can broadly be classified into four different areas:

- **Executive and Board** – providing leadership to the organisation, maintaining high standards of corporate governance in accordance with the UK Corporate Governance Code, and ensuring compliance with DCC policies.
- **Strategy and Regulation** – including price control, economic incentives, preparation of regulatory documents (including response to industry consultations), engagement in regulatory forums, consideration of the future regulatory regime, support to the Board and CEO in developing our corporate strategy, regulatory stakeholder engagement and code development.
- **Partnerships and Projects** - supports the onboarding of SEC parties, offering coordinated guidance and integration planning. It also led on the development of a DCC-led data repository (SMEDR) and more broadly targeted strategic customer engagement activities, including bilateral sessions and thematic forums, to improve transparency, responsiveness, and alignment with user needs.
- **Licence Renewal** – as the end of the current licence term approaches, DCC has provided extensive support to Ofgem's policy proposals on Licence extension, competition for the next licence and the move to an ex-ante price control regime.

There is a separate 'sub-cost centre' for each of these functions and each area has a separate business plan that also sets out its responsibilities.

Corporate Management also includes several corporate costs including:

- Corporate Management
- Executive and Board

- Centre of Excellence
- Customer Experience (changed to Partnerships and Projects from 25/26 onwards)
- Strategic Customer Engagement
- Economic Regulation
- Regulatory Affairs Office
- Regulatory Design and Delivery
- Regulatory Strategy and Performance Management
- Regulatory Support and Economic Incentives
- External Communications
- Licence Renewal

Key events and objectives driving activity and cost

The main deliverables, and therefore the drivers of costs over the course of RY25/26 include:

- Establishment of the Partnerships and Projects sub-team (no baseline due to uncertainty in allocation of resources).
- Executive and Board changes to provide leadership for our new model.
- Take a leading role in supporting Ofgem's Licence renewal and Licence extension work programmes.
- Preparing for the move to an ex-ante price control methodology, including developing our first ex-ante business plan
- Extensive engagement with Ofgem to deliver a wide range of compliance-related activities.
- As required by the Licence, responding to Capita data / information requests to support their engagement with Ofgem on the Licence extension.

Cost Centre Structure

Current and forecast structure of Corporate Management

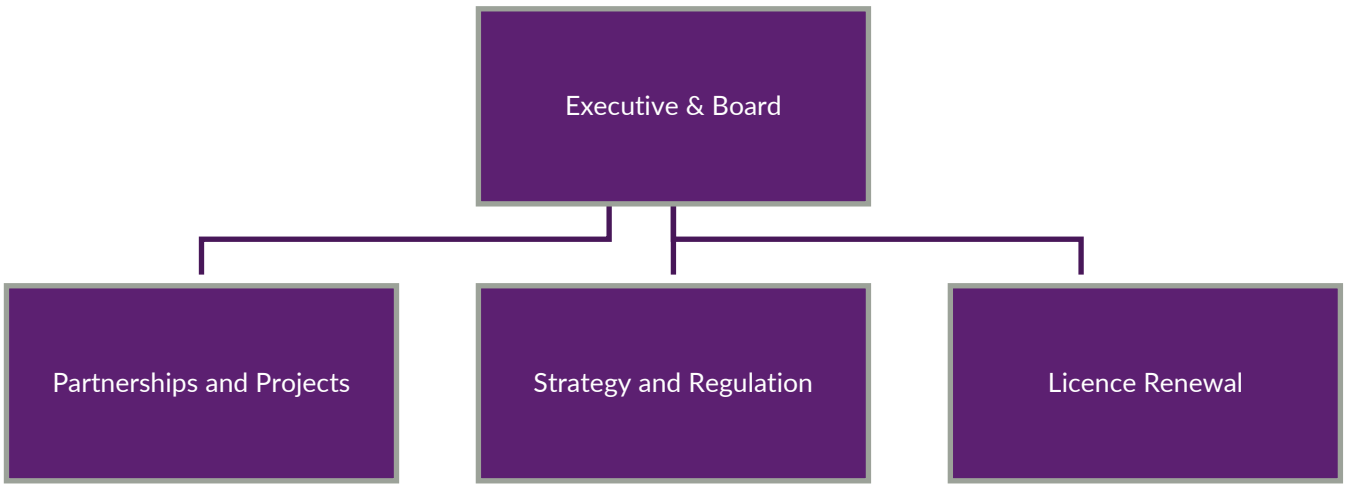


Figure 1 – Organisational structure RY25/26

Functional structure in RY25/26	Description
Executive and Board	• Includes CEO and Chief of Staff • Board Secretariat • Management of Non-Executive Directors • Central PA function
Partnerships and Projects (Previously known as Customer Experience)	• Partnerships and Projects - onboarding of SEC parties • Strategic Customer Engagement activities
Strategy and Regulation	• Chief Strategy and Regulation Officer • Economic Regulation including Price Control • Regulatory Support, Compliance and Engagement • Regulatory Strategy • External Communications • DCC's Business Cases, including the Centre of Excellence
Licence Renewal	• Chief Licence Renewal Officer • Policy development for Licence extension and renewal • Supporting Ofgem's proposed move to ex-ante Price Control • Business Handover Planning and delivery • Support for Ofgem's RFP for the Successor Licensee

Table 2 – Team descriptions in RY25/26

1.3. Driver for Variance – RY25/26 Resource

Programme variance by Sub-Team

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

Variance		RY25/26	RY26/27
Corporate Management Payroll Costs	**£m**	**-1.638**	**-4.068**
Corporate Management	£m	-0.041	-0.125
Centre of Excellence	£m	-0.454	-0.798
Customer Experience	£m	-	-
Partnerships & Projects	£m	**0.835**	**0.389**
Economic Regulation	£m	0.125	-0.196
Executive and Board	£m	**0.212**	-0.239
External Communications	£m	-0.145	-0.360
Licence Renewal	£m	**0.184**	-0.955
Regulatory Affairs Office	£m	0.010	-0.145
Regulatory Design and Delivery	£m	**0.672**	0.006
Regulatory Strategy and Performance Management	£m	-0.002	-0.622
Regulatory Support and Economic Incentives	£m	-0.418	-0.426
Strategic Customer Engagement	£m	-1.081	-1.064
Sustainability Team	£m	-	**0.186**
Ex-Ante Price Control Project Resource	£m	-0.131	**0.198**
Customer Feedback Tooling Project Resource	£m	-0.033	-
Licence Renewal Project Resource	£m	-2.052	0.074
Other User Onboarding Enhancement Project Resource	£m	**0.541**	0.010
Ibex Relocation Project Resource	£m	0.139	-

Table 3 – Corporate management variance by resource

1.3.1. Partnerships and Projects

Overview of Variance

The Partnerships and Projects sub-team was initially established in RY24/25 as part of a wider restructure within Customer Experience to consolidate onboarding and delivering cross-functional customer and partner initiatives in RY25/26. This alignment was designed to streamline activity, improve coordination, and reduce duplication.

As the team did not have a budget allocated to it, a zero baseline exists for RY25/26 (and RY26/27). However, as outlined below, and as more recently discussed and agreed with Ofgem, the Project and Partnerships team has led key innovation projects and easier access to smart meter data (e.g. SMEDR). In addition to this, the P&P team has been instrumental in engaging with a wide range of DCC customers

(including 'other users') and the onboarding portal enhancement program (described below) will significantly enhance the onboarding of new SEC parties.

Key cost drivers include:

- Continued work on Smart Meter Energy Data Repository (SMEDR) where we are supporting DESNZ in exploring the case for developing capability for storing and providing access to smart meter data for approved industry and public benefit use cases. This follows over 3 years of working closely with DESNZ under the DESNZ-funded SMEDR innovation programme of which DCC was a participant.
- Onboarding improvements for our customers to the smart meter network (through launching a digital onboarding tool, that will make joining the smart meter network easier, faster and more efficient for SEC parties). This tool is part of our ongoing work to address customer feedback, by improving the accessibility of DCC services. These changes are expected to cut onboarding time and complexity, improve transparency and user experience, support broader accessibility to the smart metering network and reduce the administrative burdens for DCC and the users applying.
- Delivering cross-functional customer and partner initiatives, including supporting funded innovation activity. In its proposals for DCC's Required Revenue in the first ex-ante Price Control Period from November 2026 to March 2028, Ofgem has stated that its minded to approve £0.475m of ringfenced innovation fund for activities which aim to deliver public good benefits.

Value for Money

All roles are permanent and costed within DCC benchmarks, with no reliance on external consultancy.

Future Considerations

While the structure is not planned to change in the short term, it could be scaled depending on the nature and scale of potential new services (to be defined with DESNZ). Activity levels will continue to be reviewed to ensure alignment with business demand and cost efficiency.

The Partnerships and Projects team included 5 FTEs in RY25/26, comprising the Director of Partnerships, Head of Partner Engagement & Projects, Head of User Experience & Proposition Development, Senior On & Off Boarding Manager, and Senior Partnerships & Project Manager. This is inclusive of one month's FTE for both the Chief Customer Officer and Business Analyst, who both left the business in April.

1.3.2. Executive and Board

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, Executive and Board costs reflect changes in the allocation and reporting of governance costs. Non-Executive Director (NED) costs were allocated to this cost centre to provide a more complete view of Executive and Board expenditure.

As a result, the cost centre now includes the CEO, Chair and NEDs representing 4.9 FTE compared with a budget assumption of 1 FTE.

Scope of Variance and Key Challenges

The variance primarily reflects a budgeting assumption rather than an increase in Executive or Board activity. NED costs were not included within the original budget and have therefore generated an in-year variance when allocated to this cost centre.

In this period, we also onboarded a new NED with consumer advocacy experience, as requested by Ofgem.

Securing Value for Money

Executive and Board time in RY25/26 has been focused on high-value governance and assurance that protects delivery and manages regulatory risk. Key responsibilities include shaping policy positions to support Licence extension and renewal, responding to an evolving regulatory framework including preparations for the move to an ex-ante price control approach, and overseeing business handover planning and delivery to support a seamless transition aligned to licence expiry requirements.

In addition, the Executive and Board provide strategic oversight of Ofgem's Request for Proposal (RFP) process for the Successor Licensee to ensure DCC's obligations and operational considerations are appropriately represented. This level of oversight safeguards DCC's regulatory standing and operational stability and supports value for money by reducing delivery and compliance risk during a critical period.

1.3.3. Licence Renewal

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 Licence Renewal team was responsible for supporting Ofgem across the key activities required to deliver Licence Renewal and transition – the scope of which has evolved throughout the period. This included defining the future role of DCC, facilitating a smooth transition to a Successor Licensee, completing and maintaining the data room to support Ofgem's competitive procurement process, and managing work on separation of services alongside related regulatory and governance policy.

During the year, a number of roles required backfilling and re-recruitment to maintain delivery continuity. This led to temporary overlap, onboarding activity, and the use of higher-graded or interim resources while vacancies were filled. As discussed with Ofgem, these effects increased recorded effort relative to the original baseline, which assumed a stable team composition throughout the year.

Scope of Variance and Key Challenges

The in-year variance is driven by the scale and pace of delivery required in RY25/26 as the programme moves from mobilisation into full delivery. While Licence Renewal activity originally ramped up using predominantly in-house resource, this year it has required sustained and wider engagement across the organisation to respond to Ofgem's policy decisions. For example, a critical driver of the need for DCC to resource up was Ofgem's direction that we should assume that the Successor Licensee does not have corporate services, and we would have to design the technical requirements and go to market to procure them from a third party.

As requirements grew (for example, data room readiness, transition planning depth, and service separation planning), additional specialist roles were needed at short notice to ensure DCC remains compliant and prepared. This makes it difficult to budget precisely against a narrow "core team" model and explains why additional roles are being recorded against Licence Renewal beyond those originally assumed. This was at the time discussed and agreed with Ofgem.

Securing Value for Money

Licence Renewal activities are a mandatory requirement under Licence Condition 43 and related provisions, ensuring the Authorised Business can transition seamlessly to a Successor Licensee in the event of licence revocation or expiry. During any Handover Period, the Licensee must ensure cessation at the Transfer Date in a way that complies with licence obligations, does not hinder the Successor Licensee's ability to assume operations, and supports an effective business handover that preserves service quality and operational efficiency.

Value for money in RY25/26 was secured by using internal capability wherever possible and only drawing on targeted specialist input where necessary. The programme is deliberately in-housing delivery, using DCC expertise across policy, governance, commercial, technology and operational planning to reduce reliance on external consultancy and to retain organisational knowledge for the transition. The additional cross-functional roles contributing this year reflect the minimum breadth of capability required to manage regulatory risk and deliver transition outputs credibly, rather than "overhead" activity.

Future Considerations

DCC intends to continue utilising internal resources throughout the programme, supporting a reduction in non-resource costs over time and significantly lower reliance on external consultancy. This in-housing approach increases the level of internal FTE recorded against Licence Renewal in the near term as we respond to the hugely challenging programme of work to deliver replacement corporate services by the business handover date.

1.3.4. Regulatory Design and Delivery

Overview of Variance

The Regulatory Design and Delivery team is responsible to a) ensuring that DCC understands and complies with its regulatory obligations across the DCC Licence, Smart Energy Code and Retail Energy Code and b) lead on DCC's engagement with key regulatory stakeholders, including Ofgem and DESNZ.

This involves managing relationships at all levels to support compliance, collaborative working and the efficient achievement of DCC's objectives. The team also provides regulatory compliance oversight, expert advice and support on regulatory interpretation and change.

In RY25/26, the team profile reflects a revised organisational structure. The revised structure results in an apparent increase of 3.9 FTE year-on-year, but this primarily represents the re-alignment of existing activity previously reported in Regulatory Support and Economic Incentives. Additional cost movements in the year reflect temporary resourcing requirements and employment cost changes, rather than new or expanded regulatory obligations.

Scope of Variance and Key Challenges

The variance in RY25/26 reflects a combination of structural, temporary and cost-driven factors. The increase from 7.6 FTE to 11.5 FTE is largely attributable to the consolidation of Regulatory Support activity into the Regulatory Design and Delivery team, significantly reducing the underlying difference when viewed on a like-for-like basis (i.e. there is an offsetting favourable variance in Regulatory Support).

In addition, the team required temporary additional resource to cover maternity leave during RY25/26 in order to maintain delivery of core compliance, assurance and stakeholder engagement activities. This requirement is time-limited and does not represent a permanent increase in headcount.

As in previous years, the team has experienced normal operational movements and as for the rest of DCC, we have also reduced our reliance on the use of consultancy. The key challenge remains maintaining

sufficient capacity and resilience to manage a demand-led regulatory environment while continuing to deliver business-as-usual compliance and engagement effectively.

Securing Value for Money

These movements are consistent with maintaining appropriate flexibility and capacity to meet evolving regulatory demands. The consolidation of regulatory support and delivery activity into a single team improves efficiency, reduces duplication, and provides clearer ownership of regulatory outcomes.

Value for money is supported by actively managing the balance between internal capability and external support. Where possible, reliance on consultancy has been reduced, with capability embedded within the organisation through defined roles rather than ongoing external spend. Temporary resourcing has been used only where necessary to cover specific, time-limited requirements such as maternity leave.

Overall, the Regulatory Design and Delivery function remains aligned with previous plans and continues to deliver effective regulatory compliance, assurance and stakeholder engagement at proportionate cost.

Future Considerations

As regulatory requirements and organisational priorities continue to evolve, DCC will keep the resourcing model under review, including the use of role transitions and temporary cover, to ensure capacity remains aligned to regulatory risk, we minimise reliance on external support where practical, and maintain an efficient and resilient regulatory function.

1.3.5. Other User Onboarding Enhancement Project Resource

Overview of Variance

This variance relates to a new programme of work, the Other User Onboarding (OUO) Enhancement Project, which was supported by SECCo and SECAS and delivered using internal DCC resources rather than external consultancy.

Delivery was undertaken at 4.3 FTE, which is consistent with the scale of activity and explains the reported variance. The variance reflects the introduction and delivery of this new scope, rather than cost escalation or inefficiency – the baseline for this sub-team was close to zero in RY25/26.

Scope of Variance and Key Challenges

The variance reflects delivery of a programme initiated in October 2024 in response to increasing demand from new entrants particularly other users seeking access to smart meter services. Demand has risen to approximately 80 onboarding enquiries per year, with a live pipeline of around 40 active requests. This growing demand has also made the current onboarding process operationally unsustainable without digitalisation.

Government-led reviews and stakeholder feedback highlighted the need for reform. In response, DCC initiated the OUO Enhancement Project. The aim is to remove barriers to access, reduce onboarding time and complexity and improve the customer experience.

The initial scope of the solution focused on Other Users. While Energy Suppliers and DNOs ultimately fund DCC charges, Other Users were prioritised due to the concentration of demand from this group — at the time they represented approximately 80% of the onboarding pipeline. This allowed DCC to deliver immediate operational efficiencies and user benefits where demand pressures were greatest. DCC's longer-term intention is to extend the solution to other participant roles, subject to stakeholder endorsement.

The initial cost estimate reflected mobilisation and early design activity only. The actual costs incurred reflect the full range of activities that are required for successful delivery of a digital transformation initiative.

Value for Money

The programme demonstrates strong value for money, primarily due to the decision to adopt an internal delivery model rather than external consultancy.

Key value drivers include:

- Avoidance of materially higher consultancy costs
- Retention of skills, knowledge, and intellectual property within DCC
- Mitigation of Price Control Risk (PCR) through internal capability development

Notwithstanding the delivery challenges, the programme has already delivered substantial outputs, including:

- Identification and validation of 100+ onboarding pain points
- A target operating model and scalable architecture using enterprise technologies (e.g. Microsoft Power Platform)
- End-to-end onboarding process design and tailored user journeys
- UI/UX designs, proof of concept, and development of the first of four onboarding stages
- Rationalisation of 95+ forms and 1,200+ data points
- Completion of 70% of the front-end build for DCC user registration

These outputs directly support improved customer experience, reduced operational effort, and improved regulatory alignment.

Future Considerations

Delivery to date has reinforced that the current onboarding process, associated across DCC and SECAS, is operationally inefficient and increasingly unsustainable, particularly in the context of rising demand and the introduction of new roles such as MDR.

Digitalisation and integration of onboarding processes are therefore necessary to:

- Maintain service quality
- Reduce manual effort and operational risk
- Enable DCC to scale efficiently as demand increases

Looking ahead, there is a clear opportunity to expand the platform to support Energy Suppliers and DNOs and potentially standardise onboarding across all participant roles. This would enable the eventual decommissioning of the existing manual process, delivering further efficiency and consistency benefits.

1.4. Driver of variance – RY26/27 Resource

1.4.1. Sustainability Team

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 Sustainability team is responsible for developing and implementing DCC's Responsible Business Framework and driving our pathway to Net Zero 2050. The team works across DCC to embed sustainability, inclusivity, and responsible business practices into day-to-day operations, with a particular focus on leveraging the supply chain to drive social and environmental outcomes.

Scope and Key Challenges

The team's scope spans coordinating cross-organisational initiatives internally while also influencing a diverse and complex supplier base. Key challenges include embedding sustainability consistently across commercial processes, ensuring supplier alignment to DCC's responsible business expectations, and balancing regulatory, stakeholder, and operational priorities.

Value for Money

The team delivers value by maximising DCC's ability to influence social and environmental outcomes through its suppliers, who play a critical role in delivering the network. By embedding sustainability within the supply chain, reducing emissions, the team drives scalable impact, improves supplier standards, and enhances DCC's reputation and compliance, ensuring broader value beyond cost alone.

Future Considerations

Ongoing focus will be required to further integrate sustainability into commercial decision-making, strengthen supplier engagement, and respond to evolving regulatory and stakeholder expectations. This will ensure DCC continues to deliver measurable, long-term impact through its Responsible Business Framework, and deliver the UK's decarbonisation solution in a sustainable way.

1.4.2. Partnerships and Projects

As the team did not have a budget allocated to it, a zero baseline exists for RY26/27 (continuation from RY25/26) creating a variance.

Overview of Variance

This area has a zero baseline. Following the transition implemented in RY25/26, the team is expected to comprise five FTEs, which fully accounts for the forecast variance. The forecast expenditure reflects seven months of activity and is therefore broadly consistent with the level of expenditure incurred in RY25/26. The scope and associated costs of this team were originally established and justified as part of the Partnerships and Projects variance in RY25/26 and continue into the current year without any material change in underlying activity.

Scope of Variance, Key Drivers and value for money.

This variance relates to the ongoing operation of the team established in RY25/26 and does not represent a new activity or expansion in scope. The key drivers of cost remain unchanged from those previously approved and are associated with maintaining the capability and resources required to deliver the team's existing responsibilities. As such, the rationale, benefits and value-for-money case remain consistent with those set out in the RY25/26 variance explanation above. Please refer to section 1.3.1 for further explanation.

1.4.3. Ex-Ante Price Control 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.*

Overview of Variance

This variance reflects the continued transition to an ex-ante price control regime as DCC approaches the DCC2 handover date. There is a zero baseline for this forecast cost, meaning the forecast spend shows as a variance, despite being in line with internal expectation. During this period, activities originally established as a discrete project are being progressively absorbed into Economic Regulation business-as-usual arrangements, in preparation for an enduring ex-ante operating model.

Scope of Variance and Key Drivers

The baseline for this activity was zero in RY26/27, as the work was originally established on a non-enduring, project basis to support the transition to ex-ante regulation. However, it was always envisaged that this work would be required until after handover, when the Economic Regulation BAU team will become the permanent ex-ante team (with ex-post work coming to an end). At that point, this project will cease, and all responsibilities will transfer fully to internal Economic Regulation resources.

The forecast variance reflects a continued requirement for 1.92 FTE during the transition period. This resource is essential to ensure continuity of ex-ante activities and to enable the ex-ante team to discharge its responsibilities effectively in advance of handover, while ex-post and transitional activities continue to run in parallel.

Key Activities Supported

The 1.92 FTE supports critical preparatory and delivery activities ahead of handover, including:

- Maintaining momentum on ex-ante price control processes prior to DCC2.
- Supporting engagement with Ofgem as ex-ante arrangements are embedded.
- Ensuring effective knowledge transfer from the project environment into the enduring Economic Regulation function.
- Managing the overlap between legacy ex-post obligations and emerging ex-ante requirements.

Securing Value for Money

Delivery continues to rely on internal Economic Regulation capability. This approach avoids use of external services and supports the long-term sustainability of the ex-ante model. Resource levels have been kept to the minimum necessary to manage delivery risk during the transition, with clear intent to avoid duplication once responsibilities fully transfer to BAU.

Given the high demand on the economic regulatory teams (and the concomitant price control processes), this is in our opinion a cost efficient approach to delivering price controls.

Future Considerations

As we approach the end of the DCC1 licence period, the project structure will be wound down, and all on-going ex-ante work will move into the Economic Regulation BAU team on a permanent basis. This is planned for Spring 2027.

1.5. Drivers for variance – Non-Resource RY25/26

This section explains our material variances for RY25/26 and RY26/27, across non-payroll costs, external services and specific accommodation costs.

Section 1.6 explains variances across our office sites, while section 1.7 explains our RY26/27 only variances.

Variance	GL		RY25/26	RY26/27
Brabazon Rent	AC	£m	0.199	-0.207
Ibex Rent	AC	£m	0.162	-
Ibex Service Charge	AC	£m	0.205	-
Test Lab Operator	AC	£m	0.196	-0.185
[redacted] - Licence Renewal support	ES	£m	-	0.229
DCC2 HR & Finance Systems Implementation	ES	£m	-	2.567
Licence Renewal - Joint Handover Steering Group	ES	£m	-	0.322
[redacted] - Licence Renewal	ES	£m	0.482	0.504
Price Control improvement/support - [redacted]	ES	£m	-0.256	0.469
Licence Renewal - Capita Separation	IS	£m	0.299	0.671

Table 4 – Corporate management variances (non-resource)

1.5.1. Ibex, Brabazon and Riverscape

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.

Across our Ibex and Brabazon sites, three variances have been identified in the reporting year (no variances for Riverscape). This has been a particularly complex area due to the execution of our strategic office move programme during the period.

	Description			RY25/26	RY26/27
	Accommodation	AC	£m	-1.350	-3.864

Table 5 – Overall Accommodation savings

Overall, in the RIGS and Accommodation costs there is an underspend of £1.350m. This reflects proactive cost management and delivery of our office strategy at lower than anticipated cost (closure of Ruddington, lower maintenance cost of Ibex and Brabazon, closure of Ibex and the favourable contract for riverscape). This therefore represents a positive value for money outcome for customers.

Looking ahead, following the completion of the London move, we expect cost profiles to stabilise and variances to reduce, improving forecast accuracy and transparency. We do anticipate a similar exercise in RY28/29 as the current Brabazon lease comes to an end.

1.5.2. Brabazon Rent

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.*

Brabazon Rent (RY25/26)

Brabazon rent reflects ongoing lease commitments necessary to maintain operational capability at the site. This is not a zero-based cost, and the reported variance is primarily driven by changes in lease terms and/or annual indexation uplifts relative to the baseline assumption.

The increase is consistent with standard contractual rent review mechanisms and market conditions.

Forward look

A revised five-year lease extension has now been agreed, with tenant break options at year 3 and 4. This provides continuity of operational capability at the site while maintaining flexibility to respond to future Test Labs and Successor Licensee requirements. The arrangements offer greater cost certainty over the medium term, reducing forecast volatility and supporting more effective financial planning.

1.5.3. Ibex Rent

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.*

Ibex Rent (RY25/26)

Ibex rent represents ongoing lease payments required to maintain the site.

The variance is driven by differences between baseline assumptions and actual lease costs, which are inflationary uplifts and updated lease terms. These adjustments are consistent with contractual obligations and market practice.

Forward look

Following completion of the office strategy programme, Ibex site costs will reduce to zero.

1.5.4. Ibex Service Charge

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.*

Ibex Service Charge (RY25/26)

Service charges represent the on-going costs of operating and maintaining the building, including utilities, maintenance of shared areas, property management and statutory compliance services. These costs are essential to maintaining a safe, compliant and operational workplace.

The reported variance arises because a lower service charge provision was included within the baseline budget. The rise in service charge costs over the period reflects increases in utility prices, consistent with broader market trends. As a result, the variance reflects a budgeting assumption rather than additional or

unforeseen expenditure. Actual costs are consistent with the normal operation of the site and are broadly in line with previous years.

Forward Look

As we now have transitioned to Riverscape all service charges with Ibex will stop.

1.5.5. Test Lab Operator

Overview of Variance

The role of a DCC Test Lab Operator (TLO) is central to supporting smart metering functionality across DCC. The lab is set up to support service user testing. Over the course of RY25/26, this expanded to include System Integration Testing for VM02. TLO is responsible for managing and set up of devices and capturing logs within the environments for testing that is undertaken by DCC Programmes, Service Providers and Testing Participants.

Scope of Variance and Key Drivers

The variance in RY25/26 predominantly reflects overtime spend which is demand-led and requested by customers to support delivery requirements. The use of overtime is permitted under existing arrangements and is applied where necessary to meet customer-requested activity and service commitments. Through TAG, SEC parties agree the scope of required testing, including the duration of user testing of services, which is the ultimate driver of this variance.

The variance does not reflect a change in scope or approach but arises from the combination of accommodating the installation of complex and/or new testing equipment requirements, and the delivery of approved customer-driven demand.

Value for Money

Test Lab services ensure DCC compliance with the SEC Obligation under section H of the SEC and is essential to DCC's ability to support market participants, assure system changes, and maintain end-to-end test capability. It provides customer confidence in integration testing outcomes and the compatibility of changes with their back-end systems and operations.

In March 2024, DCC re-procured the TLO contract under a consolidated five-year arrangement (3+1+1). We are still within this contract. To ensure value for money this new commercial structure merged several legacy agreements, including:

- Licence renewals for debug boards
- Maintenance and enhancement of the iLMS platform (used for testing participants)
- SMETS1 programme support and enhancements to the iLMS tool

DCC found cost efficiencies of consolidating TLO contract into a base contract, albeit contract costs increased which was driven solely by salary cost increases and having onshore resources. Cost avoidance made during commercial negotiations.

- Cost avoidance of £[redacted] (£[redacted] per annum) which was 41.6% less than [redacted] first proposal.
- Where the overall contract increased by £[redacted] per annum, the cost to Test Labs functional spend decreased due to programme related TLO activity moving away from CTO budget (i.e. CH&N).

Future Considerations

The provision of Testing Services is a SEC obligation and DCC need to continue to provide services to customers, unless there are changes to the SEC and/or licence that stipulates otherwise. Any changes to the current operation or associated services, will be done through full consultation with our customers.

1.5.6. [redacted] - Licence Renewal

Overview of Variance

The Licence Renewal team is responsible for shaping and supporting Ofgem in key programme activities, including the design of the future role of DCC, ensuring a smooth transition to a Successor Licensee, completing the data room for Ofgem's competitive procurement process, planning and delivering the separation from Capita and the delivery of replacement corporate services, as well as the development of regulatory and governance policy.

[redacted] was engaged following a competitive procurement process to provide expertise and knowledge to support DCC in these activities, particularly in relation to business transactions, a skillset that DCC's internal staff do not possess.

Scope of Variance and Key Challenges

The baseline budget for RY25/26 was set at zero following Ofgem's Final Determination, meaning the variance reflects actual expenditure and not additional costs above our forecast.

While the recruitment of the Licence Renewal team progressed during RY25/26, Ofgem required DCC to continue supporting all related activities, necessitating additional external support from [redacted]

The main activities in RY25/26 were as follows:

- Updating and developing the BHP based on Ofgem Consultations, external consultation, and assurance feedback
- Working with Ofgem to develop the data room strategy
- Providing Ofgem will all data room data, data room webinars and managing the CQ response supporting the Ofgem Successor Licensee Appointment phase
- Updating Capita contracts to include Exit schedules
- Developing the TSA with Capita
- Developing the 180-day plan to support the Ofgem Successor Licensee Appointment phase
- Developing the dependency log for the Co-Operation deed
- Developing the agenda, materials etc for the interlock sessions with the Successor Licensee together with the pre-requisites to ensure that we commenced the delivery of the handover asap.

Throughout RY25/26 we discussed the ongoing need to deploy the [redacted] resource with Ofgem, including the areas of activity and the costs involved. This was to ensure that there was continuing support to facilitate a smooth transition to DCC2.

Securing Value for Money

[redacted] was appointed through a [redacted] procurement process in RY24/25. We secured a significant reduction in rates delivering value for money. In RY25/26 spend reflects these reduced rates, continuing to provide good value for money.

Future Considerations (inclusive of RY26/27 forecast)

Workload is expected to increase in preparation for the handover period leading up to the Successor Licensee. We will utilise in house expertise as much as possible and build enduring knowledge, but naturally with this being the time of Licence Renewal and business handover, the workload will increase hence the larger budget and as the budget has a zero baseline this is shown as a variance.

1.5.7. Licence Renewal - Capita Separation

Overview of Variance

As set out in the Business Handover Plan (BHP), Capita is providing resource to DCC to deliver Handover Work Package 11, DCC Exit Costs. There is a team of eleven (not FTE) Capita employees who are delivering a range of activities for DCC as set out in the Scope of Variance section below.

In accordance with its Licence, DCC is required to deliver the activities in the BHP. Ofgem is aware that the costs of providing these resources are being charged to DCC by Capita. As there was no previous cost forecast for this activity the variance is the full value.

In the Business Handover Plan it was envisaged that Capita would need to provide support to DCC in the following areas:

- Finance systems and services – SAP system modules, billing system, system hosting, system admin, AP/AR support, payment platforms
- HR systems and services – WorkDay systems, system hosting, system admin, Expenses, Payroll management, tax, training modules, recruitment, HR admin, agency resourcing
- IT infrastructure, licenses and services
- Insurances – public liability, professional indemnity, employee liability– CBSL
- Surety bond and keep well deed
- Property services

Scope of Variance and Key Challenges

Capita charged DCC for support in the following areas:

- Production of the Exit Plan and Budget
- Management of TSA and ICA contracting
- Management of Systems TSA Offer
- Management of documenting DCC's IT requirements
- Production of the Data Transfer Register, Design Statements and TUPE inputs for Ofgem Data Room
- Production of the TUPE plan and agreements
- Management of information gathering on EDP interfaces and TUPE impact to systems.
- Management of all corporate applications technical and commercial queries
- Support from SAP Specialist Team
- Answer queries and provide support across full range of Capita systems and services

- As above, Capita also provided advice on property separation but did not charge DCC.

In delivering the separation of these systems and services, Capita expertise on the design, configuration and support requirements is critical to ensuring that the replacement systems and services function seamlessly from day 1.

Capita staff are also heavily involved in the various additional legal agreements that are being drafted to support the transfer of the business, including the Financial Payments Deed, Cooperation Deed, Enabling Agreement and Data Sharing Agreement.

Capita will need to work with DCC to ensure a smooth separation if systems and services until at least the Business Transfer Date on 2 November 2026.

Securing Value for Money

As Ofgem will be aware, Capita is charging DCC for its services based on the day rates in the Intercompany Agreement. Capita provides us with a billing sheet on a monthly basis for DCC to scrutinise and challenge if necessary. The ICA rates are competitive and in general are lower than the contractor benchmarks we provide Ofgem through the ex-post Price Control submission. In addition, we have negotiated with Capita that the Exit Workstream Sponsor and Property experts will not charge DCC for their time.

Future Considerations

Capita will be working on DCC Exit through to the Business Transfer Date and in a lesser capacity beyond and will be incurring costs. As the costs of Capita support are on a time and materials basis, if there is a change to the plan, there may be higher or lower resource demands on Capita which translate into different cost impacts. We have included a forecast of the Capita Exit Team Costs for Residual DCC Activities in the ex-ante Business Plan, covering the period from November 2026 until Licence Expiry.

1.6. Drivers for variance - non-resource RY26/27

1.6.1. [redacted] - Licence Renewal support

Overview of Variance

The variance reflects the targeted engagement of [redacted] to provide specialist support for Licence Renewal and the transition from DCC1 to DCC2, activities which were not explicitly included in the original baseline. This support is likely focused on areas requiring external expertise and additional capacity, including regulatory strategy development, preparation of Licence Renewal submissions, commercial and contractual support, transition planning to ensure continuity of service, and programme assurance.

The use of [redacted] addresses the complexity and time-critical nature of the transition period, helping to de-risk delivery and ensure compliance with regulatory requirements, while remaining scoped to discrete, time-bound activities to maintain proportionality and overall cost control. The bulk of the resource is being deployed on the replacement of corporate services. To maximise the overall efficiency of resources deployed across the programme, we worked with DCC2 to identify under-utilised resources that could fill gaps in the DCC1 programme head count.

Scope of Variance and key challenges

The cost of these resources was recently included as DCC2 pass through costs via an amendment to the direction issued by Ofgem on 17 March 2026. The amended direction, dated 12 June 2026, includes funding of £[redacted] for this purpose. Given this, these costs should not be subject to disallowance.

Future Considerations

These costs are to be treated as DCC2 pass through costs.

1.6.2. DCC2 HR & Finance Systems Implementation

Ofgem has determined that the transfer of DCC1's Authorised Business will take place on 2 November 2026. Condition 43 of the Smart Meter Communication Licence 1 (SMCL1) requires that transfer process to occur without disruption and in an orderly manner.

A key aspect of the transfer is the separation of DCC1's essential corporate services. These are currently outsourced to Capita (DCC1's Shareholder). The contracts for these essential corporate services cannot be transferred to DCC2 on an enduring basis and must be reprocured. The services are as follows:

1) HR Systems and Services (e.g. Recruitment, Benefits, Payroll, Pension, etc.).
2) Finance Systems and Services (e.g. Finance Business Support, Accounting and Reporting, Financial Planning and Forecasting, Treasury and Investment, Accounts Receivable, Accounts Payable / Expenses, Manage Finance Systems). Finance has the option for systems and services to be covered by a Transition Service Agreement (TSA) with Capita for 12 months following Business Handover 2 November 2026.
3) IT Service Management (e.g. ITSM tool and Service Desk staff currently spread across 17 Master Service Agreement call offs with Capita).

At the time last year's forecast was produced for RY26/27, we did not know whether the successful bidder for the DCC2 licence would have any corporate services, nor what the potential delivery route would be. Consequently, there was no committed cost forecast when the ABP was set. ROM costs were only available at the end of 2025 when DCC included forecasts for the procurement of corporate services in the ex-ante Business Plan.

In January 2026, Ofgem advised that these essential corporate services were unlikely to be provided by the successful DCC2 applicant and it should proceed with its planned procurement activities.

Securing Value for Money

We considered a number of different approaches to delivering these services 1) via Transitional Service Arrangements with Capita 2) design, build and run in house 3) a managed service provider 4) a hybrid model – buying the systems from external providers, but integrating and running them in house and 5) direct award to Capita's current system providers to facilitate a 'lift and shift'. Having ruled out options 1 and 2 due to their incompatibility with our design principles, we went out to market with an RFP that allowed bidders to make proposals against options 3 and 4.

Twelve companies submitted proposals which were assessed against cost, deliverability, quality and risk. We down selected to four potential solutions that DCC could implement for either a Managed Service or a Hybrid approach.

Based on our assessment of the bids we recommended the MSP route and convened deep dive sessions with our shortlisted vendors. Following these sessions, we made a recommendation to Exco, Investment Committee and the Board to award the contract for replacement of DCC's corporate services to [redacted]

Ofgem and DESNZ were engaged throughout on the options and the procurement approach and were an integral part of the decision-making process.

[redacted] were awarded the contract in April 2026, with a significant amount of Design Build and Test activity required in RY26/27 ahead of transfer of the Authorised Business on 2 November 2026.

Future Considerations

Although the DBT phase of the [redacted] contract means costs will be incurred ahead of transfer of the Authorised Business, the contract we have signed is for a three-year period with two single year extension options. In due course, DCC2 will need to decide whether to use these extension options or to reprocure the services.

1.6.3. Licence Renewal - Joint Handover Steering Group

Overview of variance

The variance arises due to the absence of an explicit baseline allocation for Joint Handover Steering Group (JHSG) activity within the original budget. The JHSG is a necessary governance forum to oversee delivery of the Business Handover Plan and support the transition from DCC1 to DCC2, operating within defined Terms of Reference.

Scope of Variance and Key Challenges

The scope covers governance activities including programme oversight, issue resolution, stakeholder coordination, and input to assurance planning. While essential to delivery, these activities were not separately identified at the time the baseline was set. The JHSG operates within clearly defined boundaries and does not have authority to approve cost increases.

Key challenges include delivering governance activity not originally baselined, coordinating multiple stakeholders, and maintaining effective decision-making within compressed delivery timelines. These are being managed without material expansion of scope or cost.

Securing Value for Money

Value for money is ensured through tight control of scope, use of existing roles and resources, and adherence to clear governance constraints. The JHSG's remit is limited to oversight and decision support, with no authority to drive additional expenditure.

Future considerations

Maintaining proportionality of governance activity will be important as the programme progresses. Continued control of scope, alignment with Ofgem expectations, and careful management of assurance requirements will support delivery within the overall cost envelope.

1.6.4. Price Control support

Overview of Variance

In RY25/26, **incurred costs were £256k below the regulatory baseline**. In RY26/27, the variance has arisen due to the zero-baseline set by Ofgem during the last price control cycle.

Price control support has been a necessary service over the past three years, providing essential independent assurance (which clearly cannot be delivered in house), significantly enhancing the quality of DCC's price control submission.

it is essential to note that given the specialist knowledge required for this work, external support will ensure continuity in the periods before and after business handover, supporting the quality of submissions.

We note that, in RY24/25 Ofgem disallowed costs related to this activity (having not done so in previous years). As we highlighted in our consultation response, we feel this is unjustified and that Ofgem should consider very carefully any disallowances associated with the spend used by DCC to appropriately engage in the regulatory settlement process. DCC is the only company regulated by Ofgem where Ofgem has sufficiently granular detail to disallow expert support relating to the regulatory process. It is a unique situation where Ofgem is both the 'judge' making decisions, and also a 'participant' in the regulatory process who is able to limit DCC expenditure on the regulatory process itself. In this context, there should be a very high bar for disallowances.

Scope of Variance and Key Challenges

The workload related to price control processes will increase in RY26/27 as we deliver the RY25/26 and RY26/27 ex-post price controls alongside the RY26/27 - RY27/28 and RY28/29 – RY30/31 ex-ante Business Plans and associated activity.

The demand that this will place on the in-house team means it is critical to use specialist external resource to support these processes. The use of specialist consultancies to support large regulatory submissions is very common amongst gas and electricity companies regulated by Ofgem, as well as comparable companies in adjacent sectors such as water. This applies to annual regulatory reporting and consultation support in addition to price control submissions, particularly for review and assurance across the many documents and datapoints. This is in our opinion the most cost-effective way to secure specialist and relatively scarce resources for short periods for peak activities.

[redacted] will provide price control support to DCC until September 2027. As discussed with Ofgem, we have assessed that it was critical to have external support in place before and beyond business handover to ensure continuity as the in-house team will increasingly be required to transition to deliver the new ex ante price controls. Given the interdependencies between the RY25/26 and RY26/27 ex post reviews (which overlap in delivery), and the need for consistency over time, it was necessary for external support to commence ahead of business handover and, to ensure a competitive process, we bundled together the support to RY25/26 and RY26/27 into a single engagement.

The support required in RY26/27 until business handover includes independent, risk-based quality assurance of the RY25/26 submission narrative, evidence, financial models and RIGs. This includes an independent 'Data and Assurance Report' provided to Ofgem alongside this submission. [redacted] is providing a targeted regulatory surge team to support DCC price control leads at peak times in the development of price control submissions, and providing programme management through the submission, cost query and cost visit phases of the price control process. Ahead of business handover it will also support in early mobilisation for the RY26/27 price control process.

This support will ensure the quality of DCC regulatory submissions to Ofgem during a period in which we will see a material spike in regulatory activity as Ofgem conducts two overlapping ex post price control processes (covering RY25/26 and the period of RY26/27 until Handover) alongside work on two ex-ante planning periods.

Securing Value for Money

To ensure cost efficiency, this service has been procured through a competitive request for proposal (RFP) process under DCC's procurement framework, opening it to the wider market. This approach ensures continued high-quality support while maintaining value for money.

We defined the scope of the service procured to provide the minimum viable support across this period. For example, the resources provided by [redacted] will flex throughout the period with a small core team to provide consistency between May 2026 and the end of the DCC1 Licence in September 2027. We will then utilise surge resources during the peak periods of activity (e.g. drafting the July submission and during the consultation period), with external resources reducing during other phases of activity.

In RY25/26, incurred costs were **£256k below the regulatory baseline**, with costs for RY26/27 showing as a variance due to the zero-baseline set for that year.

Future considerations

Post Business Handover, support will continue to be provided on the completion of the RY25/26 ex-post price control, delivery of the RY26/27 price control, and DCC1 close out activities. A forecast for this has been included in the ex-ante business plan.

1.6.5. Licence Renewal - Capita Separation

As the project did not have a budget allocated to it, a zero baseline exists for RY26/27 (continuation from RY25/26) creating a variance.

Overview of Variance

Capita currently provides the DCC with a number of critical corporate systems and processes, as well as the resources to support their effective operation. Ensuring that these are either transitioned effectively to the Successor Licensee or replacement services procured where the Successor Licensee does not have a specific capability will be crucial and a critical success factor of the Business Handover Plan - if the systems/services are not separated successfully the Successor Licensee will not be able to operate. As there was no previous cost forecast for this activity the variance is the full value.

Scope of Variance, Key Drivers and value for money.

The scope of costs anticipated to be incurred, the Capita services requiring replacement and integration into DCC infrastructure, and the approach to ensuring value for money are set out in Section 1.5.7. As the programme progresses towards the Capita separation date, resource levels are expected to increase in line with planned delivery phases, particularly during the business transfer stage. This reflects the need for additional specialist resources in key workstreams signified in Section 1.5.7 to support delivery and reduce implementation risk.

Data Communications Company

DCC Price Control RY25/26 – Commercial

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Table of Contents

1. Commercial Cost Centre 3
1.1. RY25/26 Cost Variances Overview 4
1.1.1. Internal Costs 4
1.1.2. External Costs 5
1.2. Purpose, scope and structure 5
1.3. Drivers of Internal Cost variance – Payroll 9
1.3.1. Commercial Operations 10
1.4. Driver for Internal Cost variance – Non-Resource 12
1.4.1. eProcurement Tool – [redacted] 12

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. Commercial Cost Centre

Summary

What is this and why is it important?

The Commercial function leads on sourcing and procurement, strategic management of external services and suppliers, management of supplier risk, and driving positive environmental, social, and governance (ESG) practice in our supply chain.

Given the scale of DCC operations, managing extensive procurement and re-procurement activities requires specialist commercial expertise. Our Commercial function ensures DCC selects suppliers who are not only operationally reliable but also financially stable and strategically resilient throughout the entire lifecycle of contracts. This includes assessing risks such as financial viability, environmental responsibility, and geopolitical and merger and acquisition risks.

The primary objective is to support the delivery of DCC activities in the most economic and efficient manner, ensuring compliance with Licence conditions while proactively managing supplier performance and third-party risks.

RY25/26 activities and costs

Total incurred Commercial costs for RY25/26 were £5.2m, £0.4m below the regulatory baseline of £5.6m (and £1.8m lower than prior year incurred costs of £7m, excluding Contract Management costs). This year-on-year net reduction was achieved despite a significant increase of DCC's procurement activities (partly due to the support to Licence Renewal programme).

In addition to this and aligned with the company's overall approach to external services spend, the function has significantly reduced its reliance on third parties.

Key areas of focus for DCC in RY25/26 included the support to the Licence Renewal programme and the Ex-Ante regulatory readiness (essential to enable a smooth transition to DCC2). The Commercial team also continued to support key programmes such as DSP, 4G CH&N and SMETS1 ANSO, all of which reached significant milestones this year (as described in our submission).

Implementation of contract management tools (e.g. [redacted] [redacted] has materially improved the end-to-end management of contract documentation by enabling centralised storage, version control and structured approval workflows. These are essential elements of procurement and commercial activities for a business operating at scale (and is standard in similar organisations).

Future activities and costs

Costs in RY26/27 (up to Business Handover) are expected to remain stable, reflecting the ongoing level of commercial activity required to support Licence Renewal (including supporting the transition to new corporate services for DCC2) and ongoing tactical and programme procurement, supplier risk management and continued delivery of the Procurement Strategy and Policy.

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 function 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).

Commercial Variance by GL

Baseline			RY25/26	RY26/27
Total Commercial		**£m**	**5.597**	**5.418**
Payroll costs	PR	£m	4.307	4.379
Non-payroll costs	NP	£m	0.091	0.093
Recruitment	RC	£m	0.127	0.117
Accommodation	AC	£m	-	-
External services	ES	£m	0.872	0.779
Internal services	IS	£m	-	-
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	0.200	0.050
Office Sundry	OS	£m	-	-
Incurred			**RY25/26**	**RY26/27**
Total Commercial		**£m**	**5.183**	**3.288**
Payroll costs	PR	£m	4.482	1.988
Non-payroll costs	NP	£m	0.082	0.053
Recruitment	RC	£m	0.046	0.044
Accommodation	AC	£m	-	-
External services	ES	£m	0.303	0.402
Internal services	IS	£m	-	-
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	0.271	0.347
Office Sundry	OS	£m	-	-
Variance			**RY25/26**	**RY26/27**
Total Commercial		**£m**	**-0.413**	**-2.585**
Payroll costs	PR	£m	**0.174**	-2.391
Non-payroll costs	NP	£m	-0.009	-0.040
Recruitment	RC	£m	-0.081	-0.073

Accommodation	AC	£m	-	-
External services	ES	£m	-0.569	-0.377
Internal services	IS	£m	-	-
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	0.071	0.297
Office Sundry	OS	£m	-	-

Table 1 - Commercial Variance by GL

1.1.2. External Costs

Not applicable for this function. Our material external costs for our SMETS2 programme are set out in the 'External Costs' chapter.

1.2. Purpose, scope and structure

Purpose

The Commercial team leads the procurement of external services, with a focus on securing value for money, supporting licence compliance and ensuring effective outcomes for DCC and customers. We manage the relationships with our external partners from concept to contract and provide the levers which enable DCC to deliver a reliable and repeatable service, at scale.

Scope

The Commercial team's scope can be broken down into the following activities:

- Execute all end-to-end procurement activity above £10k
- Support the business in capturing and defining their requirements in relation to the procurement of goods and services
- Oversee the commercial activity for Major Projects and Programmes
- Lead on the proactive management of strategic supplier relationships
- Drive strategic alignment and value creation with our principal suppliers
- Proactively minimise our exposure to supply chain risk by running suppliers through our third-party risk management framework
- Oversee the delivery of the DCC's Responsible Business Framework which focuses on delivering positive impact through responsible, inclusive and sustainable practices

Key events and objectives driving activity and cost

- Executed sourcing activities across strategic, programme and tactical procurement demand, representing a significant proportion of the Commercial team's workload
- Supported preparation for Licence Renewal and ex-ante regulatory requirements, including prioritisation of key re-procurements such as Capita contracts and Intercompany Agreements
- Maintained and strengthened the revised Benefits and Savings process, enabling independent sign-off of Commercial-led efficiencies and closing RY25/26 at 8% above target

- Embedded a new Procurement Strategy, in conjunction with Ofgem, which streamlined our procurement processes, maximised value for money and facilitated better outcomes for customers
- Introduced a Procurement Benchmarking Service that will enable the Procurement team to have major deals reviewed in detail (line-item pricing level) to help ensure we are delivering value for money for the UK consumer
- Continued to strengthen a robust Commercial pipeline, enabling greater forecasting of prospective activity and subsequent resource and demand modelling
- Delivering category strategies for Consultancy, Professional Services, Cloud, IT Services and Telco, with a key by-product being ongoing implementation of framework agreements for all of this spend, with the exception of Telco, where frameworks are not appropriate. It is anticipated that these frameworks will drive substantial savings vs what we have historically paid for these services (to be fully quantified once completed).
- Embedded the Third-Party Risk Management (TPRM) process allowing DCC to fully understand their supply chain risk and proactively mitigate issues
- DSP contracts completed and associated efficiencies were realised, procurement activity for this programme concluded
- As Comms Hub and Networks (CH&N) procurement activity came to an end, the Major Programmes Director (CH&N) transitioned into a new internal role from January 2026. The decision was taken that there was no further need for a dedicated Major Programmes sub team.
- Delivered a 9% absolute internal carbon emissions reduction compared to our RY24/25 baseline
- Completed our first full carbon baseline, expanding measurement scope from 4 to 14 categories
- Modelled our pathway to Net Zero, facilitating workshops with key strategic and operational stakeholders to understand our biggest opportunities for emissions reduction
- Enhanced digital capabilities to better support the execution of commercial strategies, improve end-to-end operational efficiency and enable proactive identification of risks and opportunities

Our Function Structure

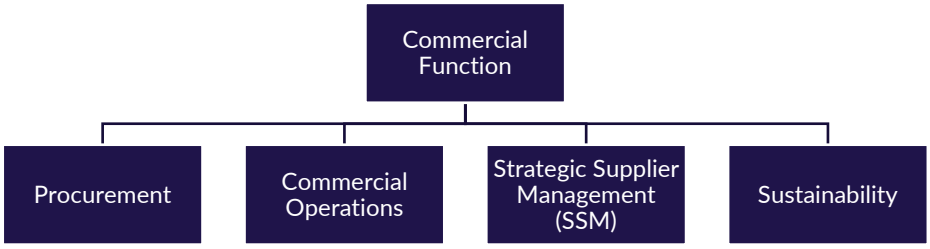


Figure 1 – Commercial Cost centre organisational structure for RY25/26

The below table provides the overview of the structural changes to the cost centre during RY25/26 and a description of the teams within the structure.

Sub-team structure reported in RY24/25	Sub-team RY25/26	Description
Commercial Operations *CCO included*	**Commercial Operations** *CCO included (removed from Jan 26 onwards)*	**Commercial Operations and Planning** Accountable for: • Functional business planning, including resource and budget management, to ensure key commercial outcomes are achieved. • Ensuring a proactive approach to scheduling commercial support for the wider DCC, interlocking plans and resource requirements. • Overseeing and coordinating all commercial audit, compliance and assurance activity, ensuring the timely resolution of actions and sharing of lessons learned. • Reporting and providing data and insight for Commercial Management and DCC Executive Committee to inform key decision making. • Identification, mitigation, tracking and reporting of functional risk, in line with DCC's enterprise approach. • Design and delivery of the long-term Commercial change agenda, including cross-functional projects and improvement initiatives. • Management and governance of commercial processes, systems and tools. • The ongoing management and reporting of Commercial benefits (efficiency, avoidance and non-financial). **CCO (Chief Commercial Officer) – removed for RY25/26** • Commercial Senior Leadership providing strategic oversight. Overall accountability for Commercial objectives. Following the departure of the Chief Commercial Officer in Jan 26, the role was not backfilled, delivering an efficiency of 1 FTE. The Commercial function subsequently moved under the control of the CFO, with the Procurement Director assuming leadership of the Commercial function, supporting a more efficient and integrated operating model.
Procurement	**Procurement**	**Procurement** Accountable for: • Procuring goods and services on behalf of the DCC in line with the approved Procurement Policies, Strategy and Procedures. • Negotiating major contracts pertaining to the delivery of key DCC Services in line with the approved Procurement Policies, Strategy and Procedures. • Challenging and drive cost savings that represent value for money and ensure customers receive an appropriate level of information to justify expenditure. • Building and maintaining Programme relationships with DCC major programmes on behalf of Commercial, representing all

Sub-team structure reported in RY24/25	Sub-team RY25/26	Description
		commercial aspects where required and the negotiation of significant contracts into the DCC eco-system. • Promoting the adoption of the DCC's Procurement Policy and Procedures throughout the organisation. • Ensuring compliance with the relevant regulatory and legal framework and support DCC Legal team to ensure effective contract terms and conditions are developed and implemented.
Strategic Supplier Management (SSM) *consisting of two sub-teams*	**Strategic Supplier Management (SSM)** *consisting of two sub-teams.* *From Jan 26 onwards **Major Programmes** came to an end and **SSM** moved into Commercial Operations*	**Strategic Supplier Management** Accountable for: • Operating the contact & engagement framework in which suppliers and DCC can dock into, driving effective decision making and escalation whilst ensuring accountability sits in the right area. • Managing Strategic Supplier Relationships, focusing on delivering value over and above the contracted terms through building robust partnerships, driving collaboration and innovation, and mitigating risk. • Leading on Third Party Risk Management for Smart DCC. • Creating individual supplier strategies aligned to the DCC strategy. • Creating detailed supplier profiling and intelligence to support DCCs ability to make effective decisions on its supply chain. • Communicating DCC strategy and forward plans to align with supplier strategies, promote relationship / networking with strategic suppliers. **Major Programmes:** Accountable for: • Providing extensive support and expertise in a large number of high-value procurements for our major programmes. • Developing and managing the execution of commercial strategies on major programmes. • Lead negotiations on a wide range of major procurement activities including leading negotiations on all the Network Evolution sub-programmes. Note: The recorded costs for commercial programme directors will be charged to the programme budget where appropriate rather than the central overhead. (This is not accounted for in our forecast yet and drives the higher 25/26 and 26/27 cost).
Sustainability	**Sustainability** *From Jan 26 onwards these FTE moved to Corporate Management*	**Sustainability** Accountable for: • Managing the development and implementation of the Responsible Business Framework focusing on holding DCC and its suppliers to a high-level of environmental, social and

Sub-team structure reported in RY24/25	Sub-team RY25/26	Description
		governance outcomes. • Implementing new policies and processes to raise DCC's and supplier ambition and drive increased social and environmental value. • Establish ESG reporting baselines, set future targets and monitor performance. • Identify and address ESG risks and opportunities.

Table 2 – Description Per Sub-Team Structure

1.3. Drivers of Internal Cost variance – Payroll

Cost centre variance by Sub-Team

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

Baseline		RY25/26	RY26/27
Commercial Payroll Costs	**£m**	**4.307**	**4.379**
Commercial Operations	£m	1.125	1.088
Procurement	£m	2.449	2.549
Strategic Supplier Management	£m	0.488	0.488
Sustainability Team	£m	0.245	0.255
Incurred	**RY25/26**	**RY25/26**	**RY26/27**
Commercial Payroll Costs	**£m**	**4.482**	**1.988**
Commercial Operations	£m	1.613	0.768
Procurement	£m	2.278	1.220
Strategic Supplier Management	£m	0.414	-
Sustainability Team	£m	0.178	-
Variance	**RY25/26**	**RY25/26**	**RY26/27**
Commercial Payroll Costs	**£m**	**0.174**	**-2.391**
Commercial Operations	£m	0.488	-0.320
Procurement	£m	-0.172	-1.329
Strategic Supplier Management	£m	-0.075	-0.488
Sustainability Team	£m	-0.067	-0.255

Table 3 – Cost centre variance by Sub-Team

1.3.1. Commercial 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 £488k variance in Commercial Operations is partially offset by a £75k underspend in Strategic Supplier Management, resulting in a net variance of £413k. This is primarily driven by the transfer of roles into Commercial Operations during RY25/26.

Variance		RY25/26	RY26/27
Commercial Operations	£m	0.488	-0.320
Strategic Supplier Management	£m	-0.075	-0.488
Net variance	£m	0.413	-0.808

Table 4 – Commercial ops vs SSM net variance

Although total payroll costs were £174k above the baseline, the incurred cost remained below the level anticipated in DCC's resource planning for RY25/26. The reported variance should therefore be understood in the context of price control baseline treatment and rather than discretionary expansion of the Commercial function. The principal driver of the reported payroll variance is Ofgem's disallowance of the forecast increase in SSM costs for RY25/26 as part of its final decision on DCC's RY24/25 price control submission. Accordingly, we have explained these roles in the following sections.

Scope of Variance and Key Drivers

Commercial Operations continues to provide essential enabling capability underpinning delivery across the wider Commercial function. This includes executive leadership support, integrated resource and budget management, commercial pipeline and demand forecasting, audit and assurance activity, and continuous improvement initiatives.

During RY25/26, DCC began integrating Strategic Supplier Management into Commercial Operations. Three roles transferred into Commercial Operations to support supplier relationship management across the full year, increasing the reported Commercial Operations FTE while reducing the equivalent SSM position. This explains the increase in Commercial Operations FTE from a forecast average of 9 FTE (in our RY24/25 submission) to an average of 11.8 FTE, along with a reduction in SSM FTE.

Across RY25/26, the FTE profile peaked at 13 at the start of the year and reduced down to 9.8 due to staff leaving the business. The Chief Commercial Officer (CCO) left the organisation late in RY25/26, resulting in a leadership transition and redistribution of responsibilities across the function. While the departure of the CCO led to an FTE reduction, and a long-term cost saving, there was not an associated cost reduction in the period due to exit costs and higher duties being fulfilled by the Procurement Director.

We note that Ofgem disallowed the forecast increase in the SSM sub-team as part of the RY24/25 price control process, therefore there is not an equivalent negative variance reported for that team for the three reallocated roles (i.e. the baseline does not capture the total FTE in SSM). We consider all FTEs and associated costs as required in RY25/26, both for SSM and Commercial Operations. The costs that we have reported under SSM in RY25/26 account for the time spent by commercial programme directors on delivering key procurements across CH&N and DSP2, before they either left the business or transferred to

another DCC function. In addition, the costs include the Head of SSM who moved to Risk and Audit as the Head of Enterprise Risk Management in Finance in the second half of the year. These SSM roles were critical to support the significant procurement activity during RY24/25 and into RY25/26.

Securing Value for Money

Value for money has been secured by rebalancing resource across the Commercial function, consolidating activity within Commercial Operations and improving planning, governance and prioritisation. This has allowed DCC to absorb additional responsibilities while operating below the overall FTE level assumed in internal business planning.

Within Commercial and aside from price control reporting, we operate within a budget that encompasses the whole function, covering all sub-teams and non-resource costs. Actual resourcing across Commercial was 35.9 FTE compared to a forecast of 42 FTE (as set out in our RY24/25 submission), reflecting natural attrition and planned staff movements during the year. Within this overall reduction, Commercial Operations increased in size from 9 FTE to 11.8 FTE, as responsibilities were consolidated into the function and capability was reshaped to better support planning, governance and control. In RY25/26, the move to the current team structure reduced reliance on external support, contributing to lower external service costs in DCC's price control reporting.

Specifically for Commercial Operations, our planning capability has been strengthened, supplier-facing roles clarified, and accountability for stakeholder engagement improved. These changes support clearer ownership, stronger governance and more effective delivery across Commercial. Overall, Commercial Operations has absorbed additional responsibility within a controlled cost envelope, contributing to a more streamlined and resilient Commercial operating model.

The SSM team supported some of DCC's largest re-procurements to date, including DSP2 award, contract signature across four lots and mobilisation activity. This activity was critical to delivery but was not fully captured through direct programme time-booking, meaning the central Commercial cost centre reflects part of the resource required to support these major procurements.

In addition, our CH&N programmes moved from the mass rollout decision for the new 4G communications hub into the Device Manage re-procurement, a critical contract for our 4G CH&N programme. More support was also needed within this period to embed the Third-Party Risk Management process which is now operating as BAU.

Future Considerations

The Commercial function will continue to monitor its resourcing position closely, with particular focus on maintaining an efficient operating model for Commercial Operations. Forward planning, audit readiness and efficiency improvements will remain priorities, with future changes driven by delivery need rather than discretionary expansion. Overall, the function is operating within expected cost parameters and with no material change in scope.

From RY26/27, the integrated team will operate as Strategic Supplier and Commercial Management (SSCM), with a focus on creating long-term value through strategic supplier relationships, stronger commercial governance and more data-led decision making. Therefore, no costs are forecast for SSM in RY26/27.

1.4. Driver for Internal Cost variance – Non-Resource

Variance	GL		RY25/26	RY26/27
eProcurement Tool - [redacted]	IT	£m	0.071	0.262

Table 5 – Non-resource variances

1.4.1. eProcurement Tool – [redacted]

Overview of Variance

As outlined in the summary section above, DCC continues to use [redacted] as its core eProcurement platform to manage procurement, supplier and contract lifecycle activity in a controlled and auditable manner. This is consistent with Ofgem's consultation point 5.39 which states that "the delivery of effective procurement systems and commercial controls is a core requirement for DCC as a monopoly service provider".

The baseline for RY25/26 reflects our forecast [redacted] costs set in November 2023 as part of our annual business planning and was included in our RY24/25 price submission.

There are two elements to the spend: Licences, (costs covered by EIT) and Support and Maintenance, (costs covered by Commercial). At the point the forecast was developed, the full [redacted] cost profile was not captured across the relevant cost lines. As a result, the positive cost variance for RY26/27 is due to the annual [redacted] licence fee not being included as part of the EIT forecast rather than there being a change in DCC's use of the platform.

Scope of Variance and Key Challenges

Our baseline for RY26/27 reflects our estimated monthly costs at the time of the RY24/25 submission. Our revised forecast for RY26/27, now includes both the monthly cost and licence fee.

At the time of RY24/25, forecast costs for RY26/27 totalled £0.271m across all charges. We expect the actual cost for the period to be lower due to the latest licence fee being lower than forecast and therefore expect total spend to be closer to £0.200m.

These [redacted] costs cover:

- Licences (Covered by EIT) – Ensuring the right individuals have controlled, auditable, and appropriate access to the system.
- System Support & Maintenance – Ensuring ongoing stability, availability, and performance of the platform, including routine support activities required to keep the system running effectively.
- System Improvements & Enhancements – Addressing user requirements through targeted improvements and incremental upgrades to optimise usability, efficiency, and user experience.

Securing Value for Money

This tooling enables DCC to meet Licence Condition 16 (Procurement of Relevant Service Capability) by providing a transparent, controlled and auditable platform for procurement, supplier management and contract lifecycle activities in line with the approved Procurement Strategy.

It also provides material supporting benefits for Licence Condition 20 (Governance and internal controls) and Licence Condition 21 (Information provision and reporting) by strengthening commercial governance, approval controls, audit trails and the availability of accurate, timely management and regulatory information.

Without an enterprise procurement platform, DCC would be reliant on manual tools such as spreadsheets and email to manage procurement, supplier and contract lifecycle activity. This would materially reduce the strength of DCC's audit trail, approval controls, data quality and management information, making it significantly more difficult to evidence compliance with Licence Conditions 16, 20 and 21 to the standard

expected of a monopoly service provider. It would also increase the risk of inefficient processes, inconsistent decision-making and poorer value for money for customers.

Future Considerations

DCC will continue to review the value and effectiveness of its commercial tooling to ensure it remains proportionate, efficient and aligned to future operating requirements. However, we are concerned that Ofgem continues to disallow some of these costs as it drives the wrong incentives and does not support DCC in developing lean and cost-effective commercial capabilities and processes.

Plans for the post-business-handover period are addressed in the ex-ante price control submission.

Data Communications Company

DCC Price Control RY25/26 – Finance and People

Version: 1.0
Date: 31.07.2026

Table of Contents

1. Finance and People Cost Centre 3
   - 1.1. RY25/26 Cost Variances Overview 4
     - 1.1.1. Internal Costs 4
     - 1.1.2. External Costs 5
   - 1.2. Purpose, Scope, and Structure 5
     - 1.2.1. Purpose and Scope 5
   - 1.3. Key action RY25/26 9
   - 1.4. Drivers for Internal Cost variance – Resource 9
     - 1.4.1. Finance Office 11
   - 1.5. Drivers for Internal Cost Variance – Non-Resource 12
     - 1.5.1. Accommodation - Outsourced Workplace Experience 12
     - 1.5.2. Redundancy related support 13
     - 1.5.3. [redacted] Financing Consultancy 14
     - 1.5.4. Outsourced Learning Partner 16
     - 1.5.5. Drivers for Internal Cost Variance – Non-Resource RY26/27 only 18
     - 1.5.6. Outsourced Learning Partner 18
     - 1.5.7. Legal Advice overall 20
     - 1.5.8. Legal Advice - Licence Renewal 20
     - 1.5.9. RY26/27 - Forecast Legal cost Provision 22

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. Finance and People Cost Centre

Summary

What is this and why is it important?

The Finance and People cost centre brings together essential enabling functions, including Finance, Legal, Enterprise IT (EIT) and People services. These functions provide the financial control, legal assurance, technology capability and people support required to maintain operational stability, meet Licence obligations and support DCC's transition to DCC2.

The Finance function supports effective decision-making through robust reporting, risk management and financial control. It also leads business planning, which is increasingly important as DCC moves to an ex-ante price control framework and requires stronger forward-looking cost, performance and delivery discipline.

The People Team defines and delivers DCC's people strategy, ensuring the organisation attracts, develops and retains the talent needed to meet its obligations. This includes building organisational capability through high-quality learning and development, and fostering the culture, engagement and leadership required to deliver strategic priorities while maintaining operational resilience.

As DCC approaches the end of the current Licence, the People Team is playing a critical role in supporting colleagues and enabling a smooth transition to DCC2. This includes partnering with [redacted] to design and implement replacement systems and services, leading the transfer of colleagues to the new employment entity through TUPE, and maintaining strong employee relations throughout the transition.

RY25/26 activities and costs

In RY25/26, total expenditure was £25.5m, £3.6m below the regulatory baseline of £29.1m. This underspend comprised £3.1m of resource costs and £0.5m of non-resource costs. The main drivers were the transfer of EPMO into Service Delivery, which reduced costs by £1.7m, alongside lower EIT resource costs (£0.8m) and reduced IT services costs (£1.1m).

People

The People function plays a critical role in ensuring that DCC maintains the organisational capability, culture and leadership required to deliver its strategic priorities.

In RY25/26, the people team was responsible for two material projects (which led to significant cost savings):

Project Jupiter which enabled an improved operating model across key areas of the business and delivered reductions of £7.2m in operating cost.

The transition out of Ibex House into a new site at Riverscape at the end of the lease in December 2025 which overall has led to a £1.35m saving in our accommodation costs.

Against this backdrop, the Colleague Advocacy Score reached +14, reflecting very positive levels of employee engagement despite the organisational changes following Project Jupiter. The Engagemen Index remained stable at 68%, which is positive (external benchmarks suggest a typical two ye recovery period after major workforce reductions).

Finance

In RY25/26, the CFO function has been actively involved in preparation for Licence Renewal and ex ante price control (with enhanced focus on business planning processes and capabilities).

The CFO function contributed materially to preparations for Licence Renewal and the ex ante price control, including enhancements to business planning processes. In March 25, the function transitioned from an interim CFO to a permanent CFO, which included a limited four-month overlap (which was

necessary to ensure leadership continuity, maintain effective financial control and support an orderly handover).

Legal
In RY25/26, the Legal function played a central role in supporting DCC's operations through advice and leadership on contract negotiation, regulatory compliance, procurement and the delivery of major programmes.

These activities were essential to meeting Licence and Code obligations and to managing legal, financial, operational and commercial risk. During the year, the function operated through a structured delivery model, combining in-house expertise with targeted external support to enable cost-effective and efficient delivery.

Enterprise IT
During RY25/26, Enterprise IT delivered a broad programme of activity to support the organisation's transition away from Capita and strengthen core technology services. In parallel, EIT reduced reliance on legacy arrangements by terminating, or scheduling the closure of, call-offs under the Capita IT Master Services Agreement.

Future activities and costs

Looking ahead to RY26/27, our focus will remain on ensuring a smooth transition to DCC2, including the effective move to an ex ante economic regulatory framework. In addition to this, the People Team will manage the TUPE process for employees and continued support to the Licence Renewal programme.

Legal support will continue to play a key role as DCC delivers on key programmes (e.g. DSP).

1.1. RY25/26 Cost Variances Overview

We summarise our relevant internal costs in this section and explain the material cost variances (greater than £0.150m) 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 cost centre purpose and our resource and non-resource costs.

Cost Centre 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.

Baseline			RY25/26	RY26/27
Total Finance & People		**£m**	**29.175**	**29.120**
Payroll costs	PR	£m	17.805	17.713
Non-payroll costs	NP	£m	0.471	0.490
Recruitment	RC	£m	0.403	0.377
Accommodation	AC	£m	0.942	0.965
External services	ES	£m	2.451	2.393
Internal services	IS	£m	0.450	0.450
Service management	SM	£m	-	-

Transition	TR	£m	-	-
IT Services	IT	£m	6.579	6.658
Office Sundry	OS	£m	0.074	0.074
Incurred			**RY25/26**	**RY26/27**
Total Finance & People		**£m**	**25.549**	**14.844**
Payroll costs	PR	£m	14.705	8.656
Non-payroll costs	NP	£m	0.325	0.155
Recruitment	RC	£m	0.283	0.174
Accommodation	AC	£m	1.576	0.918
External services	ES	£m	2.570	2.388
Internal services	IS	£m	0.568	0.300
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	5.501	2.221
Office Sundry	OS	£m	0.022	0.032
Variance			**RY25/26**	**RY26/27**
Total Finance & People		**£m**	**-3.626**	**-14.276**
Payroll costs	PR	£m	-3.100	-9.057
Non-payroll costs	NP	£m	-0.146	-0.335
Recruitment	RC	£m	-0.120	-0.204
Accommodation	AC	£m	**0.633**	-0.046
External services	ES	£m	0.119	-0.005
Internal services	IS	£m	0.118	-0.150
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	-1.078	-4.437
Office Sundry	OS	£m	-0.052	-0.042

Table 1 – Cost centre variance by GLs

1.1.2. External Costs

Not applicable for this function.

1.2. Purpose, Scope, and Structure

1.2.1. Purpose and Scope

The chapter encompasses three distinct functions:

- The Chief Financial Officer function (CFO function)
    - Legal

- The People function
- The Enterprise IT (EIT) function

Chief Financial Officer Function

The Chief Financial Officer (CFO) function provides Finance, Legal, Risk and Assurance services that support the organisation's core objective of maintaining a secure, reliable and stable network. In RY24/25, the function also included the Enterprise PMO (EPMO), which moved to Service Delivery in RY25/26. In addition, the CFO function has been instrumental in supporting preparations for relicensing and the transition to an ex-ante price control framework during RY25/26.

The CFO team consists of Finance, Legal, Risk, and Assurance teams. The CFO team is essential due to three key roles:

- Define – the CFO team define and evolve the DCC Lifecycle Management approach, designed with clear accountabilities and a rigorous control framework, optimised by technology, and continuous improvement.
- Empower – the CFO team deliver DCC's data, systems, processes, and governance that will empower the organisation, teams, and individuals, thus remove barriers and simplify how we get things done.
- Govern – the CFO team track performance of the business, as well as design and enforce the Governance Framework.

The CFO team structure for RY25/26 is set out in Figure 1. This structure was established in RY23/24 and embedded throughout RY24/25 and RY25/26.

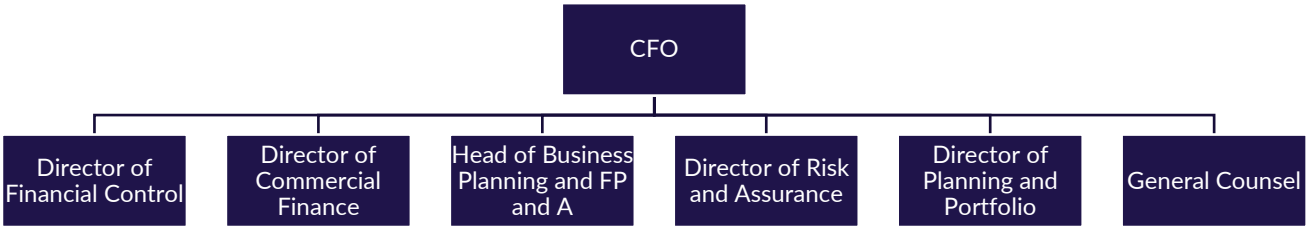


Figure 1. Finance cost centre organisational structure for RY25/26

The sub-team structure, and their responsibilities, are set out in Table 2 below (after People and Enterprise IT).

People Function

For regulatory reporting purposes, the People function, which is responsible for all aspects of Human Resources activity within DCC, is also included within the return for the Finance RIGs cost centre. It is important to note that the People function includes not only Human Resources/People team but also dedicated teams within Workplace Experience, Health and Safety and Internal Communications. In RY25/26, we have made considerable progress executing against our three Strategic Pillars:

- **Workforce Force and Capability** – Ensuring DCC has the resources it needs to deliver its mandated activity.
- **Culture Transformation** – Creating an environment where people enjoy working and can be at their best.
- **Employee Value Proposition (EVP)** - Defining the unique benefits that make people want to join and stay working for DCC.

To meet these pillars, The People team are responsible for:

- **Strategic Business Partnering** – Supporting leaders to drive performance and change through their people.

- **HR Operations and Reward** – Managing fair, consistent, and efficient processes, systems, and pay frameworks.
- **Culture and Engagement** – Shaping behaviours, values, and the employee experience across DCC.
- **Leadership and Learning** – Building organisational capability through targeted development and talent retention.
- **Talent Acquisition and Management** – Recruiting the right people and developing critical skills and succession pipelines.

The responsibilities of the Workplace Experience and Internal Communications teams respectively are:

- **Workplace Experience** – Overseeing property, facilities, and the working environment.
- **Internal Communications** – Enabling clear, consistent communication, engagement and connection to DCC's strategy and purpose.

The People team structure for RY25/26 is set out in Figure 2 below. This structure was established in November 2024 following a change in leadership structure in RY24/25 to drive leaner, more agile management.



Figure 2. People cost centre organisational structure RY 25/26 (from November 24 onwards)

The sub-team structure, and their responsibilities, are set out in Table 2 below after we have explained operating model for Enterprise IT.

Enterprise IT team structure

Our Enterprise IT (EIT) team delivers the technology and data services that support the internal DCC business functions. It is not responsible for the technology that directly supports the Smart Metering network. EIT manages the budget for most of the hosting, licensing, and support services for Enterprise applications and services used by the business functions (except those supplied by Capita), and the asset management of hardware and software consumed by the business. Other responsibilities include managing the relationship with Capita and other suppliers for the delivery of core EIT technology services, and other services hosted by Capita. The team's roles and responsibilities are as follows:

- Managing the relationship with suppliers for the delivery of core EIT technology services.
- Advising transformation projects and enterprise projects to ensure we have a defined strategy for data and application management, minimising shadow IT, and serving as an enabler for integration whilst maintaining our security posture.
- Managing the cloud infrastructure that supports numerous business applications such as the SOC (Security Operations Centre) & TOC (Technical Operations Centre) systems, the Interoperability Checker, as well as numerous SEC modifications.
- Promoting and developing internal applications that support automation or process improvement, utilising Microsoft services already licensed, and specialising in Power Platform.
- Providing the End User Computing solutions (e.g., desktop, network, mobile telephony etc.) for all users (employees, contractors, consultants, and external service providers)

- Managing governance of our assets, both physical and logical – including device management, software licensing, user accounts, and so on.

The Enterprise Testing team has transferred into the EIT team, effective from 1 February 2026, consisting of 3 FTE.

The Enterprise IT team structure for RY25/26 is set out in Figure 2 below.

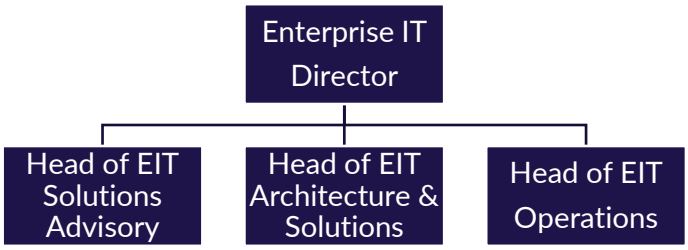


Figure 3. Enterprise IT organisational structure RY 25/26

Sub team RY23/24	Sub-team RY24/25 and RY25/26	Description
Enterprise IT	Enterprise IT	Responsible for designing, operating, and governing all aspects of the Internal DCC technology and communications infrastructure.
People Team	People Team	The People Team delivers core HR services across the full employee lifecycle, including recruitment, training, policy, employee relations, and operational support. This includes direct responsibility for culture, leadership development, succession planning, reward, and organisational design to support the attraction, retention, and development of talent.
People Team	Workplace Experience	Workplace Experience leads on property strategy and execution towards a two-site portfolio. It is also responsible for facilities management managing the partnership with [redacted] (outsourced arrangement) across DCC's sites, ensuring safe, efficient, and fit-for-purpose workspaces that support hybrid working and organisational goals.
People Team	Internal Communications	The **Internal Communications team** ensures employees are informed, aligned, and engaged with DCC's mission and strategy. It enables: Clear understanding of business goals and individual contribution Stronger employee connection and engagement Consistent messaging to support change, culture, and performance This function is vital in maintaining cohesion across a hybrid and evolving organisation.
Commercial Finance	Commercial Finance	Responsible for producing financial plans and forecasts, business partnering to the organisation, driving cost efficiencies, evaluating investment decisions, and month end reporting.
Enterprise Portfolio Management Office (EPMO)	EPMO and Process Improvements	Responsible for enterprise-wide activity planning and process improvement. **This has now moved to service delivery chapter.**
Finance Office	Finance Office	Responsible for the costs of the CFO, who is a member of the DCC Board, and the finance team PA.
Finance Transformation	Finance Transformation	Responsible for driving value in the creation of more robust systems and processes. These, in turn, create more meaningful insight and control.
Regulatory Finance and Pricing	Regulatory Finance and Pricing	Responsible for the preparation and publication of the Charging Statements and charging policy interactions with Ofgem and the Department for Energy and Net Zero (DESNZ).
Legal	Legal	Responsible for all legal matters within DCC, including those referred to by external counsel.
Financial Control and Reporting	Financial Reporting	Responsible for producing the Statutory Accounts, master data set up, Price Control data, purchasing and billing operations, and cash management.

Risk and Audit	Risk and Assurance	Responsible for delivering risk and policy-based internal audits, tracking audit recommendations to completion, managing enterprise and functional risk, performing regulatory compliance, and ensuring health, safety, and environmental compliance.
Business Planning & FP&A	Business Planning & FP&A	Responsible for leading on: Annual Business Planning and quarterly forecasting cycles; financial performance reporting and analysis to support strategic decision-making. Includes a Transformation sub-team that helps with the financial side of the Licence renewal and ex-ante work.

Table 2 – Sub-teams within the Finance, People and Enterprise IT areas

1.3. Key action RY25/26

Project Jupiter

Project Jupiter established an operating model implemented between June and August 2026, designed to drive efficiency in line with DCC's cost structure - this project has saved £7.2m. As part of this initiative, a comprehensive review identified opportunities for productivity improvements across corporate functions, including CTO, Service Delivery, and Operations.

This resulted in the review of the overall operating model, mainly in the DBR function. The associated redundancy programme was undertaken in accordance with UK employment law and good practice expected of a regulated entity, including transparent consultation, fair selection processes, and appropriate redeployment opportunities. The restructuring ensured that organisational capability remained aligned to strategic and operational requirements while delivering sustainable efficiency gains for consumers.

Across four main functions, Project Jupiter impacted 146 roles, resulting in 56 redundancies and 90 new roles being created (consolidated responsibilities), and the associated recruitment support therefore covered both staff redeployment activity and external hiring where required. Project Jupiter addressed the operating model, and looked to align structures, reduce duplication and increase accountability and autonomy, with the overall objective to reduce FTE costs and better serve our customers.

Across the submission, we required support for benchmarking the role consolidations and reorganisation, along with recruitment support to redeploy staff across roles, or hire externally where these could not be filled.

1.4. Drivers for Internal Cost variance – Resource

The overall payroll costs variance is an underspend of £3.100m in RY25/26. Accordingly, this year we have explained the material variances and each team's role, purpose, and activities.

Cost centre variance by Sub-Team

The table below shows the payroll variance by sub-team within the Finance and People cost centre.

Baseline		RY25/26	RY26/27
Finance & People Payroll Costs	**£m**	**17.805**	**17.713**
Business Planning & FP&A	£m	1.251	1.102
Commercial Finance	£m	1.869	1.810
Enterprise IT	£m	3.006	3.058
EPMO and Process Improvements	£m	3.550	3.610
Finance Office	£m	0.416	0.332
Finance Transformation	£m	0.222	0.230
Financial Reporting	£m	1.299	1.294

Internal Communications	£m	0.527	0.535
Legal	£m	1.149	1.188
People Team	£m	2.712	2.688
Regulatory Finance and Pricing	£m	0.342	0.354
Risk and Assurance	£m	1.205	1.262
Workplace Experience	£m	0.163	0.165
Time Management Project Resource	£m	0.001	-
Wi-Fi Tactical Project Resource	£m	0.094	0.088
Incurred		**RY25/26**	**RY26/27**
Finance & People Payroll Costs	**£m**	**14.705**	**8.656**
Business Planning & FP&A	£m	1.348	0.747
Commercial Finance	£m	1.694	1.121
Enterprise IT	£m	2.173	2.046
EPMO and Process Improvements	£m	1.850	-
Finance Office	£m	0.571	0.187
Finance Transformation	£m	0.357	0.196
Financial Reporting	£m	1.365	0.976
Internal Communications	£m	0.548	0.463
Legal	£m	1.032	0.523
People Team	£m	2.569	1.628
Regulatory Finance and Pricing	£m	0.302	0.184
Risk and Assurance	£m	0.813	0.586
Workplace Experience	£m	-	-
Time Management Project Resource	£m	-	-
Wi-Fi Tactical Project Resource	£m	0.023	-
Business Process Management Tool	£m	0.003	-
Clarity PPM Transformation	£m	0.001	-
DCC Delivery Framework	£m	0.031	-
Windows 11 Deployment	£m	0.004	-
Project Elm	£m	0.006	-
Project Pearl	£m	0.013	-
Variance		**RY25/26**	**RY26/27**
Finance & People Payroll Costs	**£m**	**-3.100**	**-9.057**
Business Planning & FP&A	£m	0.097	-0.355
Commercial Finance	£m	-0.175	-0.689
Enterprise IT	£m	-0.833	-1.012

EPMO and Process Improvements	£m	-1.700	-3.610
Finance Office	£m	0.155	-0.145
Finance Transformation	£m	0.135	-0.034
Financial Reporting	£m	0.066	-0.318
Internal Communications	£m	0.021	-0.072
Legal	£m	-0.116	-0.665
People Team	£m	-0.143	-1.060
Regulatory Finance and Pricing	£m	-0.040	-0.170
Risk and Assurance	£m	-0.391	-0.676
Workplace Experience	£m	-0.163	-0.165
Time Management Project Resource	£m	-0.001	-
Wi-Fi Tactical Project Resource	£m	-0.071	-0.088
Business Process Management Tool	£m	0.003	-
Clarity PPM Transformation	£m	0.001	-
DCC Delivery Framework	£m	0.031	-
Windows 11 Deployment	£m	0.004	-
Project Elm	£m	0.006	-
Project Pearl	£m	0.013	-

Table 3 – Cost centre variance by sub-team 28/04

1.4.1. Finance Office

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

As outlined below, the variance in the Finance Office primarily reflects a planned, short-term transition between the interim and the new permanent CFO.

Scope of variance and key challenges

During 2025/26, DCC transitioned from an Interim CFO arrangement to the appointment of a permanent CFO. To ensure leadership continuity, maintain effective financial control, and support a smooth handover, a limited period of overlap (4 months) was deliberately retained. This approach avoided delivery risk during a critical transition while not recruiting a separate Finance Director, thereby preventing longer-term duplication of senior roles.

This overlap is the principal driver of the in-year variance. It was time limited by design and reflects prudent management of key leadership risk rather than a structural increase in finance costs.

Securing value for money

Overall, this approach delivered a lean but effective finance leadership and support model, balancing cost control with appropriate governance and continuity during a period of organisational change.

1.5. Drivers for Internal Cost Variance – Non-Resource

Variance	GL		RY25/26	RY26/27
Outsourced Workplace Experience	AC	£m	0.565	-0.046
[redacted] Financing Consultancy	IS	£m	0.358	-
Redundancy related support	ES	£m	0.165	-
Outsourced Learning Partner	ES	£m	0.261	0.662

Table 4 – Internal Cost Variance – Non-Resource

1.5.1. Accommodation - Outsourced Workplace Experience

Overview of variance

In RY25/26, DCC's Facilities Management (FM) costs reflect both the steady-state operation of the [redacted] contract across our Brabazon and London sites, and a limited number of non-recurring costs, including those associated with the transition from Ibex House (owned and operated by Capita) to Riverscape – a necessary move to secure continuity ahead of licence transition.

Specifically, the additional costs driving the variance of this (incurred late in 2026) relate to:

- **Transitional crossover costs:** A short, time-limited overlap period during which both Ibex House and Riverscape were operational between August and November 2025. This dual-running arrangement was required to ensure uninterrupted business operations while supporting the phased transition to Riverscape and the orderly exit from Ibex House. As the office move had not been finalised when the RY24/25 Annual Business Plan forecast for RY25/26 was prepared, these costs were not included within the baseline forecast. Under the wider commercial terms of the 5-year Riverscape lease, DCC also secured a 3-month rent free period.
- **Essential Brabazon repairs:** In RY25/26 repairs beyond our original maintenance budget were necessary to maintain a safe and compliant environment. These **are essential** services beyond the core services explained below.
- **Unexpected and ad hoc maintenance to Ibex:** Including boiler repairs, reactive maintenance issues, and essential painting works.

Scope of variance and key challenges

The RY25/26 variance represents additional costs to the core services listed below.

[redacted] provides us with the following core services:

- 24 x 7 service to support TOC/SOC and lab services, including a helpdesk service.
- Front of House Security team in Brabazon House. Previous trials demonstrated that reducing front-of-house staff at Ibex House created security vulnerabilities.
- Cleaning operatives and all related waste management services (soft services)
- Specialist engineering team in Brabazon House with all related Mechanical & Electrical (hard services)
- Proactive asset management, including forward budget planning of the lifecycle replacement plan.
- Planned preventative maintenance regimes to ensure we are compliant with all statutory regulations and to optimise the life of building infrastructure.
- Outsourcing DCC's Workplace Experience team for Brabazon House and Ibex House, resulting in a TUPE transfer of the team to the new provider. A TUPE (Transfer of Undertakings (Protection of Employment)) agreement enabled us to transfer our staff to [redacted] rather than having redundancies.

The additional services provided to the above are listed below:

- Operational continuity during transition: A temporary dual-site arrangement was required to ensure business continuity. Activities included new office mobilisation, transfer of furniture, IT/OT commissioning, staff move and ongoing operations, and closedown of Ibex house.
- End-of-life asset management at Ibex House: As the site approached exit, unplanned maintenance issues (including boiler failure and reactive repairs) required immediate remediation while it was still our operational site.
- FM service continuity: Short-term facilities management provision ensured there was no interruption to essential services (e.g. security, engineering support, cleaning and helpdesk services) during the transition between contracts.
- Unexpected Brabazon costs that sat outside the core services, as per industry standard.

These challenges were inherent to the orderly transition between estate locations and were managed to minimise cost while protecting service continuity.

Securing value for money

DCC has ensured that both the core FM contract and the incremental transition costs represent value for money:

- All costs were essential, either to maintain statutory compliance or ensure continuity of operations.
- No discretionary or enhancement works were undertaken, spend was tightly controlled and limited to critical activities only.
- Avoiding or delaying these costs would have introduced material risks, including non-compliance with health & safety obligations and potential service disruption.
- The duration of operating across both Ibex House and Riverscape was minimised as far as practicable.

Future considerations

From RY25/26 onwards:

- DCC operates from Riverscape as its sole London location, eliminating the temporary dual-site expenditure.
- Facilities Management costs reflect the steady-state [redacted] contract. Our forecasts include an estimate of typical maintenance and repairs. There may be additional costs that come into the actuals in RY26/27, but these will lie outside of the core services that [redacted] provide.
- No further crossover, exit-related maintenance, or bridging FM costs are expected.

1.5.2. Redundancy related support

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 variance has arisen due to a zero-baseline assumption for redundancy-related professional support costs; this is within the contract of our HR support partner but as it is a one-off support it was better to manage through a separate cost line. No allowance was included in the baseline for external benchmarking or advisory services required to support redundancy activity.

As part of Project Jupiter, detailed above, DCC incurred costs to obtain support to assessment to ensure decisions were robust, fair, and compliant with best practice.

Scope of variance and key challenges

The scope of this variance relates to specialist redundancy benchmarking and advisory support required to deliver Project Jupiter.

This work included:

- Independent benchmarking of proposed redundancy arrangements against market practice.
- Independent assurance to support the fairness, proportionality and defensibility of redundancy decisions; and
- Specialist HR, governance and employment advisory support to inform management and Board decision-making.

The support was provided through DCC's existing contractual arrangements with [redacted] and did not require a separate procurement exercise. However, no provision for this activity was included within the baseline, as redundancy-related support was not anticipated at the time the RY24/25 forecast was established.

These activities required specialist expertise that is not held internally and were necessary to ensure that DCC discharged its employer, governance and employee-relations responsibilities appropriately throughout the organisational change process. Although the requirement was time-limited, the associated costs became necessary and unavoidable once the decision was taken to proceed with Project Jupiter.

The key challenge is that these costs were not reflected in the original baseline despite arising as a direct consequence of implementing necessary organisational change.

Securing Value for Money

DCC secured value for money by procuring this support [redacted] via [redacted] its established recruitment provider.

Using [redacted] enables DCC to:

- Access qualified and appropriate redundancy and HR advisory specialists.
- Ensure competitive market rates through existing commercial arrangements; and
- Control scope and duration of engagement to the minimum required.

Comprehensive support was provided to impacted employees, including one-to-one and group coaching on CV writing and interview preparation, as well as guidance on job searching for those leaving the organisation.

Expenditure is supported by a business case, which demonstrates that procuring targeted external support represents the most efficient and proportionate approach compared to developing internal capability for a one-off requirement.

Although the process was understandably emotive, these measures helped maintain morale and ensured that employees remained engaged and continued to deliver throughout the transition. This approach aligns with DCC's procurement strategy and Licence obligations to procure services competitively and secure value for money.

Future Considerations

These costs represent a one-time fee associated with a specific organisational change initiative and do not create an enduring increase in DCC's cost base.

1.5.3. [redacted] Financing Consultancy

Overview of Variance

The origin of this variance is a change in position as to whether financing the cost of 4G comms hub represents value to money for consumers. DCC originally assessed that financing 4G comms hubs did not represent value for money. Subsequent engagement with DESNZ, Ofgem, the SEC Panel and Energy Suppliers demonstrated that, while financing introduces an incremental economic cost, it materially reduces short-term bill volatility and mitigates the risk of sharp increases in customer charges during the early years of the 4G rollout. Given these considerations, and in light of updated policy and stakeholder

feedback, the decision was taken to proceed with a financing solution. The £358k variance reflects the cost of [redacted] services to deliver the financing facility (i.e. not the cost of financing 4G comms hubs itself).

In order to deliver this financing as efficiently as possible, DCC engaged [redacted] for Specialist Debt Advisory services to run the financing process. [redacted] was engaged in RY24/25. This was necessary due to the highly specialist nature of this procurement, and the potential cost to consumers of achieving a poor value for money financing arrangement. The total value to be financed was £[redacted]

[redacted] was instructed under a framework agreement. Considerable amounts of savings were attained (£[redacted] compared to other solutions demonstrated in evidence) are attained from this use of the finance consultancy. Most importantly ensuring the financing was provided by a suitable and sufficient provider and considering [redacted], this was a very worthwhile activity.

Scope of variance and key challenges

[redacted] reached out to [redacted] potential lenders across the banking and structured finance markets and supported DCC Finance to assess the bids to take forward and form the basis of the FBC. Key activities included:

- [redacted] prepared a 'financing teaser' to discuss with potential funders.

[redacted] supported the DCC in assessing bids and shortlisting funders. Bidders were evaluated against transparent and objective criteria, including:

- Total economic cost over the life of the facility.
- Flexibility of drawdown and repayment.
- Ability to accommodate demand uncertainty.
- Risk allocation and contractual protections; and
- Alignment with DCC's existing financing arrangements and regulatory context.

DCC considered the bids in July 2025 and with input from [redacted] shortlisted two funders to which DCC awarded the financing facility 50/50.

This arrangement achieved the strongest overall score and delivered:

- The lowest incremental economic cost among assessed financing options.
- Monthly drawdown flexibility, enabling alignment with actual customer demand.
- The ability to fix interest rates at each drawdown, mitigating exposure to future rate volatility; and
- No financial covenants, reducing operational and regulatory risk.

The outcomes of the procurement, and the supporting business case, were reviewed through DCC's internal governance (Investment Committee and Board), consulted on with Energy Suppliers, and shared with DESNZ and Ofgem, providing assurance that value for money was secured in both process (i.e. the subject of this variance) and outcome.

The necessity for specialist support was compounded by the complexity and specialise nature of the necessary financing arrangement. There were a limited number of providers able to meet DCC's structural, regulatory and flexibility requirements.

We know how important this step is as we have delivered SONIA before and saved the company £1.44m. Therefore, the cost of using a consultancy is good value for money.

Securing Value for Money

DCC secured value for money in delivering the financing by adopting a fully competitive and proportionate procurement process, supported by specialist financial advice and aligned with its Procurement Strategy and Licence obligations (licence condition 16).

A specialist adviser ([redacted] Debt Advisory) was engaged to support market engagement and bid evaluation, reflecting the technical complexity of infrastructure-style financing. As described above, the adviser approached [redacted] potential lenders across the banking and structured finance markets to ensure broad competition and market testing.

Procurement – CH Financing support	
Number of initial invitations to tender	[redacted]
Number of bids received	
Number of bids shortlisted/presenting	
Strengths of Selected Bidder	
Challenge by the DCC	

Table 5 – [redacted] Financing Consultancy Procurement

Due to the project / surge nature of delivering financing arrangements, we do not have inhouse specialists. Therefore, this advice is required to go external. [redacted] add additional value to this as we have used them in the past to deliver financing solutions to us.

To highlight the proportionality of the spend on specialist advice, the financing rate achieved was SONIA + [redacted] Had DCC only been able to deliver financing of SONIA + [redacted] pbs (i.e. interest at [redacted] above the achieved rate) the additional cost to the consumer would have been £[redacted] million (across a £[redacted] 3-year financing arrangement).

Future Considerations

The costs associated with this variance are one-off in nature and relate specifically to [redacted] running the financing process for the initial three years of the 4G CH rollout.

Importantly:

- The facility does not commit DCC or customers to financing the full seven-year rollout.
- At the end of the three-year availability period, Energy Suppliers retain an explicit choice on whether to continue with a new financing arrangement or revert to pay-as-you-go funding for subsequent rollout phases; and
- This creates a natural review point to reassess customer demand, cost profiles, market conditions and policy objectives.

As such, the variance is a one-off cost.

Additionally, the facility delivered does not introduce ongoing structural inefficiency into the cost base. Instead, it reflects a deliberate, time-limited intervention designed to manage near-term impacts on customer charges while preserving optionality and regulatory control over future decisions.

1.5.4. Outsourced Learning Partner

Overview of Variance

DCC has decided to establish a centralised learning function, bringing together both core learning and business-led technical training into a single enterprise-wide model supported by one consolidated budget. This variance arises as a result of a zero baseline for the Learning Partnerships Framework. No provision was included in the baseline, as these were not committed or contractually defined at the time of the

RY24/25 submission.

While this appears as a new variance due to the establishment of the Learning Partnerships Framework, overall learning and development spend reduced materially year-on-year. In RY24/25, DCC spent approximately £1.2m on learning under a decentralised model. In RY25/26, total learning spend was approximately £0.84m, despite the introduction of new enterprise-wide learning capability that had not previously been available under the Capita arrangements.

In RY25/26, DCC has incurred costs under the Learning Partnerships Framework to support leadership capability, regulatory and commercial effectiveness, and organisational transition activities. This included the development and establishment of a DCC-wide skills database, the implementation of a coaching platform, executive coaching, and targeted professional development activity. These capabilities were not previously provided through the Capita model and represent foundational learning infrastructure for DCC.

Scope of variance and key challenges

DCC has undertaken a significant transformation of its learning and development model to improve quality, consistency and commercial efficiency across the organisation.

Historically, learning at DCC operated through a decentralised model. The People team managed core learning activities, including leadership development, mandatory learning, soft skills training and the online learning platform, whilst individual business areas independently sourced and managed their own technical and functional training requirements. Over time, this resulted in a fragmented approach to learning, with inconsistent standards, varied learner experiences, duplication of activity and limited visibility of overall organisational spend. The decentralised model also created a highly dispersed supplier landscape, with more than 200 separate learning providers engaged across DCC. This limited DCC's ability to leverage its scale commercially, created inefficiencies in procurement and contract management, and made it more difficult to ensure consistent quality standards and alignment to organisational capability priorities.

In response, DCC undertook a strategic review of its learning operating model with a clear objective: to create a more efficient, coordinated and commercially sustainable approach to learning and development, whilst also improving the overall quality and consistency of the learning experience across the organisation. Establishing a centralised learning function, supported by one consolidated budget enables DCC to take a more strategic approach to capability building, improve oversight of learning investment and simplify the supplier landscape, whilst ensuring learning provision remains aligned to business and technical priorities.

The core training delivered through the outsourced delivery partner in RY25/26 was a leadership and coaching programme to develop DCC leadership talent.

Securing Value for Money

To ensure value for money DCC conducted a formal procurement exercise to identify a strategic partner capable of delivering managed learning services at scale.

Procurement – Outsourced Learning Partner	
Number of initial invitations to tender	[redacted]
Number of bids received	
Number of bids shortlisted/presenting	
Strengths of Selected Bidder	
Challenge by the DCC	

[redacted]

Table 6 – Outsourced Learning Partner Procurement

Following this process, DCC signed a contract with [redacted] in February 2025 to act as its outsourced learning partner.

Whilst [redacted] is widely recognised for its consulting capabilities, it is also an established provider of outsourced and managed learning services for large and complex organisations. Its services include learning operations, supplier management, curriculum delivery, leadership and professional development, digital learning and technical capability programmes. [redacted] also supports large-scale public sector learning delivery, including work associated with the UK Civil Service learning model through the Government Skills and Curriculum Unit.

Importantly, this arrangement is not a traditional consultancy engagement. The [redacted] model provides DCC with a flexible outsourced learning service, where DCC retains control over learning demand and expenditure. The contract includes a committed [redacted] saving in year one, achieved through supplier consolidation, improved procurement leverage, reduced duplication and a more efficient operating model.

A key component of the new model is the establishment of a DCC-wide skills database, providing an evidence-based view of organisational capability, skills gaps and development needs. This capability did not previously exist and is fundamental to supporting effective workforce planning, succession planning and targeted learning investment across DCC.

Future Considerations

This transformation supports DCC's broader objective of building organisational capability in a more strategic, cost-effective and scalable way, whilst improving learning quality, consistency and value for money across the organisation.

Future use of the Learning Partnerships Framework will continue to be assessed on a case-by-case basis, with any additional activity subject to clear need, affordability, and value-for-money considerations. We expand on the forecasted RY26/27 spend in the following section.

1.5.5. Drivers for Internal Cost Variance – Non-Resource RY26/27 only

Variance	GL		RY25/26	RY26/27
Outsourced Learning Partner	ES	£m	0.261	0.662

Table 7 – Internal Cost Variance – Non-Resource RY26/27

1.5.6. Outsourced Learning Partner

Overview of Variance

DCC has established a centralised learning function, bringing together both core learning and business-led technical training into a single enterprise-wide model supported by one consolidated budget. This variance arises because there was a zero baseline for the Learning Partnership Framework, as the arrangements had not been committed or contractually defined at the time of the RY24/25 submission.

While this appears as a new cost line, the introduction of the Learning Partnerships Framework has enabled DCC to improve the effectiveness, governance and visibility of learning expenditure whilst reducing overall learning and development spend. Total learning expenditure reduced from approximately £1.2m in RY24/25 to £0.84m in RY25/26, despite the introduction of new organisational capabilities that were not previously available.

In RY25/26, DCC incurred costs under the Learning Partnership Framework to support leadership capability, regulatory and commercial effectiveness, and organisational transition activities. This included the development and establishment of a DCC-wide skills database, implementation of a coaching platform, executive coaching and targeted professional development programmes. These capabilities

were not previously provided through the Capita model and are intended to support a more strategic approach to capability development across DCC.

The variance therefore reflects the establishment of a new operating model and the consolidation of learning expenditure into a centrally governed framework, rather than an overall increase in learning and development costs.

Scope of variance and key challenges

DCC established an outsourced learning partner in RY25/26. This will deliver the existing core learning activities, including:

- Mandatory and compliance training.
- Core soft-skills development.
- Leadership and people management training; and
- Team-based development activities.

It will also onboard employees into DCC learning frameworks which provide a new way to assess employee skillset and training requirements, ultimately ensuring that DCC employees are able to deliver more effectively.

The core driver of the magnitude of the increase in RY26/27, relative to RY25/26, is the material additional training required to upskill employees on new systems changed as a result of the relicensing. Currently, the following systems are delivered by Capita:

- Core IT infrastructure.
- All HR systems including HRIS (employee records), Payroll, Recruitment/Onboarding systems, Learning and performance tools.
- Finance systems including accounts payable / receivable, procurement systems and budgeting and reporting tools.
- Legal and contract management systems
- Billing system

Delivery through a centralised learning function provides the additional benefit of improved transparency and control over training spend and ensures that any transition-related costs are scrutinised alongside core corporate learning priorities.

Securing Value for money

Through this new training arrangement, training is meant to further reduce and value for money is secured through:

1) Limiting the scope of additional training to that required to safely and effectively transition services and staff.
2) Ensuring that necessary training that is carried out is performed as efficiently as possible to the following criteria below.
    a. Centralising learning governance and budgetary control, reducing duplication of training spend across business units.
    b. Conducting a formal procurement exercise to identify a strategic partner capable of delivering managed learning services at scale. Following this process, DCC signed a contract with [redacted] in February 2025 to act as its outsourced learning partner, delivering value for money through supplier consolidation, improved procurement leverage, reduced duplication and a more efficient operating model.

Future Considerations

This variance reflects a known, one-time cost associated with moving systems and transitioning staff, rather than an enduring increase in DCC's cost base.

Once the system transition and TUPE activities are completed:

- Training spend will revert to steady-state levels aligned with DCC's central learning strategy; and
- The centralised learning model will support more consistent forecasting and cost control in future periods.

As such, the variance does not create ongoing cost pressure and is consistent with prudent management of an unavoidable transition requirement arising from system and contractual changes.

1.5.7. Legal Advice overall

The Legal function plays an essential and integral role in supporting DCC's activities, including contract negotiation, regulatory compliance, procurement, and the delivery of major programmes. These services are not discretionary but are fundamental to ensuring that DCC can meet its Licence and Code obligations and appropriately manage legal, commercial, and operational risk.

DCC operates a clearly defined legal delivery model, which has been strengthened in response to previous regulatory challenge. This is based on a structured combination of in-house legal capability and targeted use of external legal support.

The in-house Legal team, comprising the General Counsel and five lawyers, provides the majority of legal support, including advisory work, interpretation of Licence and Code requirements, and oversight of legal and regulatory risk. This work is often complex and strategically significant, reflecting the nature of DCC as a regulated monopoly operating within a highly governed industry framework.

However, external legal support is required in specific and well-defined circumstances, including where independence or assurance is required, where matters are particularly complex or high-risk, where specialist expertise is not available in-house. This reflects the practical realities of delivery.

Similarly, certain activity such as Ofgem RFIs and investigations can arise with limited notice and require independent external legal advice. Such activity cannot reasonably be forecast in advance but must be responded to appropriately when it arises to ensure compliance, requiring access to experienced external counsel.

The use of external legal support is therefore targeted and controlled, rather than routine. DCC operates a defined governance framework through its Appointment of External Legal Counsel Guidance, under which the General Counsel may only instruct a Panel firm may where specific criteria are met, including independence, assurance, complexity, regulatory engagement, or capacity constraints. This approach reflects the deliberate design of DCC's in-house legal capability. The majority of legal work undertaken by DCC is commercial and contractual in nature, and the in-house team is therefore structured to focus on these core skillsets, alongside Intellectual Property, Privacy and Regulatory expertise. DCC does not seek to maintain in-house capability across all legal disciplines, particularly in areas where demand is intermittent or highly specialised, such as employment, property, or corporate advisory. In these cases, it is more efficient and proportionate to access external expertise as required, rather than retain permanent in-house resource that would be underutilised.

DCC has also taken clear steps to strengthen cost control and value for money. The current Legal Panel was established through a competitive procurement process, reducing the number of firms from five to two and ensuring selection based on experience, expertise, and cost. Panel firms were required to submit competitive pricing, resulting in rates that are significantly below standard market rates, with reductions of up to approximately one-third depending on the level of lawyer.

1.5.8. Legal Advice - Licence Renewal

Overview of Variance

This variance relates to the engagement of:

- [redacted] to provide specialist regulatory and corporate legal advice in connection with the Licence renewal programme.

The engagement supplemented the DCC Legal team's capability by providing specialist expertise in corporate transactions, acute regulatory matters, banking and finance, employment, tax and insurance law during a period of increased legal activity following the award of the Successor Licence to DCC2 Limited. The spend reflects the targeted use of specialist legal expertise where it was not available in-house and was directly necessary for the delivery of the licence renewal programme. All three parties in this process have instructed outside counsel.

- [redacted] to provide specialist employment and immigration legal advice in connection with the Licence renewal programme, specifically in respect of the application of TUPE and associated obligations that DCC must meet during the two staff transfers that are to occur in RY26/27, prior to the Business Transfer, as well as in respect of a workforce restructuring and associated redundancy processes undertaken in RY25/26.

The scope of legal support covered both collective and individual redundancy consultation processes, ensuring compliance with statutory obligations and mitigation of legal, operational, and reputational risks. The advice was critical to supporting DCC in navigating a complex organisational change programme aligned to the licence renewal outcome and future operating model which we could not provide in house.

Given the scale and sensitivity of the restructuring exercise, including potential impacts on employees, recognised unions, and organisational capability, external legal expertise was required to supplement internal capability and provide assurance that all processes were conducted in accordance with employment law and best practice.

Scope of Variance and Key Challenges

The variance arose due to the nature, scale, and complexity of the Licence renewal programme, which exceeded what could reasonably have been foreseen at the time of baseline cost setting.

Key elements of support provided by external counsel includes:

- the Financial Payments Agreement (as required under LC43.16)
- the Enabling Agreement between the Original Licensee and the Successor Licensee
- the Business Handover Cooperation Agreement and revisions to the Business Handover Plan
- Advising on collective consultation requirements, including timing, statutory thresholds, and engagement with employee representatives
- Supporting individual consultation processes, ensuring procedural fairness and legal compliance
- Drafting and reviewing consultation materials, communications, and documentation
- Providing advice on selection criteria, pooling, scoring methodologies, and risk mitigation
- Supporting on potential legal challenges, including unfair dismissal and discrimination risks
- Advising on interactions with trade unions and employee bodies

The principal challenges included:

- Compressed timelines driven by Licence renewal milestones, necessitating rapid mobilisation of legal support.
- High sensitivity of decisions, requiring robust governance, documentation, and defensibility.
- Complex workforce impacts, including multiple roles, functions, and organisational layers.
- Ensuring consistency of approach across parallel consultation processes
- Managing legal risk exposure, particularly in relation to potential tribunal claims or procedural challenges

These factors collectively required a level of specialist external input that was materially above business-as-usual requirements, which could not be provided in house.

Securing Value for Money

DCC took a proportionate and disciplined approach to securing value for money in the engagement of both [redacted] and [redacted] Further, during the RFP process for

panel appointment, DCC secured a reduction in their hourly rates.

Key measures included:

- Use of an existing panel firm with established knowledge of DCC's structure, reducing onboarding time and cost
- Clear definition of scope and deliverables, ensuring advice was targeted and relevant.
- Ongoing internal oversight and challenge by DCC legal and programme teams to control cost escalation.
- Focus on preventative legal advice, reducing the likelihood of costly disputes or litigation.
- Efficient use of blended resourcing, with routine matters handled at appropriate seniority levels.

Importantly, the use of specialist external counsel delivered value by:

- Mitigating the risk of legal non-compliance, which could result in significant financial and reputational costs.
- Supporting timely delivery of the Licence renewal programme, avoiding downstream delays or inefficiencies
- Enhancing the robustness and defensibility of decisions made

Future Considerations

While the scale of this exercise was driven by specific Licence renewal requirements and is not expected to recur at the same magnitude, DCC will incorporate the learning into future planning to improve cost forecasting and reduce reliance on variances where possible.

In terms of the increased external legal spend that is anticipated during the final months in the lead up to the Business Transfer, it is recognised that this is a unique, one-off increase in legal costs that is unlikely to reoccur until the next Licence renewal is undertaken. By way of using our panel firms to deliver the legal expertise in areas of law that DCC Legal would not possess itself (e.g. banking/finance, employment, corporate M&A, tax, property), DCC benefitted from the support of [redacted] and [redacted] lawyers who, in many cases, worked on the underlying transactions and agreements that are being transferred to DCC2 Limited. The fact that our external lawyers (who are engaged on discounted rates) came with this detailed DCC knowledge, DCC avoided additional costs of any knowledge transfer or time that would be required to bring new external lawyers up to speed, which represents significant value for money for DCC.

1.5.9. RY26/27 - Forecast Legal cost Provision

Overview of Variance

In RY26/27, DCC expects to incur legal costs to support a wide range of regulatory, operational and commercial activities. These costs reflect the complexity of operating in a highly regulated environment and the need for specialist legal advice and assurance to supplement the internal team.

The forecast increase is mainly driven by major programmes, including Licence Renewal and key Service Provider contract activity, as well as ongoing dispute resolution work. [redacted]

External legal support is used to complement DCC's internal Legal team, providing additional expertise and flexibility where needed, in line with DCC's Appointment of External Counsel Standard.

Scope of Variance and Key Challenges

The DCC Legal team's forecasted activity in 2026/27 includes several complex and important areas which require external legal support:

- Licence Renewal Programme - [redacted] and [redacted] will support DCC on regulatory, corporate, employment and property matters. This includes key agreements and preparations for the Business Handover, such as staff transfers and property changes.
- Arqiva CSP-N Contract Extension - [redacted] will advise on extending the CSP-N contract to [redacted] This is a large and complex agreement (around £) requiring detailed specialist legal input and assurance.
- [redacted]
- FSM Programme Delays - [redacted] will provide advice on delays affecting multiple suppliers and contracts, making this a complex issue to manage.
- Regulatory Legal Support - Panel firms will provide advice on a range of regulatory matters, including support for the Ofgem investigation.
- HR and Employment Support - [redacted] will advise on Employment Tribunal claims and TUPE issues linked to procurements.

These activities are complex due to their scale, number of contracts, and regulatory importance.

Value for Money

DCC ensures value for money by:

- Using external lawyers only where specialist skills, independent assurance or unanticipated capacity requirements are needed.
- Relying on its internal Legal team for core work and retaining overall responsibility for the management and oversight of external legal advisors.
- Requiring in-house lawyers to scope external instructions, agree and monitor budgets, and ensure work is allocated between internal and external resources to achieve the most cost-effective outcome.
- Resolving disputes at an early stage where possible to minimise legal costs and avoid escalation.
- Using established panel firms to ensure efficient and consistent support at negotiated rates
- Regularly reviewing external legal spend to ensure that the cost remains proportionate to the complexity, risk and value of the matter.

Overall, the level of spend is proportionate to the risks and complexity involved.

Future Considerations

Legal costs are expected to remain linked to major programmes and regulatory requirements, particularly Licence Renewal and Service Provider contracts. While some costs are temporary, DCC will continue to need specialist legal support in key areas. DCC will manage this by:

- Maintaining a strong in-house Legal team
- Using external support carefully and only when needed and instructed in accordance with DCC's Appointment of External Counsel Standard
- Continuing to resolve issues early, where possible

This approach will help keep costs controlled while ensuring regulatory and legal compliance and managing risk.

Data Communications Company

DCC Price Control RY25/26 – Design & Assurance

Version: 1.0
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Table of Contents

1. Design and Assurance (Technology Office)..... 3
   - 1.1. RY25/26 Cost Variances Overview 4
     - 1.1.1. Internal Cost Overview 4
     - 1.1.2. External Costs overview 5
   - 1.2. Purpose, Scope, and Structure 5
   - 1.3. Drivers of Internal Cost variance – Payroll 11
     - 1.3.1. Architecture and Design 12
     - 1.3.2. Business Analysts 13
     - 1.3.3. CTO office 15
   - 1.4. Drivers of Internal Cost variance – Payroll RY26/27 only 15
     - 1.4.1. Energy Data Best Practice Programme Resource 15
     - 1.4.2. Centralised Consent Programme Resource 16
   - 1.5. Drivers for Internal Cost variance – Non-Resource 17
     - 1.5.1. Recruitment Cost 18
     - 1.5.2. [redacted] SMETS2 Harmonised Support including P&C 18
       - 1.5.2.1. Parse & Correlate – [redacted] 19
   - 1.6. Drivers for Internal Cost variance – Non-Resource RY26/27 only 22
     - 1.6.1. Test Devices 22

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. Design and Assurance (Technology Office)

Summary

What is this and why is it important?

The Technology Office (TO) provides strategic leadership and technical capability to ensure DCC's technology environment is resilient, compliant, and aligned with regulatory expectations. It is accountable for technology strategy, design assurance, system integration, and lifecycle oversight of change across programmes and services.

This role is critical given the scale of ongoing technology change, including DSP procurement and transition, '4G and Beyond' activities, the re-procurement of new ANSO, DCO, Device Manager and ECoS solutions, service continuity activity, and SEC driven change. The function ensures these programmes are technically robust, deliverable, and cost effective through maintaining core design, assurance, and testing capability.

In addition, the TO is leading the implementation of Artificial Intelligence (AI) tools and capabilities within DCC to improve productivity and quality. As part of the new Licence framework, DCC is responsible for publishing a Business Strategy Technology Roadmap (BSTR) to Ofgem and DESNZ and the TO function has a key role in developing DCC's long term technology roadmap.

RY25/26 activities and costs

Total Design and Assurance costs were £11.5m, £1.5m below the £13.0m baseline. This reflects a deliberate shift in the approach to resources, with an increased use of internal capability (payroll costs £0.6m above baseline), a reduced reliance on external support (£1.6m below baseline), while continuing to meet significant programme and regulatory demand with key variances:

External services spend is £1.6m below baseline, reflecting reduced use of consultancy and third-party support, including replacement of external capability with permanent internal resource to improve continuity and value for money.
Payroll is £0.6m above baseline, driven by a higher proportion of Architecture & Design and Business Analyst effort allocated to core Design and Assurance activity. This reflects increased focus on cross cutting assurance, governance, requirements definition, Licence Renewal support, SEC driven change, and operational readiness across multiple programmes.
Recruitment is £0.2m above baseline, reflecting targeted senior and specialist hires to support the revised operating model (following the Project Jupiter organisational changes) and strengthen internal capability.

The function delivered a broad range of activity and absorbed a high volume of programme delivery, regulatory change, and operational activity, with in year prioritisation and reallocation of resources driving the underspend outlined above.

Future activities and costs

Costs are expected to remain broadly aligned in RY26/27 (to Business Handover) with a focus of TO function in delivering future operating requirements and capabilities such as Energy Data Best Practice, Centralised Consent, and test devices.

The function will continue to assure major programmes (DSP, ANSO, DCO, 4G and Beyond), and Support licence and regulatory change, and maintain testing services efficiently.

1.1. RY25/26 Cost Variances Overview

1.1.1. Internal Cost 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 function 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).

Function variance by GL

Baseline			RY25/26	RY26/27
Total CTO		**£m**	**12.985**	**13.910**
Payroll costs	PR	£m	7.097	8.255
Non-payroll costs	NP	£m	0.713	0.713
Recruitment	RC	£m	0.043	0.034
Accommodation	AC	£m	-	-
External services	ES	£m	4.661	4.437
Internal services	IS	£m	-	-
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	0.470	0.470
Office Sundry	OS	£m	-	-
Incurred			**RY25/26**	**RY26/27**
Total CTO		**£m**	**11.512**	**8.101**
Payroll costs	PR	£m	7.728	5.810
Non-payroll costs	NP	£m	0.517	0.263
Recruitment	RC	£m	0.237	-
Accommodation	AC	£m	-	-
External services	ES	£m	3.017	1.825
Internal services	IS	£m	0.007	-
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	0.007	0.204
Office Sundry	OS	£m	-	-
Variance			**RY25/26**	**RY26/27**
Total CTO		**£m**	**-1.473**	**-5.809**
Payroll costs	PR	£m	**0.630**	-2.446
Non-payroll costs	NP	£m	-0.197	-0.451
Recruitment	RC	£m	**0.193**	-0.034

Accommodation	AC	£m	-	-
External services	ES	£m	-1.644	-2.613
Internal services	IS	£m	0.007	-
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	-0.463	-0.266
Office Sundry	OS	£m	-	-

Table 1 - Design and Assurance variance by GL

1.1.2. External Costs overview

There are no material external cost variances requiring separate explanation in this chapter for RY25/26.

1.2. Purpose, Scope, and Structure

Purpose

The Technology Office (TO) Design & Assurance function provides the internal capabilities to ensure efficient design, effective integration, and assurance, as well as in-life support across the DCC Fundamental Service Providers (FSP) ecosystem to ensure compliance under our licence obligations. It has continued to mature in RY25/26 under the leadership of the permanent Chief Technology Officer. The TO aim is to become an open and transparent transformation partner and ensure the Smart Meter infrastructure remains fit for its intended and evolving purpose.

Key initiatives and outcomes delivered by Technology Team in 2025/26

Team	Deliverables and outcomes
SMETS1	• FOC ANSO: technical assurance of RFP process, contract signature and subsequent implementation which is continuing in 2026 • DCO implementation – rehosting to move away from Capita provision – October 2025 • Support completion of SMETS1 migration Sept 2026 to enable Suppliers and customers to realise benefits of Smart metering and decommission migration systems • Drive technical changes to reduce overage charges for SMETS1 which reduces overall costs incurred for the business • MHHS changes in SMETS1 to enable support of industry wide change
Radio Infrastructure	• 4G Roaming: Providing technical requirement, solution development with suppliers and review, scoping of independent Lab Testing and planning of Proof-of-concept from Mid-2025 to Q1 2026. • Long Range Radio Committed Term: completing the technical assurance of artefacts provided by [redacted] securitising the options of contract extensions, completing the technical assessment, risk evaluation and mitigations with recommendation for suitable contract extension option. Work was carried out through 2025 with OBC delivered into Q1 2026. Work will continue in 2026 to support FBC and contract extension. • [redacted] Scaling and Optimisation: Technical assurance of various scaling and optimisation to [redacted] network to support the provide the required capacity and maintain the service including NCS Ver 2.2.2 and new I&C channel. Work will continue into 2026. • [redacted] WAN Audit: Provided the scope of the technical WAN Audit and liaised with both [redacted] and [redacted] to address technical queries, assure the outcome of the audit, socialise it with the key internal and external stakeholders and embed all learning into [redacted] contract extension. • Extending 4G into the North: Provide assurance of 4G coverage into the north and support changes into the system to enable the extension of the 4G service into the North. • VMO2 3G Sunsetting: Provide assurance for technical mitigation of 3G sunset including Traffic Management Gateway and assurance of 3G sunsetting plan

	making sure services are not impacted post 3G sunsetting. The activity was completed in Q2 2026. • Device Manager re-procurement: Creating the technical artefacts to support the RFI, identify the suggest improvement into DM platform subject to final cost-benefit analysis and provide technology input into SOC by Q1 2026. The activity will continue through 2026. • Device Manager infrastructure cost optimisation: identification and implementation of various infrastructure operation cost reductions through optimisation of service and cloud infrastructure use.
Technology Service Architecture	• Continuity of service: technical assurance and input to RFI process to support Re-procurement • Switching: technical assurance and input to contract extension • PKI-e: technical assurance and support for delivery, enabling go live in March 26 • FSM: technical assurance and support for delivery, enabling go live in May 26 • MHHS: technical assurance and support for delivery, enabling go live in October 25
DSP	• Assured delivery of 30+ changes that delivered new requirements • Evaluate the DSP1 capacity needs through data modelling from forecast data. • Evaluate the need for tech refresh of components in the DSP1 solution and assess against service continuity. • Technical assurance of new DC Connect solution capturing requirements and supporting the roll out ready for migration. • Completed structured reviews of all requirements and design documents, resulting in clearer traceability, reduced ambiguity, and a measurable decrease in design-related rework and delivery risk • Established consistent review standards and governance checkpoints alongside the Systems Integrator and Suppliers, leading to stronger alignment with regulatory expectations, faster approval cycles, and higher-quality designs ready for build without significant remediation.
Core services	• SMETS1 stabilisation work on FOC in Q4 2025 - following period of instability – tri party war room convened. DCC technology team led technical analysis to drive increased monitoring, improved recovery to minimise impact and deeper technical analysis which enabled root cause due (firmware bug) to be identified and resolved. • 4G service improvement and optimisation: following the go-live in early 2025 and extending the service into North by mid-2025, Radio Infrastructure team spent continuous effort to optimise the system including increase of NE WAN capacity, enhancement of coverage or reliability, faster recovery of CH following any outage event, introducing new approach to better measure the reliability of Vodafone network service through Device Manager data insight to hold them accountable for improvement. Various optimisation activities have been carried out on device manager to optimise the infrastructure hosting cost and improved customer experience for FW upgrades and install and commissioning.

Table 2 - Initiatives and outcomes delivered RY25/26

As the design authority for Smart Meter infrastructure, we support the development of high-level designs in order to deliver His Majesty's Treasury (HMT) business cases, reducing variability during the Request for Proposal (RFP) process and ensure effective and efficient delivery and compliance against our regulatory obligations.

We continue to support industry partners and key stakeholders (Energy Suppliers, DNOs, and Device Manufacturers) by maintaining a stable and secure smart meter network, driving cost efficiency through technology and design changes, defect resolution and effective obsolescence management.

Scope

Design & Assurance owns key accountabilities across DCC, detailed in the table below.

Design and Assurance Accountabilities

Area	Description
Drive and support technology projects end-to-end	Accountable through every stage: define technical needs, assure solutions, drive technical assessments in procurement, support technically through delivery, support operations in life, and lead technical assurance in decommissioning
Technology Design of the SMETS2 Services	Accountable for the Design Principles, Integration and Assurance of the end-to-end systems relating to the Smart Metering Equipment Technical Specifications version 2.

Technology Design for SMETS1 devices and system	Accountable for the Design Principles, Integration and Assurance of the end-to-end systems relating to the Smart Metering Equipment Technical Specifications version 1.
Technology Ownership for the Switching Service	Accountable for the End-to-End technology design of the Switching Service.
Device Issue Resolution forum (DIRF)	Accountable for the running of the Device forum and resolving Issues occurring on SMEST1 devices.
Future Connectivity Strategy for RY25/26	Accountable for the technologies required to enable the strategic direction of how DCC will ensure all systems and devices will remain connected and communicating with the Smart Metering Network now and in the future.
CSP Scaling & Optimisation (SMETS2)	Accountable for the technical design of how the Smart Metering Network will evolve to effectively manage the volume of messages across the systems now and in the future in the CSP North.
2G/3G Sunsetting	Accountable for the assessment of the technical solutions from our CSP on how our service providers will manage the 2G/3G communication network switch off, while maintaining SLAs required by the Smart Metering Network to communicate.
System Enhancements with Self Service capabilities that meet DCC User needs	Accountable for the Technical design of the solution needed to allow our users to access information about the services they receive and the devices within their portfolio and any Elective Communications Services they may require.
Technical Expert support to Programmes and DCC Operations	Specialist skills, knowledge and experience provided to DCC functions to guide, advise and assure the technical delivery of approx. 800 changes per year across the Smart Metering Systems.
Enhanced System Integration and Testing services, Test Labs, Assurance and Governance	In accordance with the SEC, DCC are obligated to provide, maintain and support User testing services, ensuring accessibility for all customers to test any changes. Assure all service provider changes in accordance with SEC Governance to minimise production incidents and protecting against service outages.
DCC Design Repository	DCC is required to maintain a design repository and baseline to version control across lifecycle of the services for all elements of the technology provided by our FSP's. This baseline supports operations, changes, BCDR as well as any future business handover planning.

Table 3 - Design and Assurance accountabilities

The Technology function operates with a flexible resource model, where we charge colleagues with domain expertise out to DCC programmes. Our expertise includes IT architects, subject matter and service domain expert, testing and business analysts. These SMEs support the production of technical artefacts as well as assure design and testing material produced by third-party suppliers across any change activity.

Key events and objectives driving activity and cost:

- Played a key role in the delivery of the 4G CH&N programme across concept to contract, contract to market and will transition to market to retirement for in life support. The programme went live for initial pilot validation in December 2024 with successful go live in July 2025. This was also extended to North in Summer of 2025 enabling seamless and consistent service to customer and consumer.
- Completed the procurement of DSP, playing a major role in the development of the solution requirements, and the input of options into the HM-Treasury Green Book SBC, OBC and FBC. The focus has been on developing comprehensive requirements, published through the procurement process to support the evaluation and award of a future DSP service provider. This included phases in procurement like collaborative solutioning which is a 10-week face to face review with multiple bidders to help refine their solution to go into the final bids.
- Delivered the Cloud Blueprint, a framework which standardises cloud requirements across DCC, to enable our suppliers to build to our principles and ensure consistency of their approaches.
- Driven the re-procurement of the System Integrator contracts for CSS and SMETS with new contracts awarded in RY25/26. DCC has supported the generation of the technical content and evaluation criteria to support the commercial process including, setting out the requirement, ways of working and volumetrics, introducing automation efficiencies to achieve cost savings.
- Assured and delivered technical changes on CSP North scaling and optimisation programme to meet the Customer demand on the [redacted] network.

- Increased 4G service coverage and reliability by closing the coverage gap from 96% to 99.22% through the implementation of [redacted] and [redacted] roaming solutions, thereby improving service availability, reducing connectivity failures, and enhancing the overall consumer experience.
- Enabled improved consumer outcomes from smart metering by supporting the timely resolution of gas meter proxy blank read issues, resulting in more accurate readings, enhanced billing reliability, and increased consumer trust in the service
- Implemented new SMS retry solution in terms of SMETS1 messaging saving 60% of cost on SMS over usage.

Project Jupiter

Project Jupiter is described in the Finance and People chapter. The programme introduced and embedded a new operating model across the Design and Assurance functions, with implementation taking place between June and August 2026.

The full year's impact will be seen in RY26/27. The revised FTE profile and operating model will be reflected in this submission.

Support was required for benchmarking role consolidations and organisational redesign, as well as for recruitment and redeployment activities to transition employees into revised roles or, where suitable internal candidates were unavailable, recruit externally.

Structure

The structure has been mainly retained for RY25/26 to reflect current functional maturity and align with the increasing volume of change and delivery activity. The Target Operating Model is not static, and it is reviewed annually to ensure it continues to retain the appropriate level of expertise and capabilities needed to support ongoing change activity, while maintaining continuity of subject matter expertise. One internal change took place within the TO function:

- Testing Services (which includes test assurance) moved to the Service Delivery function. The purpose was to establish closer ties with the architecture teams and the systems engineering approach to deliver as one technology function. The spend is in line with our budgeted cost (to align with our core services requirements) and we have been able to budget testing services across our programmes effectively which is captured accordingly in these chapters.

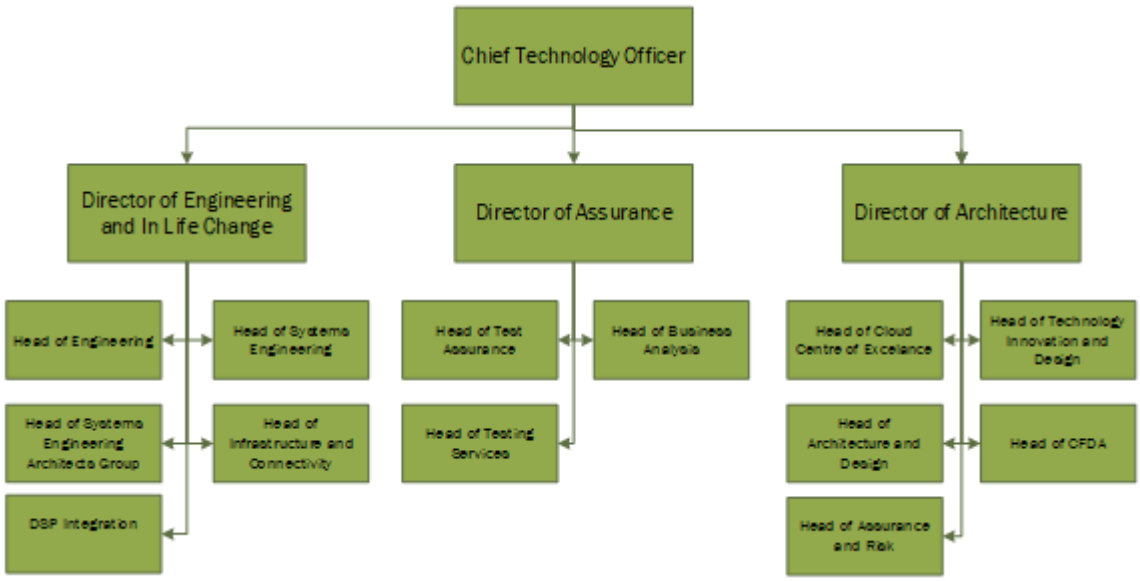


Figure 1 - Cost centre organisational structure RY25/26

The table below provides the overview of the structure of the TO cost centre during RY25/26 and a description of the teams within the structure.

Sub Team structure reported in RY24/25	Current Sub-team RY25/26	Comments / Description
CTO Office	CTO Office	Comprises the Chief Technology Officer and their PA
Engineering (renamed Engineering and In Life Change in RY25/26)	Engineering and In Life Change	The Engineering and In-Life Change function provides technical assurance, integration, and delivery oversight across DCC's systems and services. Following Project Jupiter and increased levels of change across Fundamental Service Providers (FSPs), the function has been strengthened to ensure robust technical governance and effective delivery of both current and future system changes. The team is structured into a number of specialist domains, enabling end-to-end technical assurance across the DCC ecosystem and production environment. It also incorporates In-Life Change, ensuring effective governance and control of changes deployed into live services. Core Responsibilities • Providing technical assurance and scrutiny of supplier designs, changes, and delivery proposals • Supporting system integration and delivery across DCC platforms, including the Data Service Platform (DSP) • Ensuring alignment with system engineering standards and governance frameworks, including the Cross Functional Design Authority (CFDA) • Managing technical change into the production environment, including process governance and operational readiness • Supporting network evolution, including communications hubs, radio network optimisation, and transition towards future technologies (e.g. 4G and beyond) • Ensuring appropriate technical resourcing and expertise is applied across all programmes and projects Sub-Team Structure The function comprises the following specialist areas: • Systems Engineering (SE): Develops and assures system requirements and supports the scaling and maturity of DCC's operating model • Systems Integration (SI): Leads integration strategy and delivery across DCC systems and associated programmes • Systems Engineering Architecture Group (SEAG): Provides technical ownership of systems, domains, and products, and supports design authority governance • Technical Delivery: Ensures programmes deliver required technical artefacts aligned to governance and standards • Communications Hub and Radio Connectivity: Provides technical expertise on communications hub devices and radio network design, including lifecycle management and assurance across CSPs • Devices: Oversees technical aspects of smart metering devices and associated stakeholder interactions • Engineering Management and In-Life Change: Ensures effective governance of technical deliverables, including change control processes and safe deployment into live operations Role in Value Delivery The Engineering and In-Life Change function ensures that all changes to DCC systems are robustly designed, integrated, and assured,

		minimising risk to service delivery and end consumers. By strengthening technical oversight and embedding structured in-life change governance, the function supports improved service quality, enhanced resilience, and efficient delivery of system evolution.
Network Evolution and Infrastructure Technical Innovation/System Enhancements Cross Functional Design Authority (CFDA) Cloud Transformation Team Test Architecture (combined and renamed as Architecture and Design in RY25/26)	Architecture and Design	This team is responsible for defining the technology strategy. It will build requirements aligned to customer business outcomes, evolving the overall business architecture and design, build and deliver evolution of DCC Total systems SMIP (Smart Metering Implementation Programme) Architecture, adhering to DCC System engineering principles and governance. It is accountable for design and technology decisions made to support DCC's current and future customer strategic business needs. The DCC Network and Infrastructure will be designed and implemented to deliver operational benefits and value for money from end-to-end platforms, using government technology codes of practice to innovate, sustain, and improve, with 'secure by design' principles used throughout. This team are working to engage, share and build trust with all relevant stakeholders to support informed decision making. DCC is working with technology design partners to build DCC capability to drive commercial and contractual benefits to implement the DCC Digital transformation journey. The team is additionally accountable for: • Data Service Platform Transformation (DSP Transformation) • Enduring Trusted Service Platform (Enduring TSP) • DCC Service Management Platform (DSMS) • Cloud Strategy and Adoption • Cloud Centre of Excellence. • Assessing modifications of the SEC and REC that come through a defined process managed by a 3rd party
Testing (renamed Testing Assurance in RY25/26)	Testing Assurance	Testing comprises of: • Test Governance is responsible for managing the relationship with SEC and REC, specifically through engagement at the Testing Advisory Group and other forums. • Testing Assurance has responsible for test planning and preparation, validation of test coverage, test execution and verification of test completion by DCC's service providers. • Testing Services is responsible for supporting Testing Participants with their testing and issues resolution within the User Integrated Testing (UIT) environment. It also manages the Test Labs, supporting both User Entry Process Testing (UEPT) and Device and User System Testing (DUST) • Enterprise Architecture test teams undertake testing activities to support change to DCC internal IT services. These systems were previously supported by Capita. • Test Architecture responsible for the overall testing strategy, interaction with DCC supplier on a commercial/technical level and the implementation and maintenance of testing processes and tooling.

Innovation & Insights (renamed Technology Strategy in RY25/26)	Technology Strategy	Prior to Project Jupiter:
		• Leads SEC Modification (SECMOD) process, evaluating proposals, validating requirements, and managing Impact Assessments with delivery partners in coordination with SECAS.
		• Delivers mandated SEC activity under SLAs, alongside projects like the DESNZ-directed Virtual WAN solution.
		• Operates a lean 6 FTE model, ensuring efficient, low-risk progression of technically sound modifications with tightly controlled spend.
		• Projects and programmes team is leading on:
		  ○ VWAN – Virtual Wan
		  ○ EDBP – Energy Data Best Practise
		  ○ DCC Diagnostic Role
		  ○ Centralised Consumer Consent Service
		  ○ Post Quantum Resistance

		○ DCC Boxed • Projects and programmes team is assisting on: ○ 4G and Beyond

Table 4 - Descriptions per sub team

1.3. Drivers of Internal Cost variance – Payroll

Function variance by Sub-Team

Baseline		RY25/26	RY26/27
CTO Payroll Costs	**£m**	**7.097**	**8.255**
Architecture and Design	£m	0.595	1.425
Business Analysts	£m	0.323	0.479
CTO Office	£m	[redacted]	[redacted]
Engineering	£m	2.977	2.908
Innovation and Insights	£m	0.624	0.640
Testing Services	£m	2.175	2.389
Incurred		**RY25/26**	**RY26/27**
CTO Payroll Costs	**£m**	**7.728**	**5.810**
Architecture and Design	£m	1.082	1.102
Business Analysts	£m	0.548	0.217
CTO Office	£m	[redacted]	[redacted]
Engineering	£m	2.767	1.610
Innovation and Insights	£m	0.530	0.488
Testing Services	£m	2.154	1.405
Energy Data Best Practice Programme Resource	£m	-	0.580
Centralised Consent Programme Resource	£m	-	0.193
Variance		**RY25/26**	**RY26/27**
CTO Payroll Costs	**£m**	**0.630**	**-2.446**
Architecture and Design	£m	0.487	-0.323
Business Analysts	£m	0.225	-0.262
CTO Office	£m	[redacted]	[redacted]
Engineering	£m	-0.210	-1.298
Innovation and Insights	£m	-0.094	-0.152
Testing Services	£m	-0.021	-0.984
Energy Data Best Practice Programme Resource	£m	-	0.580
Centralised Consent Programme Resource	£m	-	0.193

Table 5 - Design and Assurance payroll variance by sub team

1.3.1. Architecture and Design

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 Architecture and Design function within Smart DCC remains structurally stable across RY25/26 and RY26/27. Actual resourcing in-year is 16.6 FTE against a planned 19 FTE with 8.2 FTE booked to the CTO function higher than expected and the rest allocated to programmes.

The increase in incurred payroll cost is primarily driven by the allocation of resource between programme and functional cost codes. The original assumption was that a greater proportion of FTE would be charged to programme cost codes; in practice, fewer resources were allocated to programmes, with the remainder retained within the function, resulting in higher cost being recognised within the Architecture and Design function.

The variance is also influenced by normal workforce dynamics (e.g., progression, pay uplifts, and performance payments) rather than any underlying expansion in scope or mandate.

The principal driver of the cost profile is a rebalancing of activity between programme delivery and higher-priority assurance and governance for our core services, as the portfolio moves through procurement, delivery and operational readiness phases. In practical terms, the budget profile previously assumed a function allocation closer to 25%, whereas the work undertaken in-year has required a higher contribution (closer to a 60/40 balance between core services and programme support). This reflects a conscious choice to protect service integrity, security, and regulatory alignment while continuing to support major programmes.

Scope of Variance and Key Challenges

The team's workload spans both major programmes (including ANSO, DSP 2.0, PKI Evolution (PKIE), vWAN/Cloud, DCO and FSM, and associated supplier arrangements) and the core service activities required to keep the architecture coherent, compliant, and secure across an interdependent ecosystem. While the organisational structure is unchanged, the mix of work shifts with programme phase and external requirements.

In-year, DCC has spent more time on core service activities where they are essential to maintaining safe, compliant and cost-effective delivery across the wider portfolio. These activities include:

- Architecture governance and assurance to ensure consistent standards, interoperability and avoidance of rework across programmes.
- Security-by-design and risk management, including assurance of security controls and alignment with evolving security expectations.
- Change impact assessment and implementation readiness for cross-cutting changes (including SEC-driven changes/Modifications, where relevant), ensuring changes are assessed consistently and do not destabilise delivery.
- Operational architecture and technical debt management, including rationalisation and alignment across the technology estate to maintain resilience and reduce long-run cost.
- Supplier solution assurance and interface coherence where multiple programmes interact with shared components, reducing integration risk and preventing downstream cost escalation.
- Industry coordination and technical engagement where required to maintain alignment and avoid fragmentation in implementation approaches.

Securing Value for Money

DCC has managed this variance in a way that supports value for money and long-term resilience. The function has reduced reliance on external support, with contractor numbers reduced. Consultancy

previously used on FSM has been removed and replaced with in-house capability, improving cost efficiency while retaining the skills required for ongoing assurance (with supporting detail referenced in the consultancy variance materials).

Importantly, the decision to direct a greater share of effort into core services is not "additional overhead": it is targeted assurance and governance designed to avoid avoidable cost later (e.g., rework, inconsistent designs, integration failure, or security remediation). In that sense, the function uplift is a preventative investment to protect the delivery of programmes and the stability of the broader architecture.

Future Considerations

In RY26/27 an average of 16.6 FTE compared to an average of 17 FTE for RY26/27. The proposed FTE forecast was 11.4 booked to CTO time, however only 9.4 FTE are planned with booked time here with reduction of 2 FTE in the function. This remains below the baseline and therefore does not constitute a variance. Looking ahead, when we transition, DCC will maintain a stable Architecture and Design capability while improving transparency in how effort is allocated between core services and programmes, better reflecting portfolio lifecycle demands.

1.3.2. Business Analysts

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 Business Analysis (BA) function has operated with a stable core team of around 10.5 FTE. Set against that capacity, a RY25/26 baseline of £323k does not reflect the demand for BA activity required to support regulatory obligations, operational delivery and commercial programmes. This baseline only covers resources of 3 FTE.

This variance is primarily driven by a difference between the assumed and actual attribution of BA effort. The Annual Business Plan assumed that a higher proportion of BA activity would be directly charged to programme cost codes. In practice, a lower share of work has been attributable to individual programmes, with a greater proportion appropriately recorded against the Design & Assurance function where activity supports multiple concurrent programmes and regulatory requirements

As a result, delivery has reflected an approximate 50/50 split between programme specific and core services activity an explains the ~1.2 FTE equivalent cost increase. This has been driven by:

- Increased DSP activity (notably procurement and early-stage definition work ramping in-year), and
- Licence Renewal activity, which required additional BA capacity to protect continuity, compliance and value.

Scope of Variance and Key Challenges

The BA function supports both delivery programmes and enduring core services obligations. While programme work is often visible and timebound, core service demand is typically cross-cutting and essential to maintaining safe, compliant and efficient delivery across the portfolio.

Last year we assumed 6.8/11.3 FTE would be charged to programme cost codes; in practice 4.9/10.5 FTE were, leading to 1.1 FTE variance (vs actuals) - this is what drives the variance. This is due to this resource being prioritised in core services provided to the business.

In RY25/26, DCC prioritised core services activity where it was necessary to protect delivery outcomes and regulatory alignment. The key components were:

- Licence Renewal requirements definition and assurance (including stakeholder needs, supplier obligations and continuity considerations).
- SEC-driven change support (requirements scoping for SEC releases, Change Requests and Project Requests), ensuring changes were properly defined and impact-assessed before commitment.

- Operational readiness and service continuity analysis, ensuring that changes and procurements were grounded in practical delivery and transition requirements.
- Requirements governance and traceability uplift, including work to standardise requirements and strengthen end-to-end traceability (to reduce rework and ambiguity downstream).
- Programme drivers that also increased BA demand
- At the same time, BA input was required across high-priority programmes and initiatives, particularly where early-stage definition and procurement activity peaks require intensive BA engagement. In RY25/26, support included work associated with (meaning this item is explained directly in those chapters):
- DSP procurement and early requirements (including set-up activities and detailed requirements ramping),
- Future Service Management, Future Connectivity, Virtual WAN, and Long-Range Radio initiatives, and
- Forward-looking preparation such as future 4G technology procurement considerations

During RY25/26, increased demand in specific areas, particularly Licence Renewal and DSP activity, required a limited reallocation of Business Analyst resource. Approximately 1 FTE of capacity was redirected from planned programme activities to support these higher-priority areas, ensuring the effective management of delivery risk and the maintenance of critical timelines.

As a result, marginally fewer hours were recorded against programme work than originally forecast. This represents a controlled and proportionate reprioritisation of resources in response to in-year demand, rather than an overall increase in activity.

Securing Value for Money

DCC has continued to manage this function with a clear focus on value for money, reducing avoidable cost while strengthening internal capability.

Key value-for-money actions in RY25/26 include:

- Reducing reliance on contractors and higher-cost external support compared with earlier years and aligning demand to current and upcoming work rather than carrying historic peaks forward.
- Embedding process efficiencies through requirements management improvements, including standardisation and the introduction/use of a requirements management tool (e.g., requirements library/traceability tooling). This is designed to reduce duplication, improve quality, and lower downstream rework costs.
- Maintaining disciplined early-phase BA support where it prevents later-stage cost escalation—particularly in procurement and transition planning (e.g., DSP set-up, service integrator requirements definition, and traceability matrix approach).

Overall, the core services-heavy profile in RY25/26 is framed as a risk-reducing, efficiency-supporting allocation choice, not a drift in scope. It reflects the reality that BA is most valuable when deployed early to define requirements clearly, avoid rework, and ensure compliant delivery.

Future Considerations

Looking forward, DCC will continue to align BA resourcing to programme phasing while making the core services requirement more explicit and measurable, so that budgets and reported allocations better reflect how BA capacity is actually used in practice.

Taken together, this positions RY25/26 as a year in which DCC strategically reallocated BA capacity to deliver essential function outcomes (particularly Licence Renewal and cross-cutting requirements/assurance activity) while still supporting programme peaks (notably DSP). The variance is therefore a function of deliberate prioritisation and in-year demand, with a defined portion also explained by pay-related cost movements.

1.3.3. CTO office

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

During the year there was a planned six-month overlap associated with the appointment of a new Chief Technology Officer, alongside a severance package relating to the outgoing role holder. The person stepping into the CTO role would complete their duties as the Director of Architecture and Design alongside this transition, so we were not paying for 2 CTOs at the same time, however their payroll costs are recorded in this section. While this resulted in a short-term increase in cost, it was necessary to ensure continuity of leadership, effective handover of accountabilities, and mitigation of delivery risk during a critical transition period. If the soon to be CTO had not been added to the CTO office this would not be variant. The variance reflects the accounting allocation associated with the CTO transition rather than an increase in underlying leadership capacity.

Securing Value for money

Key responsibilities include shaping the technical strategy, ensuring platform readiness in response to Ofgem's evolving regulatory framework, particularly the shift to an ex-ante Price Control model and positioning DCC's technology architecture to adapt efficiently to future regulatory requirements. The CTO also oversees technology transition planning and delivery, ensuring robust, secure, and seamless handover of systems, infrastructure, and services in line with licence expiry. In parallel, the CTO provides technical leadership and input into Ofgem's Request for Proposal (RFP) process for the Successor Licensee, ensuring that DCC's architecture, capabilities, and operational insights are appropriately represented and that compliance requirements are met from a technical standpoint. These responsibilities are critical to maintaining operational resilience, optimising cost efficiency, and safeguarding long-term value through effective technology and delivery oversight.

Future Considerations

Following the completion of the transition, moving forward the leadership structure is planned to be stable, with no more incremental roles planned at this stage.

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

1.4.1. Energy Data Best Practice Programme Resource

Overview of Variance

The forecast variance reflects the inclusion of scope required to deliver compliance with Ofgem's Energy Data Best Practice (EDBP) framework. This represents a movement from a zero baseline, as this activity was not previously included, but is now expected to become a licence obligation (subject to Ofgem's consultation decision and associated SEC and REC modifications).

The programme will establish improved data governance, enable public-benefit data access, and develop a platform supporting both open and licensed data use. It aligns DCC with Ofgem's principles-based approach to strategic data sharing, ensuring data is open, high-quality, and accessible. In doing so, it facilitates innovation for decarbonisation, supports use cases such as fuel poverty analysis and local energy planning, and enhances transparency and public benefit.

Justification of Scope

This scope is required to ensure DCC can comply with anticipated licence obligations and regulatory expectations under the EDBP framework. It represents a fundamental shift in how energy data is governed, accessed, and utilised, and may include changes to DCC's role in certain contexts (for example, from data processor to data controller).

Delivery is inherently complex and enterprise-wide, requiring coordinated activity across Commercial and Regulation, CTO, Finance and People, Operations, Security, Service Delivery, and Testing Services. The scope integrates regulatory interpretation, procurement, technical design, operational processes, security assurance, and testing.

DCC is uniquely positioned to deliver this scope because:

Licence accountability sits directly with DCC, and compliance with EDBP Guidance cannot be delegated without introducing regulatory risk.

Implementation must be embedded within DCC-specific systems, data, and governance arrangements, rather than applied as a generic sector solution.

Centralised delivery ensures consistency, particularly across related initiatives (e.g. Data for Good and future data access programmes), reducing duplication and longer-term inefficiencies.

Delivering this capability within DCC therefore represents the most efficient, coherent, and defensible approach to meeting regulatory obligations.

Value for money

The inclusion of 8.27 FTE reflects the minimum level of resource required to deliver this complex and cross-functional programme. This includes management of professional services, programme delivery, and contractual interfaces, as well as coordination across multiple internal business areas.

The scale and diversity of functional involvement means that delivery cannot be achieved through a single team or capability. Instead, it requires integrated working across regulatory, commercial, technical, operational, and security disciplines. The proposed level of resource therefore represents a proportionate and efficient approach to managing complexity, ensuring delivery of licence obligations while maintaining appropriate control of delivery and operational risk.

Future Considerations

Delivery is planned on a phased basis from FY26/27 to FY28/29, with key milestones focused on regulatory alignment, platform development, and operational implementation. The variance therefore reflects the cost of transitioning DCC to meet these evolving regulatory expectations and to operationalise EDBP outcomes.

1.4.2. Centralised Consent 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

The forecast variance reflects the inclusion of scope required for DCC to integrate with RECCo's Centralised Consent Solution (CCS), enabling validation of consumer consent prior to granting data access and supporting accession to the trust framework. This represents a zero-baseline variance, as the activity was not previously included in forecasts but is now required to meet Ofgem's expectation for an industry-wide, standardised technical solution for consent management.

Through this initiative, DCC will deliver systems integration with the CCS platform, alongside necessary operational and regulatory changes and ongoing in-life support for new data uses and users. This will enable secure, transparent, and scalable data sharing arrangements, improving consumer trust and experience while increasing data availability across the sector. It will also reduce barriers to entry by removing the need for market participants to develop separate consent solutions.

The programme supports Ofgem's wider digitalisation agenda by contributing to a trusted, standardised approach to consent across energy data sharing. DCC will operate as a Data Provider within this ecosystem, aligning delivery with RECCo's timetable (with go-live expected in December 2026) and coordinating through industry working groups and formal governance processes. It also aligns with broader initiatives such as MHHS, supporting flexibility, innovation, and efficient market operation.

Justification of Scope

This scope is required to ensure DCC can meet evolving regulatory and policy expectations relating to consumer consent, transparency, and data access governance. It underpins DCC's role in enabling trusted, compliant, and scalable use of smart meter system data.

Delivery within DCC is justified on the following basis:

- System alignment and expertise: DCC is uniquely positioned to design and implement consent-related integration in a way that aligns with the architecture and operation of the smart metering system, avoiding disconnected or duplicative solutions.
- Consistency and efficiency: Centralised delivery promotes a consistent approach across multiple programmes and use cases, reducing fragmentation and minimising long-term industry costs.
- Trusted system operation: The capability supports DCC's role as a trusted system operator, strengthening confidence in data access arrangements while remaining within its licensed remit.

DCC's scope is focused on integration and operational enablement rather than platform development, which will be delivered by RECCo. However, DCC's role remains critical to ensure that consent is effectively operationalised within smart meter data access processes.

Value for money

Delivery of this programme is supported by 2.82 FTE drawn from across the business, representing the minimum level of internal capability required to coordinate design, governance, stakeholder engagement, and programme oversight. While this increases near-term forecast costs, the approach avoids the need for additional bespoke delivery structures.

The distributed resourcing model enables integration across existing functions and minimises duplication, providing a proportionate response to the complexity of the programme. It supports:

- Effective coordination with RECCo, industry stakeholders, and internal teams
- Robust governance and regulatory compliance
- Efficient delivery aligned with existing systems and processes

Future Considerations

This approach is expected to deliver longer-term efficiencies by:

- Reducing the need for fragmented or bespoke consent solutions across initiatives
- Lowering compliance and delivery risk for future data access and data-enabled services
- Enabling scalable, reusable consent mechanisms as regulatory requirements evolve

1.5. Drivers for Internal Cost variance – Non-Resource

Variance	GL		RY25/26	RY26/27
Recruitment cost	RC	£m	0.193	-0.034
[redacted] SMETS2 Harmonised Support including P&C	ES	£m	0.302	-0.339

Table 6 - Drivers of internal cost variance - non resource

1.5.1. Recruitment Cost

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 increase in recruitment costs is driven by a combination of Project Jupiter related activity and separate senior/executive hires.

Approximately 45% of costs relate to Project Jupiter, which involved a planned organisational restructure and introduction of a revised operating model. This required targeted, one-off recruitment to support the transition. Roles were first advertised internally, and this is where the majority were filled reducing the external recruitment spend.

Approximately 55% relates to senior and executive hires, including key roles such as the Chief Technology Officer, Lead Test Assurance, and an Architecture role. These hires were not part of Project Jupiter but reflect broader strategic investment in leadership and capability.

Overall, these costs are non-recurring in nature and reflect discrete recruitment activity undertaken during the period.

Value for Money

The recruitment spend represents a combination of transformation driven and strategic capability investment.

Project Jupiter related recruitment supported implementation of a revised operating model, while senior and specialist hires strengthened leadership and technical capability. Together, these investments are expected to deliver longer-term efficiencies, improved performance, and organisational sustainability.

1.5.2. [redacted] SMETS2 Harmonised Support including P&C

Overview of Variance

[redacted] has supported DCC since 2014, providing several mandated and business-critical tools required to operate Fundamental Services. These include Parse and Correlate (P&C), industry test and emulation tools (GFI, DCC Boxed, Hand-Held Terminal emulators), and associated utilities such as the File Signing Utility and Interoperability Checker Service.

As explained in RY24/25 this contract was extended and had costs up until November 2025. After November 2025 a competitively procured contract was sourced, and this is explained in the Operations chapter.

There was a CR associated with the originally extended contract, CR5485 - this is the reason for the variance.

Justification for Java upgrade £[redacted] CR5485

SEC Section H11 requires DCC to develop, maintain and provide support and assistance to DCC users for the supply of the Parse and Correlate (P&C) software. P&C is used by all DCC users who send and receive messages into the DCC solution, and the proposed Java 21 uplift will enable users to modernise their wider Java estate by moving beyond the current Java 8-based implementation. In 2023, Oracle announced changes to its Java 8 licensing model which was used to develop P&C tool. Separately, OpenJDK support for currently used Java 8 version ended in March 2022, making this a necessity to transition to a more sustainable and secure supported version. In response, DCC consulted customers June and July 2024 on proposed technical changes to P&C, including uplifting from Java 8 to Java 21 and introducing an additional containerised install option. Conclusions were published in September 2024 where customers supported the recommended options, providing a clear basis for progressing these improvements under CR5485 that cost £[redacted]

Scope Covered by This Cost

The costs covered relate to the ongoing operation, support, and maintenance of mandated DCC services and associated test and emulation tools provided by [redacted] These costs are classified as SMETS 2 fixed operating costs.

The scope includes:

- Parse and Correlate consolidated support, including out-of-hours support
- Interoperability Checker Service
- GFI consolidated support, training, and working (including recode activity)
- DCC Boxed support
- File Signing Utility
- Hand-Held Terminal (HHT) emulator licences and maintenance
- Service management and supplier oversight
- Cost increases associated with inflight Change Requests (CRs)
- CR5485 – Parse and Correlate Java Upgrade (CTO Engineering support)

These services collectively enable secure, compliant communication between smart meters, DCC systems, and DCC Users, and support industry testing, assurance, and service continuity.

Securing Value for Money

The contract extension ensured continuity of critical services while allowing sufficient time to conduct a robust competitive procurement process. This resulted in the award of a new contract from November 2025 on improved commercial terms, delivering better long-term value for money.

The cost increase observed in-year is driven by a necessary, one-off technical upgrade (CR5485), which was subject to industry consultation and approval. This investment ensures ongoing compliance, reduces future risk, and maintains service resilience, representing appropriate and efficient expenditure.

Future Considerations

From November 2025, services are delivered under the new competitively procured contract. This establishes a more efficient cost baseline going forward and provides enhanced commercial and operational arrangements for the continued delivery of these critical services.

1.5.2.1. Parse & Correlate – [redacted]

Drivers for Change

[redacted] have developed and maintain a range of tools and services to DCC to support the Mandatory Business for Relevant Service Capability (RSC). [redacted] also developed DCC Boxed which is a Value-Added Service. The services are as follows:

a) Parse & Correlate (P&C)

b) File Signing Utility (FSU)

c) File Signing Verification (FSV)

d) Interoperability Checker

e) GBCS Integration Testing for Industry for Industry (GFI)

f) Reference Test Data Set (RTDS)

g) Great Britain Companion Specification (GBCS) Messaging Sizing Tool

h) DCC Boxed

The contract for maintenance and support of these services was due to expire on 30 November 2025, therefore DCC initiated a procurement exercise to provide maintenance and support services for these applications, tools and services.

Maintenance of these services include activity to ensure alignment with updates to the Smart Energy Code (SEC), addressing defects or code bugs and ongoing reviews for security and vulnerability checks. Support of these services include responding to incidents and customer queries.

These services are fundamental to DCC's operation as they enable adherence and operations in line with industry standards and protocols for Service Requests in live production. They are also necessary to support testing and release verification by DCC, its customers and other users before deployment of changes, such as SEC releases.

Specifically, the Parse and Correlate service is a critical enabler for DCC customers, supporting the transmission and interpretation of 36 essential Service Requests (SRs), including tariff changes and meter firmware activation. This is approximately 30% of all Service requests. It plays a fundamental role for DCC customers in interpreting (parsing) all service request responses and meter alerts to convert from machine readable format (GBCS) to human readable format (XML). These underpin key business functions such as meter reading, billing alerts and customer-initiated prepayment top-ups.

Without re-procurement of this contract, DCC would lack the necessary service provider support to implement changes to these operational messages. This would remove DCC's ability to deliver SEC releases in a timely and compliant manner. Furthermore, the absence of these support services would hinder production incident analysis and delay the rollout of critical fixes, posing operational and regulatory risks.

Renewing this contract therefore ensured continuity of service, mitigated delivery risks, and maintained support for core business operations across the smart metering ecosystem.

Scope of the Change

The scope of the procurement was to provide continues support and maintenance of the aforementioned applications, tools and services for a period of [redacted] with [redacted] options to extend for a further [redacted] A contract term of [redacted] years (including termination for convenience) provides DCC with the opportunity to review the approach, and to [redacted] re-procure this contract at the appropriate time in line with completion of DSP 2.0 delivery.

DCC conducted a full review of all services under the current contract to identify opportunities for alignment with actual business needs. This enabled risk-based decisions that optimise requirements, reduce costs and maintain performance without increasing risk. As a result, 24/7 support for P&C was removed following an internal risk assessment, which found that the additional cost did not represent good value for DCC, given the service's stability (with no Severity 1 or 2 incidents for P&C since August 2023). The remainder of the requirements remained substantially the same as the previous contract.

Securing Value for Money

DCC embarked on a competitive procurement process, conducting two RFIs during August 2024 and December 2024 which were comprised of two lots:

i) Lot 1 (Java based technology) – P&C, FSU and FSV

j) Lot 2 (Assurance and Customer technology) – DCC Boxed, GBCS, RTDS and Interoperability Checker

The RFI outcomes were as follows:

a) First RFI. Held in in August 2024, DCC received a single response from the incumbent for Lots 1 and 2, but no interest from the market for Lot 2. The feedback from suppliers for their withdrawal from the process related to their lack of expertise with the in-scope technology and the skillsets

required to perform the services. Although not stated by suppliers, lack of interest was also likely due to:

i) the relatively low contract value when compared to technical complexity

ii) the requirement to maintain existing solutions rather than developing and maintaining solutions that they have built. This results in higher implementation costs and longer implementation periods for non-incumbents due to the requirement for them to familiarise themselves with the solutions

b) Second RFI. Given the strategic importance of these services and the value of the contract, DCC performed a second RFI in December 2024. DCC sought to increase market appetite by:

i) issuing an open invite to the market and engaging with a wider pool of potential suppliers. 18 suppliers were engaged in total, including all Tier 1 providers within DCC's current supply chain

ii) increasing the timeline for responses to the RFI

iii) assessing whether it would be beneficial to re-develop the solutions rather than maintaining the existing solutions. This was discounted because of it being cost prohibitive, with development cost likely exceeding £[redacted] for industry, along the operational risk that it would introduce by changing Parse & Correlate and DSP in parallel. This approach was supported by DCC Customers who were in favour of using the existing [redacted] architecture and solution to minimise disruption and maintain stability of the service.

Four suppliers [redacted] expressed an interest in providing the Lot 1 services and just two suppliers [redacted] for Lot 2. However, only one RFI response was received for Lot 1 ([redacted] and no responses were received for Lot 2. DCC contacted [redacted] and [redacted] on their reasons for withdrawal: [redacted] failed to provide a reason despite numerous requests and [redacted] believed that they would struggle to compete with the incumbent. An evaluation of the Lot 1 RFI responses demonstrated that [redacted] were the only credible supplier for these services, due to the significant difference in price [redacted] and [redacted] experience of providing the services since 2017. As a result, a [redacted] procurement process with [redacted] was performed in accordance with DCC's Procurement Strategy.

DCC received and evaluated a quotation for these services from [redacted] and entered the negotiation stage. [redacted] scored well across the quality and commercial criteria which provided DCC with a high level of confidence that the resulting contract would delivers value for money for Customers.

DCC performed negotiations with [redacted] achieving cost avoidance of £[redacted] ([redacted] when comparing [redacted] RFI response to the Total Contract Value (which includes assumed indexation and contingency equivalent to [redacted] of the Operational Charges). Furthermore, no indexation is applicable for the first [redacted] contract years which mitigates inflationary pressures on costs, whereas the previous agreement includes [redacted] indexation. This was achieved via:

- Extensive negotiations to obtain discounts on the underlying rate card, and further discounts secured for Core Team and Management Team within the Operational Charges.
- Value engineering of the requirements e.g. removal of 24/7 support and Severity 1 and 2 SLAs to mitigate additional charges
- Implementing a fixed capacity resource model which enables [redacted] to streamline its operating model, whilst sharing the capacity risk with DCC.

A Benchmark of [redacted] Core labour Charges (which represent [redacted] of the Total Charges) demonstrates that [redacted] are [redacted] lower than the mean market average, based on an external rate card provided by [redacted]

The services are contracted via [redacted] which includes significant improvements vs the previous agreement with [redacted] e.g. provisions related to Value for Money, Continuous Improvement, Security and improved Performance Measures related to Testing, Problem Management, Operational Change and Release, DCC Boxed Order Fulfilment and BCDR.

Price Breakdown

The Operational Charges set out in the table below are payable on a monthly basis, in arrears. Provisions have been included for assumed inflation and contingency.

Item	Total
Operational Charges – Labour	[redacted]
Operational Charges – Tooling and Expenses	
Total	
Inflation	
Contingency	
Grand Total	

Table 7 - Price breakdown

Future Considerations

Prior to expiry of the initial term ([redacted] years), DCC will assess whether use of the [redacted] optional extension period(s) or re-tendering is likely to offer best value for money. This will include an assessment on any technology refresh required for P&C due to the impacts of changes to DCC User Interface Specification (DUIS) as part of DSP 2.0 and other technologies within the scope of this agreement. If significant development or full re-development of the in-scope solutions is required at this time, market appetite for these services is likely to be much higher which should enable a competitive tender. This is due both to the higher value of the contract and the ability for a provider to develop and support their own solution rather than maintaining an existing solution which they are unfamiliar with.

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

Variance	GL		RY25/26	RY26/27
Test Devices	IT	£m	0.007	0.204

Table 8 – Non-resource internal cost variance

1.6.1. Test Devices

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 is a variance due to a zero forecast. These variances for RY26/27 are due to the need for the technology function to purchase a variety of ESME and GSME devices to support testing across all environments, including customer User Integration Testing (UIT). Most projects and programmes use meters to test different systems, and new devices are sought if required. Devices are procured directly from the manufacturers and stored to support testing in the labs at Brabazon House. The device contract

is manufacturing agnostic, but the device support contracts are procured separately with individual manufacturers and dependant on current device volumes and forecast testing activity.

Driver for the Procurement

This is essential to enable DCC to meet its obligations and requirements under the SEC, in Appendix J, the Enduring Test Approach Document (ETAD), and the DCC Operating Licence Condition 16, Part B, Principle 2. Specifically, the Enduring Test Approach Document Section 5 which refers to the obligations upon DCC to provide physical Smart Metering devices as required by Testing Participants within the DCC Test Laboratory facilities. Therefore, DCC must have the ability to purchase directly from manufacturers who can configure the devices specifically for the testing environments.

Securing Value for Money

Prices for devices are specified within their associated engineering support contracts and negotiated on an annual basis and fixed for the 12-month period, billed monthly. Devices are only purchased when necessary to support change in the DCC systems. The forecast enables DCC the flexibility to procure meters from multiple manufacturers as needed.

Future Considerations

DCC is mindful of reusing devices where possible, reducing the need to procure new ones. We also regularly review the device inventory to ensure that older devices are decommissioned to reduce the costs of storage. Therefore, the forecast costs will be reviewed and revised regularly and only spent if needed.

Data Communications Company

DCC Price Control RY25/26 – Operations

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1. Operations Cost Centre 3
1.1. RY25/26 Cost Variances Overview 4
1.1.1. Internal Costs 4
1.1.2. External Costs 5
1.2. Purpose, Scope and Structure 5
1.2.1. Purpose 5
1.2.2. Scope 6
1.2.3. Cost Centre Structure 6
1.3. Drivers of Internal Cost variance - Payroll 10
1.3.1. Cost centre Variance by Sub-Team 10
1.3.2. Customer Relationship Management 12
1.3.3. Products and Networks 14
1.3.4. Service Assurance 15
1.3.5. Lifecycle Management 15
1.3.6. Business Operations 17
1.3.7. Strategic Customer Engagement 18
1.4. Drivers for Internal Cost variance – Payroll RY26/27 only 19
1.4.1. Enduring SI Programme Resource 19
1.4.2. GSOP Programme Resource 20
1.5. Drivers for Internal Cost variance – Non-Resource 21
1.5.1. Recruitment cost 21
1.5.2. [redacted] - SECMP176 22
1.5.3. AWS Hosting costs 24
1.5.4. [redacted] - CR5695 ESU Licences 26
1.5.5. Service Desk 26
1.6. Drivers for Internal Cost variance – Non-Resource RY26/27 only 27
1.6.1. Legal Cost Provision 28
1.7. Drivers for External Cost 28

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. Operations Cost Centre

Summary

What is this and why is it important?

The Operations cost centre is responsible for the Design, Build and Run (DBR) of services through the lifecycle management process, while ensuring a smooth and reliable experience for our customers.

For existing services, the function manages and delivers in-life change (such as Smart Energy Code – SEC - releases), focuses on minimising disruption, improving operational efficiency and ensuring service provider performance through the Contract Management team. These teams play a critical role in ensuring we meet our core licence obligation of a secure, reliable, stable, and resilient network.

DCC delivered the strongest year of operational performance since DCC was formed in areas such as service availability, customer effort score, reduced non-communicating meters and switching availability and success. This is a significant achievement given the backdrop of project Jupiter (which reduced headcount by 15%) and our wider efficiency plans which delivered over £7.4m savings within RY25/26.

RY25/26 activities and costs

RY25/26 incurred costs were £25.3m, £1.4m below the regulatory baseline of £26.7m largely due to Project Jupiter (and some reallocation of team across DCC). In addition, and as outlined in the Executive Summary, the external services spend also reduced in the DBR function (with a total spend £1.6m below baseline).

In RY25/26 we continued to provide a high service availability of 99.66%, alongside an above target customer effort score of 6.2 and a reduction in non-communicating meters which ended the year ahead of target at 2% of the estate. We also established and piloted DCC's Customer Satisfaction (CSAT) framework, providing a structured approach to gathering customer feedback and measuring satisfaction across key customer interactions (with the CSAT improving from 64% to 74% between Oct 25 and March 26). The pilot also helped strengthen our understanding of customer needs and priorities, supporting service improvements and demonstrating growing confidence and engagement across our customer base.

We also continued to deliver exceptional Switching performance this year with 100% availability and success rate across 11m switches.

During the year, 49 of the 50 programmes delivered were on time (or early). This included the successful go-live of the 4G Communications Hubs and Network (4G CH&N) programme, the completion of the re-procurement of a new Data Service Provider (DSP) and SMETS1 Dual Control Operator (DCO).

In addition, we launched the first VWAN devices and Future Service Management (FSM) systems, enhanced system functionality to support the Market-wide Half-Hourly Settlement (MHHS) programme and carried out critical maintenance and technical upgrades across our technology estate.

Future activities and costs

In RY26/27 we will focus on further improving cost efficiency, improving operational performance and further enhancing customer experience and engagement.

1.1. RY25/26 Cost Variances Overview

1.1.1. Internal Costs

Cost Centre 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). Material variances to baseline are reported for the payroll GL only – these are discussed in more detail in Section 1.3.

Baseline			**RY25/26**	**RY26/27**
Total Operations		**£m**	**26.721**	**26.368**
Payroll costs	PR	£m	20.786	20.700
Non-payroll costs	NP	£m	1.015	1.015
Recruitment	RC	£m	0.201	0.159
Accommodation	AC	£m	-	-
External services	ES	£m	2.791	2.827
Internal services	IS	£m	-	-
Service management	SM	£m	1.454	1.277
Transition	TR	£m	-	-
IT Services	IT	£m	0.475	0.391
Office Sundry	OS	£m	-	-
Incurred			**RY25/26**	**RY26/27**
Total Operations		**£m**	**25.302**	**16.155**
Payroll costs	PR	£m	20.170	12.415
Non-payroll costs	NP	£m	0.874	0.534
Recruitment	RC	£m	0.395	-
Accommodation	AC	£m	-	-
External services	ES	£m	1.205	1.133
Internal services	IS	£m	-	-
Service management	SM	£m	1.816	1.035
Transition	TR	£m	-	-
IT Services	IT	£m	0.843	1.231
Office Sundry	OS	£m	-	-
Variance			**RY25/26**	**RY26/27**
Total Operations		**£m**	**-1.419**	**-10.213**

Payroll costs	PR	£m	-0.615	-8.285
Non-payroll costs	NP	£m	-0.141	-0.481
Recruitment	RC	£m	**0.194**	-0.159
Accommodation	AC	£m	-	-
External services	ES	£m	-1.586	-1.693
Internal services	IS	£m	-	-
Service management	SM	£m	**0.362**	-0.242
Transition	TR	£m	-	-
IT Services	IT	£m	**0.368**	**0.646**
Office Sundry	OS	£m	-	-

Table 1 – Operations variance by GL

1.1.2. External Costs

Not applicable for this function. Material external costs for the SMETS2 programme are set out in the 'External Costs' chapter.

1.2. Purpose, Scope and Structure

1.2.1. Purpose

Operations consists of most of the functions which are known internally as Design, Build and Run (DBR) – except for the CTO and the Change and Delivery Office (the latter is discussed in the 'Service Delivery' chapter). DBR is the driving force behind the core of the DCC business and is critical to ensuring we meet our core licence obligation of a secure, reliable, stable, and resilient network.

Operations are accountable for supporting the successful smart meter roll-out across Great Britain, while providing a positive experience for our customers, by maintaining and improving DCC's secure data network. Our primary role is to operate the reliable, stable, and secure national data network, which supports the roll-out and operation of 53 million energy smart meters in homes and small businesses across the country.

DBR Operations provide a single point of contact for our customers, supporting with onboarding to the service, incident management through to resolution, and smart meter rollout planning. The function is directly responsible for the safe and secure running of the network. We are committed to actively engaging with stakeholders and responding appropriately to our customers' needs.

As Lifecycle Management, we also design the services and operational processes for DCC enterprise and total systems, working with industry and service providers to address technical debt and underpin future capabilities and efficiencies.

Finally, as Contract and Supplier Management, DBR manages our relationships with our suppliers, ensuring performance is delivered against contracted measures, and that all contracts are maintained and delivering value for money.

The teams ensure that DCC continually improves its operational stability and performance, while maintaining security and delivering the additional functionality requested by, and agreed with, our customers and stakeholders.

1.2.2. Scope

Operations provides the assurance functions to ensure our Service Providers deliver the quality of service to DCC's SEC Parties, against contractual Key Performance Indicators (KPIs).

Operational teams contribute to the overall DCC strategy by providing the following services:

- Deliver reliable and repeatable service, at scale.
- Report operational performance to our customers and regulatory stakeholders.
- Supporting our focus on customers by providing real world information on their experiences.
- Support the prioritisation of activity and development effort for DCC through customer insight, process measurement, and industry engagement.
- Improve the solutions proposed by DCC through early and effective engagement in the design process.

Table 2 below shows the Operations cost centre's key objectives for the last financial year, and the activities completed to deliver these.

Key Objectives	Benefits realised
People are at the heart of DBR	• Major project completed in FY25/26 (Project Jupiter) which helped aligned roles to functions, simplify roles and reduce duplication across the DBR functions, resulting in a cost saving of £7.4m, and a 15% reduction in roles from the previous year's forecast.
Customer First - Always	• Our customer first programme was created with the intention of increasing customer satisfaction, using engagement, insights and data to put the customer at the heart of all we do.
Driven to Deliver Value	• DBR supported the wider DCC, who set an ambitious £30m cost efficiency target for RY25/26, with £36.2m delivered in FY25/26 supported by our Contract and Supplier Management teams, and a year-on-year reduction on cost per meter of 8.5%

Table 2 – Operations 12-month objectives RY25/26

1.2.3. Cost Centre Structure

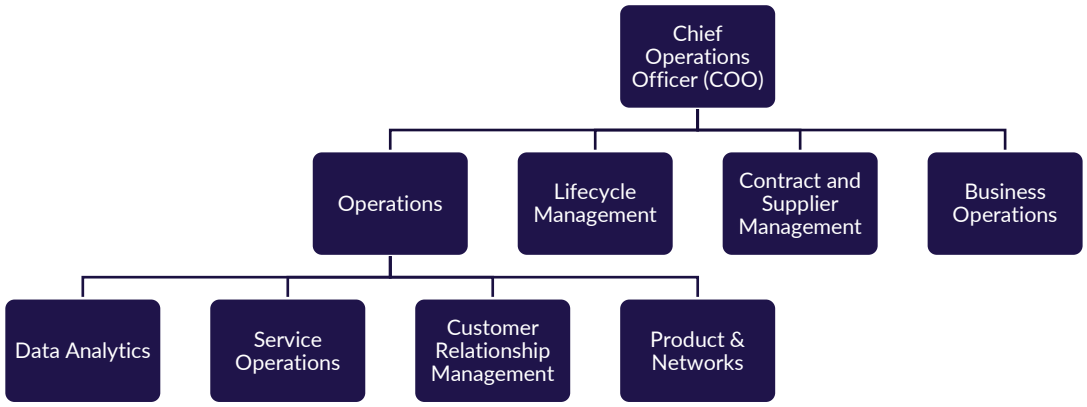


Figure 1. Cost centre organisational structure

Our cost centre structure and its capabilities are as follows. The table below provides the overview of the Operations cost centre during RY25/26 and a description of the teams within the structure.

Sub-team structure RY24/25	Sub-team structure RY25/26	Description
Data Science and Analytics (DS&A) -/ Data Analytics and Strategic Operations	**Data Science and Analytics (DS&A) /** Data Analytics and Strategic Operations	DS&A produce and provide internal and external stakeholders with multiple services including: • Mandated reporting and commentary. • Non-mandated reporting and analytical capabilities. • Underpin data requirements for DCC and wider industry issues, such as to support incident and problem management • Build and deploy capabilities to support the services provided by DCC to manage our licence obligations under both SEC and REC • Build and model scenarios to underpin the OPR regime.
Service / Core Operations	**Service / Core Operations**	The Service Operations team are accountable for ensuring that the SMETS and Switching service is available and reliable by: • Operating a 24/7, year-round frontline Service Centre, providing support to Customers throughout the full lifecycle of their interactions with the DCC. • Offering second line support through a dedicated Service Management team who act as the primary escalation point for restoring service during a major incident. • Preventing repeat occurrences of incidents by performing robust Information Technology Infrastructure Library (ITIL) problem management processes and ensuring all major incidents have root causes. • Monitoring DCC networks 24/7, year-round to ensure traffic is flowing as expected and investigating any variations so that Incidents are identified and raised at the earliest point. • Controlling and scheduling all changes across the entire service provider ecosystem to ensure they are successfully deployed through release management without causing unplanned outages. • Continually improving customer journeys through providing insights and support to customers to drive improved performance of end-to-end processes (such as Install & Commission, prepayment etc).

Customer Relationship Management	**Customer Relationship Management**	This team plays a crucial role at the forefront of all operational service-led customer engagements, effectively being the voice of the customer, as well as being the voice of DCC. This team drives service improvements and helps maintain the focus on consumer benefits. The team has three key functional capabilities:
		• Service and Relationship Management
		  ○ Retail & Non-Retail Service Management (Energy Suppliers, DNOs and Other Users).
		  ○ Own customer success plans and improve customer advocacy
		• Customer Journey/Experience Management
		  ○ Managing high level customer complaints, and complaints made on behalf of customers (i.e. from members of parliament)
		  ○ Customer Effort and Satisfaction Scores
		• Customer Strategic Engagement
		  ○ Managing DCC engagement with SEC Panel and subcommittees
		  ○ Managing DCC Programme's engagement and ensuring the needs of customers are taken into account
		The team is accountable for driving customer experience, service improvement, customer advocacy, and strategic customer engagement.

Product and Networks	**Product and Networks**	The Product and Networks team work closely with energy suppliers and our service providers to ensure continuity of the communication hubs (CH) supply chain, ensure that DCC has an optimal level network capacity to meet the growing demand from users, provides a Testing Service for our customers to use with their own infrastructure including physical Test Labs, and provides assurance of the CH firmware, hardware and Wide Area Network (4G) supporting the introduction of new products and changes in-life. • Manage forecasting, ordering and continuity of supply of CH variants from service providers; CH Return logistics including readiness for large scale returns & recycling to support the swap out to newer technologies • Provide assurance for the introduction and in-life performance for existing and future products and firmware, including the 4G WAN • Help to shape and influence future programmes to deliver best-in-class solutions and support continuous improvement.

Sub-team structure RY24/25	Sub-team structure RY25/26	Description
		• Lead regular bilateral engagement with DCC Users and User Groups to understand their plans and how they will impact future demand forecasts, whilst sharing best practice approaches and helping to influence efficient use of the network. This also includes presenting the latest quarterly demand forecasts with SEC Operations Group (OPSG) to align understanding of any aggregated changes to assumptions and the impact on the demand forecast • Ensure that DCC maintains optimal network capacity, working closely with service providers to ensure plans are in place to support demand growth over a 2-year horizon (or support insight for longer term where needed e.g. for contract re-procurement) • The Network Traffic Management portfolio of activity focused across three themes of traffic optimisation, process optimisation, and traffic prioritisation. Several key changes have been made this year to significantly reduce retries across the network, improving first time success of customer requests • Provision of physical Test Labs support programme delivery test cycles and customer testing to ensure the smooth implementation of new products and services, and enabling customers to test the integration with their own networks
Lifecycle Management	**Lifecycle Management**	The Lifecycle Management team was established in 2023 under the COO to support the development of DCC's Service Families and the transition to a product-focused organisation. The team operates across the Smart Energy portfolio, spanning Service Lines, Common Capabilities, and Data Services, and provides end-to-end ownership of services from strategy through to in-life management and retirement. Lifecycle Management is the bedrock of DCC's strategic delivery, ensuring services are customer-centric, value-driven, and aligned to regulatory and organisational priorities. The team acts as the business owner for service change, providing clear accountability for defining, shaping, and delivering service outcomes. The team's core accountabilities are: • Service Strategy – defining the direction and long-term roadmap for each Service Family, informed by customer, regulatory, and market insights • Business Case Development – developing robust business cases and investment plans to deliver strategic outcomes and ensure value for money • Requirements Management – owning and assuring the definition of clear, comprehensive business and service requirements • Service Design & Architecture – ensuring services are designed end-to-end, including operating models and support arrangements, to enable effective and efficient delivery • Service Risk Management – identifying, assessing, and managing service and delivery risks across the lifecycle • Ex-Ante support – enabling the development of cost forecasts, financial plans, and regulatory submissions aligned to service strategies • In delivering these accountabilities, the Lifecycle Management team: • Acts as Senior Responsible Owner (SRO) for service change, ensuring delivery aligns with agreed outcomes, timelines, and benefits • Applies a repeatable end-to-end Service Lifecycle Framework, covering strategy, design, delivery, transition, and in-life management • Works cross-functionally with Technology, Commercial, Finance, Service Operations, and Regulatory teams to ensure services are cohesive, deliverable, and sustainable • Maintains a clear focus on customer outcomes, risk management, and value for money across all service decisions
Contract Management and In Life Supplier Management	**Contract Management and In Life Supplier Management**	The Contract Management team transitioned from Commercial in April 2024 to become part of the newly established Design, Build, Run (DBR) function. In Q3 2025/26, the team amalgamated with In-Life Supplier Management to form a centralised **Contract & Supplier Management (C&SM)** function within DBR. Reported separately under payroll in the following section. The C&SM function provides a structured and accountable framework for managing commercial risk and maximising value for money. It ensures that: • Contracts are governed effectively • Suppliers are held to measurable performance standards • Commercial decisions remain aligned with customer needs and organisational priorities Through disciplined contract oversight, proactive supplier performance management, and evidence-based commercial strategies, the function strengthens financial

Sub-team structure RY24/25	Sub-team structure RY25/26	Description
		stewardship, safeguards assurance, and drives continuous improvement across the supply base. The team is responsible for: **Contract & Commercial Management** • End-to-end management of strategic contracts, including associated changes • Oversight of contractual mechanisms and commercial levers across strategic suppliers • Acting as the primary point of contact for contract-related issues and escalations • Providing contract interpretation and commercial guidance to the wider business **Value for Money & Cost Management** • Challenging and driving cost efficiencies to ensure value for money • Ensuring stakeholders receive appropriate information to justify expenditure • Maintaining a strong focus on value, risk, and commercial outcomes **Supplier Relationship & Performance Management** • Establishing and managing operational performance governance routines • Producing monthly and annual supplier performance reports • Leading performance recovery plans where required • Managing supplier service delivery risks and implementing mitigation strategies **Financial Management** • Financial accountability for operational supplier run costs (~£300m annual spend) • Delivering financial forecasting, budget control, and reconciliation • Overseeing invoice validation and payment processes **Change & Risk Management** • Managing contract change processes to maintain a favourable commercial position • Ensuring appropriate governance is applied to all supplier-related changes (process and contractual) • Supporting the business in executing structured change management activities **Stakeholder Engagement** • Liaising with internal stakeholders to ensure effective contract and supplier management • Supporting informed decision-making aligned to organisational objectives
n/a – Part of Core Operations and Data Analytics & Strategic Operation	**Business Operations**	The Business operations team moved from other teams to sit directly under the COO in early 2025. The team is responsible for supporting pan-DBR and DCC activities including • Business management to the COO and SLT – acting as office of the COO to ensure operational effectiveness across the DBR Leadership team • Financial planning and budget management - managing operational budget planning and forecasting, financial reporting, business accuracy, resourcing strategy and cost efficiencies. • Executive and stakeholder reporting into the board and ExCo, and externally (i.e. the Annual report) • Risk and Compliance Management - managing functional and enterprise risk mitigation, issues management and assuring compliance against corporate risk management frameworks. • Internal Communications and events management – managing communications, all hands events and town halls.

Table 3 – Description Per Sub-Team Structure

1.3. Drivers of Internal Cost variance - Payroll

1.3.1. Cost centre Variance by Sub-Team

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

The overall payroll costs variance is an underspend of £0.615m in RY25/26 across a total of 21 sub teams compared to the RY25/26 baseline. The drivers of this underspend reflect the transition of some sub-teams (SEC Release, Capacity and 3G Sunsetting) out of the Operations cost centre and into Service Delivery. We have explained these movements for the materials variances across the sub-teams.

Baseline		RY25/26	RY26/27
Operations Payroll Costs	**£m**	**20.786**	**20.700**
Core Operations	£m	4.837	4.672
Customer Relationship Management	£m	1.567	1.617
Data Analytics and Strategic Operations	£m	2.834	2.616
Products and Networks	£m	1.904	2.238
In Life Change	£m	2.740	2.657
In Life Supplier Management	£m	1.579	1.641
Service Assurance	£m	-0.183	0.386
Lifecycle Management	£m	0.557	0.556
Contract Management	£m	4.020	3.944
Business Operations	£m	-	-
Operational Change Programme Resource	£m	0.009	-
SEC Releases Programme Resource	£m	0.884	0.372
Capacity Programme Resource	£m	0.038	-
3G Sunsetting Mitigation Programme Resource	£m	-	-
SMETS2 Squad Resource	£m	-	-
Connectivity Squad Resource	£m	-	-
Common Capabilities Squad Resource	£m	-	-
Incurred		**RY25/26**	**RY26/27**
Operations Payroll Costs	**£m**	**20.170**	**12.415**
Core Operations	£m	4.843	2.831
Customer Relationship Management	£m	1.743	0.708
Data Analytics and Strategic Operations	£m	2.914	1.639
Products and Networks	£m	2.436	1.816
In Life Change	£m	-	-
In Life Supplier Management	£m	1.098	0.780
Service Assurance	£m	-	-

Lifecycle Management	£m	1.292	0.617
Contract Management	£m	3.890	2.145
Business Operations	£m	0.505	0.271
Strategic Customer Engagement	£m	1.003	0.827
Operational Change Programme Resource	£m	0.096	-
SEC Releases Programme Resource	£m	-	-
Capacity Programme Resource	£m	-	-
3G Sunsetting Mitigation Programme Resource	£m	-	-
SMETS2 OCA Certificate Rotation Project Resource	£m	0.124	0.038
Meter Reconfig Project Resource	£m	0.055	-
Enduring System and Service Integrator Project Resource	£m	0.050	0.257
DSP Design Gap (ILC) Project Resource	£m	0.025	-
Scheduled Read Optimisation – SMETS2 Project Resource	£m	0.073	-
Remedy Extension Project Resource	£m	0.001	-
FCN - DM Simulator Project Resource	£m	0.004	-
Parse and Correlate Containerisation Project Resource	£m	0.008	-
DPS TPS Re-Architecture Project Resource	£m	0.007	-
ECoS - Storing Registration data and MPxN Project Resource	£m	0.004	-
ECoS App Re-procurement Programme Resource	£m	-	-
GSOP Programme Resource	£m	-	0.488
Variance		**RY25/26**	**RY26/27**
Operations Payroll Costs	**£m**	**-0.615**	**-8.285**
Core Operations	£m	0.006	-1.841
Customer Relationship Management	£m	**0.176**	-0.909
Data Analytics and Strategic Operations	£m	0.080	-0.978
Products and Networks	£m	**0.532**	-0.422
In Life Change	£m	-2.740	-2.657
In Life Supplier Management	£m	-0.481	-0.860
Service Assurance	£m	**0.183**	-0.386
Lifecycle Management	£m	**0.735**	0.061
Contract Management	£m	-0.130	-1.799
Business Operations	£m	**0.505**	**0.271**
Strategic Customer Engagement	£m	**1.003**	**0.827**
Operational Change Programme Resource	£m	0.088	-

SEC Releases Programme Resource	£m	-0.884	-0.372
Capacity Programme Resource	£m	-0.038	-
3G Sunsetting Mitigation Programme Resource	£m	-	-
SMETS2 OCA Certificate Rotation Project Resource	£m	0.124	0.038
Meter Reconfig Project Resource	£m	0.055	-
Enduring System and Service Integrator Project Resource	£m	0.050	**0.257**
DSP Design Gap (ILC) Project Resource	£m	0.025	-
Scheduled Read Optimisation – SMETS2 Project Resource	£m	0.073	-
Remedy Extension Project Resource	£m	0.001	-
FCN - DM Simulator Project Resource	£m	0.004	-
Parse and Correlate Containerisation Project Resource	£m	0.008	-
DPS TPS Re-Architecture Project Resource	£m	0.007	-
ECOS - Storing Registration data and MPxN Project Resource	£m	0.004	-
ECoS App Re-procurement Programme Resource	£m	-	-
GSOP Programme Resource	£m	-	**0.488**

Table 4 – Operations variance by sub-team

1.3.2. Customer Relationship Management

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 Customer Relationship Management (CRM) team is responsible for delivering DCC's customer engagement strategy and leading service-related customer experience and success activities across Retail, Non-Retail (DNOs and Other Users), customer experience surveying and escalations.

For RY25/26, CRM shows a £0.176m variance above the baseline, reflecting less time booked to programmes than assumed, Ofgem disallowance and more typical hiring/attrition outcomes.

Scope of variance and key drivers

In RY25/26 the CRM team consisted of 17.1 FTE with 0.35 FTE booked to programmes (predominantly supporting customers across FSM and DSP), so a total of 16.75 FTE.

This is a reduction compared to our forecast from our prior year's price control submission where we had assumed 0.71 FTE would be booked to programmes, driving part of the cost increase. In addition, Ofgem also made a disallowance of £45k therefore the baseline is lower than our prior year forecast.

The team consists of:

- 1 Director of Customer, who was recruited and in place for over half of the year. This role previously sat within Strategic Customer Engagement.

- 2 Heads of, leading on Customer Experience and Customer Relationship Management. These roles have been longstanding leading on supporting current customers and improving customer centricity within DCC.
- 3 High Level Escalations & Complaints Managers, who are responsible for managing high level complaints, and escalations from Parliament members regarding their constituents.
- 7 Senior service managers (including a new hire), which consist of:
- 5 Senior Service Managers responsible for managing relationships, the day-to-day service issues and driving customer success across large suppliers, DNOs and key stakeholders across Switching. These managers have direct, ongoing engagement with customers and are the key point of contact. Seniority is linked to additional responsibilities and extent of customer requirements. e.g. a large supplier with lots of requirements versus a small supplier.
- 2 Senior Service Managers within the Customer Experience function do not manage direct customer portfolios. Their responsibilities include leadership of the High-Level Escalations team, oversight of Customer Effort and CSAT design, execution and performance, and coordination of VIP customer engagement activities. They play a key role in ensuring customer insights and service performance trends are translated into actionable improvements across the business, driving operational efficiency, service enhancement, and continuous improvement outcomes whilst embedding a customer centric culture.
- 4 Service Managers (1 departure), who each manage a pool of DCC's customers (combination of circa 97 small suppliers, IDNO's and Other Users). Our other DCC User cohort is also growing. These parties do not directly pay our charges (like suppliers), but require support in helping them make best use of the data and also for us to manage and guide them on how to effectively use the network to help achieve the bet level of success, whilst balancing traffic and demand on the network.
- 1 Senior Incentive Regime Manager who monitors and reports on DCC's performance across the year under the OPR and SIR, and also BMPPA. This person also works with the regulation team for our annual and milestone submissions. This role is now a vacancy following a departure for retirement.

Frontline service management and customer handling FTE levels have not increased. The team has instead shifted towards a more senior capability profile to manage complexity, escalation volume and regulatory evidence requirements.

Securing value for money

All CRM roles are permanent or fixed-term and recruited in line with DCC's resourcing strategy for enduring, customer-critical functions. Senior capability within the team enables earlier resolution of escalations, stronger management of customer risk and improved coordination across Operations, supporting incentive performance and reducing the likelihood of wider operational or reputational impacts.

Our DCC User list has expanded to 104 parties require ongoing engagement and customer journey planning for DNOs and energy data users.[1]

Future considerations

During RY26/27, there is ambition to further align operational CRM activity with the more strategic Customer Experience capability. Any organisational design activity will focus on role consolidation and clearer accountability.

[1] The full list of SEC parties and those that are DCC Users is available from SEC: Current SEC Parties - Smart Energy Code

1.3.3. Products and Networks

Overview of variance

Products and Networks (formerly Products and Logistics) shows a £0.532m variance above the baseline in RY25/26.

Products and Networks averaged 21.3 FTE across RY25/26 against a forecast of 18.9 FTE, meaning average headcount increased by 2.3 FTE. Across RY25/26, headcount profile increased from ~23 to ~31 people. This is primarily due an increase in FTE from re-organisation within DCC where an internal transfer took place and two new teams joined Product & Networks from CTO. These were Testing Services and the Devices Team. This was partially offset by early-year vacancy phasing and delayed recruitment elsewhere in the team.

Scope of variance and key drivers

Key drivers of the variance and associated FTE movement are:

- 4 device and product specialist roles transitioned in the second half of the year and 5 representing the Testing Service and Test Labs transitioned from CTO later in the year. This reflected a conscious alignment given the synergies of services we provide to our customers and aligning both our CH product team with the devices team (who manage non-CH devices) into one function. In total, this contributed circa 2.7 FTE to the average headcount increase.

- 3 people left the team as a result of Project Jupiter, where one-off leaving payments were not accounted for in the baseline and do not contribute to FTE count. These people could not be mapped to the new roles with consolidated responsibilities. Accordingly, three further testing services and device specialists were recruited into the team to backfill vacancies remaining at the end of Project Jupiter (therefore the team was short 1.2 FTE in RY25/26). There was also other business as usual attrition and hiring.

- In last year's forecast for RY25/26, it was estimated that 3.9 FTE would charge their time to programmes rather than the sub-team. In practice, 2.7 FTE time was booked to programmes, reflecting where advice is required on programme changes that have consequential impacts on device firmware and/or network. Resulting in 1.2 FTE being incurred on non-programme specific services for our customer requests.

The result is our current team of circa 32 people (1 of which is a vacancy) has concentrated responsibilities compared to before, with several roles transitioning in from other parts of the business.

We note that payroll variances in the Design and Assurance chapter do not fully offset the staff that have transferred into Products and Networks:

- Testing, including Testing Services had 5 FTE fewer charged to programmes than forecast, reflecting the DCC's work programmes to support its suite of systems and services, not just system-specific maintenance or upgrade testing. These additional costs offset the reduction in overall team FTE, resulting in a small negative variance.

- The Engineering team also had circa 5 FTE less booked to programmes than forecast, but the reduction in the team size due to the transfers to this team and leavers means that the net variance negative £210k partially offsets the increase in costs for the Products & Networks team.

Securing value for money

All roles are permanent and recruited in line with DCC's resourcing strategy, reflecting enduring needs rather than short-term programme demand.

We integrated our Testing services and Device teams into Products & Networks to improve how we support customers for services that are in life. The Testing Services subset of staff do not book to programmes given the focus on in life activity. The core responsibilities of this team are:

1. Manage the use of our test labs, including onboarding new users
2. Support customer driven requests for testing all in-life services in the UIT environment
3. Manage relationships with customers relating to in-life testing

In RY25/26, we were able to reduce the contracted spend with meter manufacturers by £[redacted] following contract renegotiations.

For clarity, our Test Assurance capability supporting new programmes and changes resides in CTO who are responsible for testing as part of our DBT across programmes and in life changes.

Our network team, by working with service providers and our customers has delivered Network Optimisation activity removing 14 billion messages from the network in RY25/26, whilst also optimising the utilisation by c. 20%.

Future considerations

No further headcount growth is planned for existing work. However, many staff members do not have full year costs during RY26/27, therefore the average FTE will increase in RY26/27 to reflect the permanent staff transfers from CTO cost centres. Having completed the integration of teams, the function is now stabilising and looking to drive further value from those resources, embedding new ways of working and continuous improvement.

1.3.4. Service Assurance

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

Service Assurance shows a £0.183m variance above baseline in RY25/26. This variance must be read in the context of the baseline position set by Ofgem, which was set at −£0.183m negative baseline adjustment for Service Assurance related activity. In our RY24/25 price control submission, an overallocation of Service Assurance to programmes meant we forecast a negative value.

In RY25/26, we have incurred zero costs for this team as it has been merged into Lifecycle Management and Core Operations, and some resources being better aligned with EPMO (such as the roles for governance, reporting and resource management) and Service Operations (including roles for Service Transition and Service Enablement). We forecast this to continue for RY26/27.

Please refer to the section on Lifecycle Management for an explanation of the resources moved to that sub-team.

1.3.5. Lifecycle Management

Overview of variance

Lifecycle Management records a £0.735m variance above the baseline in RY25/26. The team provides strategic ownership of DCC service families across their end-to-end lifecycle, including lifecycle strategy,

service roadmaps, coordination of firmware and product evolution, governance of material in-life decisions, and planning for orderly transition and retirement of services.

For RY25/26, the variance is predominantly due to the incorporation of both the Service Design capability from the Service Assurance team, and the Business Case Centre of Excellence capability from the Strategic Customer Engagement team (previously reporting within Corporate Management) into the function.

The movements of FTE were completed as part of Project Shift and Project Jupiter and ensured all relevant capabilities relating to in-life governance, and ownership of service families across the end-to-end lifecycle were within a single function. This allowed for alignment of responsibilities and the development of specific practices to improve overall capability and performance.

Scope of variance and key challenges

The Lifecycle Management team grew from 15 to 21 people (average of 18.9 FTE) by the end of RY25/26 due:

- Consolidation of previously embedded activity: A significant proportion of lifecycle work had historically been delivered within programmes or other operational teams. During RY25/26, this activity was progressively consolidated into a single Lifecycle Management function, increasing apparent BAU FTE without creating new enterprise demand.
- The addition of 5.9 FTE from Service Assurance (10 people in total). However, a proportion of the Service Assurance team booked time to programmes and those costs are not captured here. There is no negative variance under Service Assurance to offset the increase for Lifecycle Management as a much smaller proportion of the team's time has been booked to programmes than was forecast in last year's price control submission.
- 2 people left the team as a result of Project Jupiter, where one-off leaving payments were not accounted for in the baseline and do not contribute to FTE count. These people could not be reallocated to the new roles with consolidated responsibilities.
- 4 business case authors entered the team, averaging 2.3 FTE across the year: two from the Centre of Excellence team and two new hires. Time is booked to programmes or the sub-team depending on programme maturity.

As more services transitioned into steady-state operation, the volume and complexity of lifecycle decisions (firmware evolution, roadmap coordination, end-of-life planning and cross-service dependencies) increases. Service mapping informed the change in how Lifecycle Management now operates, with full-service family ownership, multi-service road mapping and in-life governance activities now consolidated into BAU.

Securing Value for Money

We operate a permanent resourcing model, with all roles filled on a permanent basis and no reliance on contractors or interim resources, reducing volatility and avoiding premium day-rate costs.

The movement of the Service design teams from Service Assurance, and Business Cases from Corporate Management were mapped and their skills and priorities deemed to fit better within the overall strategic goals of the Lifecycle Management team. The combination ensures that the full service-lifecycle governance, from service design, Business case development and long-term service family strategy can be better managed. Following Project Blue, Service Assurance transitioned away from a fragmented, contractor-heavy model toward a leaner, service-aligned assurance capability. Contractor reliance reduced materially, and assurance effort was prioritised and targeted.

Lifecycle Management delivers value primarily through **cost avoidance, coordination and risk reduction**, rather than direct in-year savings. By providing clear and accountable lifecycle ownership across services, the function:

- reduces duplication and rework arising from fragmented or reactive lifecycle decisions;
- enables earlier, more coherent decisions on service evolution, firmware deployment and end-of-life planning;
- mitigates the risk of unplanned in-life costs, inefficient supplier interventions and poorly sequenced change.

While the function contributes to an adverse variance against a constrained baseline, the cost of the team is modest relative to the scale of services influenced and the downstream operational, customer and financial risks mitigated.

Future Considerations

Lifecycle Management costs are expected to remain stable in RY26/27, where we expect to average 19 people. Accordingly, our lower costs forecasted for RY26/27 reflect the shorter period and time booked to programmes, leaving approximately 10.5 FTE left in the sub-team's cost centre.

1.3.6. Business Operations

Overview of variance

The variance of £0.505m in RY25/26 was a result of a new team formation, which also has a zero baseline. The majority of the team's formation came from internal movements of existing roles; there was also one external hire into the team.

Scope of variance and key challenges

The Business Operations Team became a distinct business area during RY25/26. Prior to this, all roles within the team were reporting against Service Operations (known as 'Data Analytics & Strategic Operations' in the FY24/25 Operations chapter) or Service Delivery (within the 'Professional Services Practice' in the FY24/25 Service Delivery chapter).

The team was brought together to increase alignment across executive support and pan-DBR activities: no new roles or additional headcount was created during this process. These activities have been undertaken for several years, but with roles distributed across the function. DBR (our new structure of Design Build Run) spans CTO, Operations and Service Delivery.

Overall, 5.3 average FTE was reporting against Business operations for RY25/26, against a plan of 6 FTE. This is a result of internal promotions and recruitment during the regulatory year, alongside the changes made during the Jupiter project which included 1 contractor FTE being exited. In addition, 1 role (Head of Professional Services) was subject to redundancy payout in RY25/26.

An additional new role was also created, to enable effective Risk and Compliance management across the Operations and Service Delivery functions. This work was previously completed across the functions as a fragmented BAU activity with no overall view of the landscape across DBR.

Securing Value for Money

Several roles within Business Operations were reviewed as part of the Project Jupiter activity, resulting in increased alignment and a reduction in silos, and 2 roles being exited including 1 contractor FTE. The resulting enduring team size of 6 FTE, including a Head of Business Operations, a Risk and Compliance Manager, 3 Senior Business Operations Managers and an Analyst level role.

The team primarily acts as Office of the COO and manages a number of cross-functional activities impacting both Operations and Service Delivery, including financial forecasting and budget management, Risk and

Compliance management, regulatory and stakeholder reporting, employee engagement and events, and providing business management support to both the COO and her direct reports, improving operations effectiveness and delivering efficiencies.

Future Considerations

Business Operations costs are expected to remain stable in RY26/27, with no planned changes to headcount or roles. This is a reduction from RY25/26 as the team size was reduced during the Jupiter project. The team will continue to create value and drive operational effectiveness across the Operations and Service Delivery functions and by providing direct business management support to the COO and her team.

1.3.7. Strategic Customer Engagement

Overview of variance

Baseline		RY25/26	RY26/27
Corporate Management: Strategic Customer Engagement	£m	1.081	1.064
Operations: Strategic Customer Engagement	£m	-	-
Incurred		**RY25/26**	**RY26/27**
Corporate Management: Strategic Customer Engagement	£m	-	-
Operations: Strategic Customer Engagement	£m	1.003	0.827
Variance		**RY25/26**	**RY26/27**
Corporate Management: Strategic Customer Engagement	**£m**	-1.081	-1.064
Operations: Strategic Customer Engagement	**£m**	**1.003**	**0.827**
Net variance	**£m**	**-0.079**	**-0.237**

Table 5 – Strategic Customer Engagement Net Variance Table

The variances are as a result of the strategic customer engagement team moving internally from the corporate management function into Operations and do not reflect an overall increase in headcount.

Scope of variance and key challenges

We have spent within the baseline, just a team reallocation between functions. This team continues to focus on delivery of areas including:

- Engagement across the active programmes, ensuring customer insight informs DCC's decision-making.
- Full coordination of DCC input across all SEC governance forums, with a continued focus on the quality and purpose of agenda materials.
- Leading Quarterly Finance Forums and targeted workshops aligned to programme milestones.
- Drafting annual engagement reports to Ofgem and DESNZ for OPR and 4G CH&N BMPPA (and possible the new DSP regime), with improved evidence capture on engagement outcomes.

Securing Value for Money

The function has reduced resource spend during RY25/26 by removing 1 contractor FTE. The team is now aligned with the wider Customer Relationship Management function within Operations which has enabled consistency of approach, and a reduction of duplicated efforts.

Future Considerations

No further headcount growth is planned for existing work. Having completed the integration of teams, the team is now stabilising and looking to drive further value from those resources, embedding new ways of working and continuous improvement.

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

1.4.1. Enduring SI 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

The variance of £0.257m in RY25/26 arises because there is no regulatory baseline allowance for this activity. DCC is forecasting programme resource to support the Enduring System Integrator procurement, involving development of the Full Business Case during this period.

This Enduring SI programme will support DCC to consolidate system integrators across its ecosystem. Please refer to ESSI – Enterprise System & Service Integrator to find the equivalent item in our ex-ante submission.

Scope of variance and key challenges

This variance reflects a programme of work to develop the Full Business Case for the Enduring SI. The development of the FBC will continue throughout 2026/27 under the new price control regime, followed by procurement activity.

The programme has forecast a total of 3.56 FTE across RY26/27 to support the delivery of the programme

- 0.73 FTE from Operations functions of Customer Relationship Management and Lifecycle Management to support customer engagement, business case development and planning for the service transition.
- 0.23 FTE from Service Delivery leading on project management & governance.
- 1.89 FTE from CTO to inform the solution from Architecture, Business Analysts and Test Assurance to develop the design through to testing and commissioning requirements
- 0.71 FTE from the Commercial and Regulatory teams who specialise on the procurement process and regulatory requirements from 'Concept to Contract to Market'.

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.

The procurement of ESSI will follow the Green Book business case process to ensure business needs are fully met and considered. This process ensures that the procurement decisions are robust, fully justified, and designed to deliver the most economic and efficient outcomes for our stakeholders.

This aim of this programme to improve speed of change delivery, reduce technical assurance and improve accountabilities.

Future Considerations

This programme of work continues beyond business handover to complete the FBC and procure the Enduring SI.

1.4.2. GSOP 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

The variance of £0.488m is a result of a zero baseline and will not create a net increase in headcount across DCC in RY26/27.

Ofgem's Guaranteed Standards of Performance (GSOPs) are regulatory requirements that set minimum service levels for gas and electricity suppliers covering activities such as appointments, installations and Smart Meter performance. If these standards are not met, companies must automatically compensate affected customers.

DCC is undertaking a preparatory programme to be ready for Ofgem's final decision on new smart meter GSOPs. The current phase is therefore focused on discovery and readiness planning rather than full implementation.

Scope of variance and key challenges

Ofgem has not yet reached a decision on the implementation of the proposed new GSOP: Smart meters not operating in smart mode. Where a consumer will receive compensation if the consumer's smart meter is not operating in smart mode for over 90 days. The implementation window from the GSOP become part of a Statutory Instrument to taking effect could only be one month, therefore DCC is preparing for the potential regulatory change.

To allow for reporting and management of the proposed GSOP, it is likely that changes will be required to the DCC Service Management (FSM) systems and our service delivery. These changes are likely to include amendments to incident tooling to reflect GSOP standards and potential workflow and automations to support volume increases. Additionally, underpinning contracts with suppliers will need to be amended to reflect the new implemented standards.

As a result of this discovery programme, DCC will be understand the extent of changes required, and will be ready to implement system and process changes if the new GSOP is put into effect.

The programme has forecast a total of 7.01 FTE across RY26/27. 5.65 FTE is forecast to support the delivery of the programme

- 1.52 FTE from within Operations functions to identify changes required for supplier contracts, the impacts on how we manage incidents with our customers, data management and reporting, and identify changes across the suite of in life systems and our network.
- 3.57 FTE from within Service Delivery to deliver the programme and track the various changes required across the DCC system, along with managing resourcing across the business (both volume and specialisms)

- 0.77 FTE from CTO across Architecture and Engineering, Business Analysts and Testing assurance to scope and undertake preliminary design of the changes, and what effort would be required for implementation and testing
- 0.23 FTE from Enterprise IT to understand the impacts on our supporting systems
- 0.73 FTE from Security to assess and manage the risks of the changes on the DCC ecosystem.

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.

This programme ensures new processes are agreed with industry for how we work with customers on incidents and our responses. Along with tooling changes, we will automate the incident processing and enhance the effectiveness of our triage and service centre.

Future Considerations

This programme is expected to complete after business handover.

1.5. Drivers for Internal Cost variance – Non-Resource

Recruitment cost	RC	£m	**0.194**	-0.159
Legal Cost Provision	ES	£m	-	**0.840**
[redacted] - SECMP176	ES	£m	**0.176**	-
AWS Hosting costs	IT	£m	**0.414**	**0.714**
[redacted] - CR5695 ESU Licences	IT	£m	**0.171**	-
Service Desk	SM	£m	**0.362**	-0.242

Table 6 – Operations non-resource variances

Please refer to tabs 1 and 2 of the supplementary schedules for the full list of Internal Costs across our submission.

1.5.1. Recruitment cost

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

Recruitment costs in RY25/26 were £0.395m, which was £0.194m above the regulatory baseline of £0.201m. These costs relate to recruitment support, employment checks and placement fees across Operations.

The majority of this variance related to Project Jupiter, which was a DBR reorganisation that affected a large number of staff due a consolidation of role responsibilities. For the overall rationale, scope and DBR-wide impact of Project Jupiter, please refer to the Finance & People chapter.

In RY25/26, we also used some external specialist support for the recruitment of executive and senior level roles.

Scope of variance and key challenges

For Project Jupiter, we were supported by one of our recruitment partners to undertake internal mobility activity to support colleagues affected by the reorganisation, before any subsequent external hiring. This included receiving and reviewing applications, screening candidates against open roles, submitting suitable candidates to hiring managers, coordinating interviews and managing offers through to completion. External hiring was undertaken if existing staff could not meet the new role requirements, as explained for the Lifecycle Management and Products & Networks payroll costs.

We employ specialist recruitment support for filling senior and executive positions. We recruited for the roles of Director of Customer, Director of Lifecycle Management and Managing Director of Supplier and Contract Management.

Securing value for money

DCC used external recruitment support selectively and in line with its recruitment framework arrangements. The majority of spend was concentrated through existing support channels, with only limited use of specialist executive search support for senior appointments.

This meant recruitment costs were targeted at specific organisational needs arising in-year, including internal mobility support under Project Jupiter and a small number of higher-value senior hires, rather than representing broad-based expansion activity.

Future considerations

No recruitment costs are currently forecast for RY26/27. As Project Jupiter completed in RY25/26, we do not expect the same level of recruitment support costs to recur. Future recruitment activity is expected to relate to normal attrition and replacement hiring only.

1.5.2. [redacted] - SECMP176

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

[redacted] – SECMP176 shows a £0.176m variance in RY25/26. This variance relates to the delivery of SEC Modification SECMP0176 (Customer Analytics Reporting), which was approved and implemented after the relevant price control baseline had been set and therefore was not included in baseline allowances. While this creates an above-baseline variance in-year, delivery of the SECMP0176 customer analytics reporting capability was completed below the original budget expectation.

Scope of Variance and Key Challenges

The £0.176m variance in RY25/26 reflects the net accounting position arising from milestone-based

delivery of SECMP0176 under a contract with [redacted] Specifically:

- **Post-baseline SEC modification:** SECMP0176 was developed and approved following industry consultation after the RY price control submission. As a result, no baseline provision existed for its delivery.
- **Milestone-based delivery and recognition:** Delivery of SECMP0176 was contracted to [redacted] under a milestone-based agreement with a total order value of £[redacted] Costs were recognised in RY25/26 only when delivery milestones were achieved and accepted.
- **Net cost recognised in RY25/26:** During RY25/26, milestone achievement resulted in gross cost recognition of £[redacted] This was partially offset by milestone reversals and accounting re-profiling of £[redacted] reflecting delivery sequencing and acceptance timing. The resulting net in-year position of c.£[redacted] is the amount reported as the variance.
- **Clearly defined and time-limited scope:** The engagement was limited strictly to the design, build and delivery of the SECMP0176 Customer Analytics Reporting capability. There is no ongoing managed service, licence, or support arrangement associated with this cost line.

Securing Value for Money

[redacted] was appointed through a [redacted] procurement process in RY24/25, with multiple suppliers invited to tender against defined functional and technical requirements.

Following the evaluation and moderation, the successful bidder was [redacted] In line with the published RFP documents and the evaluation results, [redacted] overall score was [redacted] out of 100 and were ranked at number 1 overall.

The RFP provided DCC with a cost efficiency of £[redacted] based on the original budgeted position which had [redacted] outsourcing [redacted] of the work; and avoided a further £[redacted] by successfully negotiating a lower BAFO. The final amount invoiced was £[redacted] lower again, due to reduced scope of testing by [redacted] against the final milestone.

Procurement – SECMOD176 – [redacted]	[redacted]
Number of Initial invitations to tender	
Number of Bids received	
Number of Bids shortlisted / presenting	
Strengths of Selected Bidder	
Challenge by DCC	

Table 7 – SEC mod 176 development procurement summary

The milestone-based payment structure ensured that DCC paid only for delivered and accepted outcomes, limiting cost exposure and providing strong assurance of value for money.

In RY24/25 we incurred £[redacted] and in RY25/26 we incurred £0.176m for our price control submissions, making the total costs incurred £[redacted]

Although the cost was above baseline, the delivery represented value for money. As set out in the SEC modification impact assessment[1], forecast costs were £[redacted] covering the design, build and test. Our programme spend was £[redacted] including the [redacted] development costs set and a small number of direct awards for specialist support included in Section 7 of the impact assessment. Delivery therefore completed around £[redacted] below the original budget.

[1] SEC Modification Proposal available from: smartenergycodecompany.co.uk/documents/sec/annex-f-mp176-impact-assessment-response-alternative-v0-31/

Future considerations

No further material costs are anticipated in relation to SECMP0176. The customer analytics reporting capability delivered through this modification will be supported through existing BAU arrangements or internal capability going forward.

1.5.3. AWS Hosting costs

Overview of Variance

The variance in AWS Hosting costs reflect the attribution of Operations-specific support from the general EIT pool to the function. All AWS Hosting costs were reported in the Finance chapter in the RY24/25 price control submission. Therefore, no baseline was set for RY25/26 and RY26/27 in the Operations function, and all AWS hosting costs appear variant.

Baseline		**RY25/26**	**RY26/27**
Finance & People: AWS Hosting costs	£m	2.400	2.400
Operations: AWS Hosting costs	£m	-	-
Incurred		**RY25/26**	**RY26/27**
Finance & People: AWS Hosting costs	£m	1.389	0.319
Operations: AWS Hosting costs	£m	0.414	0.714
Variance		**RY25/26**	**RY26/27**
Finance & People: AWS Hosting costs	**£m**	-1.011	-2.081
Operations: AWS Hosting costs	**£m**	**0.414**	**0.714**
Net variance	**£m**	**-0.597**	**-1.367**

Table 8 – AWS Hosting Costs Net Variance Table

When we compare all AWS hosting costs across DCC, the table shows that the net variance is actually negative and we have incurred costs lower than the baseline.

The costs for Operations in RY25/26 only reflect a part-year allocation of costs since October 2025. The RY26/27 forecast covers the whole period through to business handover.

Scope of Variance and Key Changes

The AWS services are contracted centrally with the Enterprise IT team managing the contract, and receipting invoices to ensure that payments are made. In October 2025, the budget for AWS services consumed by Data Science & Analytics (DS&A) was transferred to the Operations budget from Enterprise It. This allows for better management of costs at source by the team incurring the costs. The forecasts for RY25/26 and RY6/27 did not have that transfer in, leading to a negative variance in the Enterprise IT budget and a positive variance in the Operations budget, with a net variance lower than the total forecast.

In RY25/26, we completed the transition from EDAM to Redshift for the CEDAR platform and turned off the services supporting EDAM to realise cost savings. This has led to the net variance for 25/26. Key change included decommissioning EC2 instances along with corresponding EBS volumes and snapshots used by EDAM. On top of this, continued cost optimisation within CEDAR made use of Redshift autoscaling and S3 lifecycle policies.

We have outlined the specific services under the remit of Operations that require AWS hosting support:

Service Name	Why is the service needed
DCC operation of mandatory business	DCC curates energy system data to underpin most aspects of DCC SEC and REC services; including in-day monitoring and "single source of truth" data lakehouse for analytics. This is used for DCC operations and Information Technology Infrastructure Library (ITIL) services. These DCC internal services use "Total Systems" data as a source but are functionally separate in order to provide appropriate levels of service wrap/resilience at best value-for-money; and to allow cross-provider data joins (for instance spanning different Service Providers for ITIL data and core SEC data service provision). Key internal outputs from these services are analytics queries; static data dumps; and interactive dashboards / business KPIs. We use this data to manage the Smart Meter inventory, including billing service users based on volumes of meters; and to audit the service usage (volumes of messages sent to Smart Meters by Service Users; volumes of alerts sent from Smart Meters to Service Users) to confirm billing and network capacity. It is also used for operational triage (Service User / Service Provider tickets raised to DCC service desk linked to specific meters).
Service user mandated and value-add reporting	DCC provides both mandatory and value-add reporting to DCC SEC and REC service users, for instance reports about the Smart Meter Inventory status, or reports relating to certain industry initiatives such as non-communicating device reports for NODI (SEC's Non-Operating Devices Intervention Group) or certificate reports for post-commissioning obligations. Reports are usually automated (quarterly/monthly/weekly daily) for instance quarterly DCC Performance Assurance reporting but can also be triggered ad hoc for specific Customer work orders.
Subscription reporting and "Data for good" data sharing	In line with section 14.10 of the DCC charging statement / H.17 of the DCC license, we are enabling use cases with industry, local authorities and other stakeholders to leverage smart metering data in societal and environmental decision-making. For more information, see: Using smart meter system data for public good | Smart DCC
Regulatory reporting obligations	DCC is required under license to publish regulatory reporting, including Operation Performance Regime (OPR) and Performance Measurement Report (PMR).

Table 9 – Operations that require AWS Hosting Support

Securing Value for Money

DCC performs quarterly reviews bilaterally between our Enterprise IT and DS&A teams to review latest actuals and then develop and action cost optimisation initiatives off the back of this evaluation. Initiatives are shared between our two teams, with AWS centralised technical support provide expert input as appropriate.

As a recent example, storage costs were significantly reduced by optimising our backup strategy within DS&A team while maintaining DCC business continuity requirements. This is important because we must balance risk of DCC data services outage / recovery time objectives against AWS costs. We have found this quarterly review approach has been very successful for ensuring good governance of the ongoing usage-based cost actuals and is continuing as part of DCC's commitment to ongoing cost efficiencies.

Future Considerations

Our forecast costs for RY26/27 assume a continuation of activities from RY25/26, but also some additional areas. For example, we are seeing increased data volumes from Device Manager Service Provider

underpinning enriched data for our "4G & Beyond" industry initiatives that are started following the completion of our 4G CH&N programme.

We will also continue to monitor the needs for the DSP 2.0 and stay across development under Ofgem's Energy Data Best Practice guidelines. For example, there is consideration of new access regimes for wider data access.

A current procurement is underway to deliver a new contract between the DCC and AWS, pending board approval and contract negotiation, under the initiative Cloud Buying Channel. The new contract will deliver a significant discount over list price by committing to a minimum spend value over a 3-year term.

1.5.4. [redacted] - CR5695 ESU Licences

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 £0.171m in RY25/26 was due to a change in forecast assumptions relating to the FSM programme, relating to a £0.0m regulatory baseline allowance. Our incurred costs are consistent with our RY24/25 spend of £0.164k for these licences.

Scope of variance and key challenges

It was imperative to continue to support the existing Service Management tool (DSMS), whilst the Future Service Management project worked to deliver its replacement. Whilst DSP maintains and manages DSMS, DCC was required to procure ESU licenses to allow security updates to continue.

The existing ESU for DSMS Windows servers running 2012 ended on 10th October 2024. This CR follows CR5275 that originally enabled the extension of the contracts to October 2025 to allow for an extension of testing and assurance activities. The contract was extended for [redacted] Microsoft® Win Server ESU licenses to the new go-live date for FSM the contract in May 2026.

Securing value for money

DCC utilised [redacted] which helped to remove additional overhead charges if this would have been procured by [redacted] (i.e., [redacted] of margin and [redacted] overhead charges).

Future considerations

The programme delivered in May 2026, and although no cost is forecast, a small additional cost was incurred in RY26/27 for the first two months of the regulatory year.

1.5.5. Service Desk

Overview of Variance

We incurred a variance of £0.362m above the baseline of £1.454m for our Service Desk. In RY25/26, we incurred £1.816m on our service desk, which was slightly above the £1.738 we reported for RY24/25 in last year's submission.

The driver of this variance is dual running costs and the closure of our Ruddington office, which hosted the Service Desk.

Scope of Variance and Key Changes

The Service Desk provides a critical front-door function, managing incidents and service requests across SMETS and Switching.

The primary driver of the variance is the rebasing of costs following procurement of a new Service Desk supplier ([redacted]), replacing the previous provider. This reflects a transition to a new commercial arrangement rather than an expansion of scope, where we required some small dual running of the existing Capita service as we transitioned to [redacted]

Costs are primarily driven by a volume-based pricing model linked to incidents and service requests, supplemented by fixed operational elements (e.g. telephony and resourcing). Actual volumes have shown variability against forecast, reinforcing the need for a scalable cost structure aligned to demand.

At the time of setting our forecast for RY25/26, we did not know the extent of dual running of services required for the switchover between [redacted] to [redacted] Therefore, no Capita costs were included in last year's price control submission for RY25/26.

Similarly, DCC took the decision to consolidate its site and close the Ruddington office. We previously hosted our Service Desk in the Ruddington site and therefore needed to transfer the service to Brabazon. Accordingly, we incurred redundancy for staff that could not transfer offices, along with recruitment of new staff and then training where [redacted] supported with the backfilling of roles during this period. These costs were not forecasted at the time of our RY 24/25 price control submission.

Securing Value for Money

Value for money has been secured through a competitive procurement process, with [redacted] appointed on the basis of cost and quality. The contract includes:

- Banded, volume-based pricing enabling scalability,
- Pre-agreed cost reductions across contract years, and
- Ongoing benchmarking to maintain market alignment.
- Operational improvements, including a more flexible delivery model and planned automation, are expected to drive efficiencies over time. The forecast costs therefore represent an efficient and market-aligned position for delivery of this service.

Dual running of systems and [redacted] additional staffing support ensured business continuity and support for our customers and network users.

Future Considerations

Future costs will be influenced by demand variability, particularly in relation to Switching volumes and regulatory changes. The volume-based pricing structure provides flexibility to manage these fluctuations.

Further efficiencies are expected through automation and optimisation of the operating model. DCC will continue to assess delivery options, including contract extensions or re-procurement, to ensure ongoing value for money.

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

Variance	GL		RY25/26	RY26/27
Legal Cost Provision	ES	£m	-	0.840

Table 10 – Operations non-resource (RY26/27)

1.6.1. Legal Cost Provision

Please refer to the Corporate Management chapter, where we have grouped all legal cost descriptions.

1.7. Drivers for External Cost

Not applicable for this function. Our material external costs for our SMETS2 programme are set out in the 'External Costs' chapter.

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DCC Price Control RY25/26 – Security

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Table of Contents

1. Security 3
1.1. RY25/26 Cost Variances Overview 4
1.1.1. Internal Costs overview 4
1.1.2. External Costs overview 5
1.2. Purpose, Scope, and Structure 5
1.2.1. Purpose 5
1.2.2. Scope 5
1.2.3. Cost Centre Structure 6
1.3. Driver for Internal Cost variance – Resource 8
1.3.1. Security Architecture and Assurance 9
1.4. Driver for Internal Cost variance – Resource RY26/27 only 12
1.4.1. Security Architecture and Assurance 12
1.4.2. Post Quantum Readiness Programme Resource 13
1.5. Driver for Internal Cost variance – Non-Resource 14

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. Security

Summary

What is this and why is it important?

Operating a secure and resilient service is one of DCC's core obligations, and fundamental to delivering good customer and consumer outcomes (and is evidenced in DCC Security mission statement to "maintain and protect the DCC Security Trust Model. whilst embracing technical innovation and adapting to meet new threats."). This requires the business to be secure and to operate in line with the requirements of Critical National Infrastructure (CNI).

The Security function continued to ensure successful running of the DCC network security in RY25/26, against a volume of service commands and alerts reaching 3.3bn messages a month. Threats to CNI, and related national networks such as DCC's systems remain high in the current geopolitical climate. New and sophisticated threat vectors, such as the application of Artificial Intelligence by state and criminal actors, mean it remains crucial we continue to invest in cyber defences that are sufficiently robust and proportional to the levels of threats now and into the future.

Meaningful progress has been made to address Post Quantum Computing threats which are industry leading and have been achieved to date at minimal cost but place the DCC is a uniquely strong position to drive a viable plan to mitigate the risks expected in 2035.

RY25/26 activities and costs

Total incurred costs were £5.7m, £1.2m below the regulatory baseline of £6.9m. Within this, payroll costs were £0.3m above baseline (driven predominantly by lower-than-forecast resource charging to programmes within the Security Architecture and Assurance team), but this was more than offset by lower external services (£1.2m below) resulting from a strong focus on tight cost management.

During the year, we delivered a broad set of enhancements across the network. Work progressed on a Post-Quantum Computing proof-of-concept focused on strengthening cryptographic resilience within the Home Area Network, alongside a full overhaul of Crisis Management planning and the introduction of a new message-cascade capability to improve incident communication.

The team continued to mature the Security Operations capability, expanding visibility and monitoring coverage across the network. RY25/26 also saw the establishment of a new contract with a Competent Independent Organisation, delivering cost efficiencies by combining annual and change-driven assessments, reducing the need for re-procurement and improving consistency in assurance reporting.

Future activities and costs

In RY26/27 we will continue to mature our strategic capabilities for the future (particularly important given the current geopolitical climate and new threat vectors outlined above).

The team will also support the Licence Renewal transition through the ongoing provision of Corporate Services. Also, the continued development of Security Orchestration Automation and Response will remain a key focus as well as the long-term Post Quantum Readiness (PQR) programme, which has now formally launched and will drive sustained investment in cryptographic resilience across the network.

1.1. RY25/26 Cost Variances Overview

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

1.1.1. Internal Costs 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.

Cost centre 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).

Baseline			RY25/26	RY26/27
Total Security		**£m**	**6.933**	**6.980**
Payroll costs	PR	£m	4.384	4.438
Non-payroll costs	NP	£m	0.256	0.256
Recruitment	RC	£m	0.108	0.100
Accommodation	AC	£m	0.150	0.150
External services	ES	£m	1.733	1.733
Internal services	IS	£m	-	-
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	0.302	0.302
Office Sundry	OS	£m	-	-
Incurred			**RY25/26**	**RY26/27**
Total Security		**£m**	**5.661**	**4.368**
Payroll costs	PR	£m	4.636	3.587
Non-payroll costs	NP	£m	0.169	0.086
Recruitment	RC	£m	0.037	0.063
Accommodation	AC	£m	0.018	0.077
External services	ES	£m	0.541	0.465
Internal services	IS	£m	-	-
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	0.261	0.090
Office Sundry	OS	£m	-	-

Variance			RY25/26	RY26/27
Total Security		**£m**	**-1.272**	**-2.612**
Payroll costs	PR	£m	**0.253**	-0.851
Non-payroll costs	NP	£m	-0.087	-0.170
Recruitment	RC	£m	-0.071	-0.038
Accommodation	AC	£m	-0.132	-0.073
External services	ES	£m	-1.193	-1.268
Internal services	IS	£m	-	-
Service management	SM	£m	-	-
Transition	TR	£m	-	-
IT Services	IT	£m	-0.041	-0.212
Office Sundry	OS	£m	-	-

Table 1 – RY25/26 Security variance by GL

1.1.2. External Costs overview

Not applicable for this function. Our material external costs for our SMETS2 programme are set out in the 'External Costs' chapter.

1.2. Purpose, Scope, and Structure

1.2.1. Purpose

Clearly defined in our Purpose ('We protect Britain's Smart Meter System'), the Security function provides security assurance and best practice direction in cyber security. It also operates the Smart Meter System cyber security defence from our Manchester based Security Operations Centre (SOC). This is critical to the maintenance of a reliable and stable system at scale.

1.2.2. Scope

The scope of the function includes all aspects of securing the DCC Total System along with DCC internal systems and processes, with engagement with key external stakeholders on all security matters. The function does this by providing the following services:

- Ensuring the Smart Meter platform and the new programmes being added to it are secure, resilient, and meet with the requirement and obligations set out in the Licence and Smart Energy Code.
- Addressing the changing threats to our large-scale and complex systems through a risk-based approach in line with industry and regulatory guidance and best practice.
- Providing security assurance to stakeholders and our customers in line with our prescribed Trust Model.
- Providing threat led defence and assurance for DCC internal Enterprise IT systems.
- Monitoring and management of security events captured by the Security Operations Centre (SOC), expanding to encapsulate the full smart meter ecosystem, becoming a single viewpoint across the estate – then known as the Cyber Fusion Centre, while coping with turbulence in the broader energy market.
- Actively engaging on the SEC Privacy Committee, Security Sub-Committee (SSC) and Smart Metering Key Infrastructure Policy Management Authority (SMKI PMA) providing critical input for the industry

and taking on board requirements from customer representatives. This underlines our commitment to consistently take on board stakeholder feedback.

- Supporting customers with challenges and new initiatives where compliant with Licence Condition 11 e.g. items raised by [redacted] and [redacted] along with advice offered to UK Power Networks.
- Sharing Security Intelligence from the DCC Security Operations team with industry via the SSC, National Cyber Security Centre (NCSC) and via a new industrial grouping including customers and key suppliers providing the benefit of our expertise and experience to customers whilst obtaining contemporary data of wider industry threats that may impact the SMIP. This has now extended to regular attendance of NESO Threat 360 and the Energy Resilience Group-Cyber Committee).
- Building class leading supply chain partner collaboration groups and platform for sharing intelligence and best practice with some of the biggest suppliers in the IT and Telecoms sectors.
- Building and maintaining a strong security culture for DCC staff at all levels.

1.2.3. Cost Centre Structure

The structure of the Security cost centre remained largely stable during RY25/26. The only change was the transfer of the Enterprise Testing team from the Technology office into the Enterprise IT team, consisting of 3 FTE.

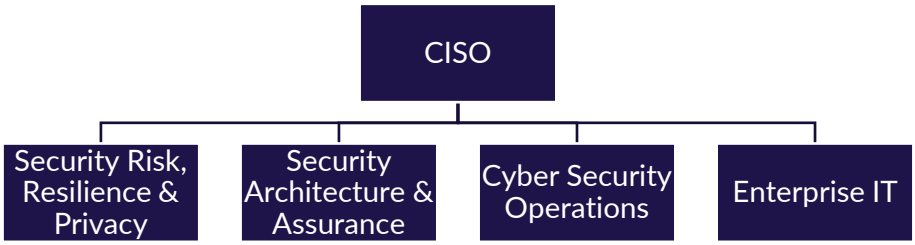


Figure 1. Security cost centre organisational structure

The team structure is set out in further detail in the following table.

Sub Team structure reported in RY24/25	Current Sub-team RY25/26	Description
CISO Office	CISO Office	• The CISO Office consists only of the Chief Information Security Officer (CISO). The Director of Security role ceased in March 2024.
Security Risk, Resilience and Privacy	Security Risk, Resilience and Privacy	• The Risk, Resilience and Privacy team are focused on creating and managing the security governance and policies across DCC, maintaining DCC's certification against ISO 27001 (a key component of our Licence to operate) along with continued certification across ISO 22301, 9001, tScheme along with compliance requirements from Capita. The team are also responsible for ensuring that DCC remains compliant with the latest Information Security policies. They enable regulatory compliance across the supplier landscape related to Security including the continued secure operation within the Licence and SEC obligations across the Total System. • This team is responsible for the central management of security risk across DCC in alignment with SEC Section G and DCC policy. • The Business Resilience Team (Business Continuity and Disaster Recovery) team (was a new addition from Operations in 2023/24) is responsible for maintaining organisational continuity and resilience in addition to driving Industry testing to ensure the Total System services are resilient and robust for consumers. They are also responsible for our Crisis exercising, Policy and management. • During RY25/26, the Information Governance and Data Protection sub-team that is primarily focused on Information Governance and Management was moved into the area. • During RY25/26, the Director of Security Risk, Resilience & Privacy was also performing the Director of Risk role. At the start of RY26/27, they took up the Director of Risk role full time. The heads of each sub-team now report directly to the CISO
Cyber Security Operations	Cyber Security Operations	• Security Operations manages day-to-day Security activities on a 24*7*365 basis along with Security Service provision and customer liaison. It also acts as focal point for incidents and threat intelligence through the Cyber Fusion Centre. • The SMKI Registration Authority (RA) has key responsibilities including verifying identities and maintaining a secure registers of users. In addition, they generate certificates, managing key ceremonies, and are industry SME on the operation governance. Other activities within this area include Security policy and standards strategy and maintenance of core policies, developing and drafting policies and standards.
Ceased - Security Demand & Capability		• Resource planning for the function is now completed by the EIT Solutions Advisory sub-team. The Head of Security Demand & Capability has been seconded to the Licence Renewal programme
Security Architecture & Assurance	Security Architecture & Assurance	• This critical function sets the technical blueprints for compliant architecture with a strong focus on Cloud solutions and alignment with National Cyber Security Centre (NCSC) guidelines. This team are the technical expertise in topics such as cryptography and Public Key Infrastructure (PKI) and is core to analysis such as the upcoming impacts of Quantum Computing. In addition, they cover project and programme assurance along with architectural designs for secure operation and development.
EIT – in Finance	EIT – in Finance	• This function shifted to sit within CISO in March 2024 (at the end of RY23/24). It is covered within the Finance and People chapter of the Price Control submission. • This team provide full support and implementation skills for DCC IT, including Microsoft 365, end-user computing and the Amazon Web Services (AWS) cloud tenant that houses the DCC reporting databases. • The Enterprise Testing team transferred into the EIT team at the start of February 2026, consisting of 3 FTE

Table 2 – Description of Security Sub-Teams

1.3. Driver for Internal Cost variance – Resource

Cost Centre Variance by Sub-Team

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

Baseline		RY25/26	RY26/27
Security Payroll Costs	**£m**	**4.384**	**4.438**
CISO Office	£m	[redacted]	[redacted]
Security Architecture and Assurance	£m	0.242	0.243
Security Risk, Resilience and Privacy	£m	1.468	1.509
Cyber Security Operations	£m	1.766	1.811
Security Demand and Culture	£m	0.301	0.308
Cyber Fusion Centre Programme Resource	£m	0.271	0.264
OCA Manufacturing Pack Programme Resource	£m	0.034	-
Quantum Encryption Proof of Concept Programme Resource	£m	0.007	-
Incurred		**RY25/26**	**RY26/27**
Security Payroll Costs	**£m**	**4.636**	**3.587**
CISO Office	£m	[redacted]	[redacted]
Security Architecture and Assurance	£m	1.166	0.493
Security Risk, Resilience and Privacy	£m	1.597	1.158
Cyber Security Operations	£m	1.325	0.670
Security Demand and Culture	£m	-	-
Cyber Fusion Centre Programme Resource	£m	-	-
OCA Manufacturing Pack Programme Resource	£m	0.136	-
Quantum Encryption Proof of Concept Programme Resource	£m	0.092	-
Post Quantum Readiness Programme Resource	£m	0.007	1.088
Post Quantum Cryptography Programme Resource	£m	-	-
Risk & Security Compliance Tool Programme Resource	£m	0.012	-
Variance		**RY25/26**	**RY26/27**
Security Payroll Costs	**£m**	**0.253**	**-0.851**
CISO Office	£m	[redacted]	[redacted]
Security Architecture and Assurance	£m	**0.924**	**0.250**
Security Risk, Resilience and Privacy	£m	0.130	-0.351
Cyber Security Operations	£m	-0.441	-1.141
Security Demand and Culture	£m	-0.301	-0.308
Cyber Fusion Centre Programme Resource	£m	-0.271	-0.264
OCA Manufacturing Pack Programme Resource	£m	0.102	-

Quantum Encryption Proof of Concept Programme Resource	£m	0.085	-
Post Quantum Readiness Programme Resource	£m	0.007	1.088
Post Quantum Cryptography Programme Resource	£m	-	-
Risk & Security Compliance Tool Programme Resource	£m	0.012	-

Table 3 – RY25/26 Security payroll cost variance

1.3.1. Security Architecture and Assurance

Overview of variance

The Security Architecture function sets the technical blueprints for compliant architecture with a strong focus on Cloud solutions and alignment with NCSC guidelines.

The Security Architecture team support the continued development of the total System by providing outline business cases, defining security requirements, drafting High Level Designs and Low-Level Designs, carry out risk assessments, support audits, represent security in Policy Management Authority and Security Sub Committee meetings, offer SME knowledge and expertise to programme and projects, and help develop SECMODs when required. Working closely with Security Assurance they provide CTO's programmes and projects with the requisite input and sign-off of security requirements.

They drive the pre-bid/delivery security assurance activities to ensure that proposed solutions are compliant, safe, understood, and secure. They are often the first port of call for incoming programmes and projects, whether related to internal deliverables or Total System. Supporting the validation of Section G controls, defining pen test scopes, managing Requirements Traceability Matrices (RTM) and the Security Architecture Framework (SAF), they are part of the governance surrounding change in DCC's capabilities.

The current variance is based on a lower percentage of time being recharged to programmes than forecasted, due to the necessary balance between programme and BAU tasks. This did not represent a material change to team activity, rather an abnormal forecast being provided in PC25. The Security Architecture and Assurance function is, at the time of writing still balancing responsibilities with current projects and projects waiting in the queue, whilst also needing to cover BAU tasks (strategy, SECMODs, support to stakeholders and development of new controls). Furthermore, compared to the previous forecast the organisation has reduced the number of FTEs allocated to the function, absorbing more activities and work. The current internal forecast is for the team to be overbooked for most of the RY26/27 with an eye on providing support to wider DCC programmes.

Scope of variance and Key Challenges

The core of the work is focused on programme works where the teams provide the following activities:

- Security Architecture
  - Supporting the production of outline and full business cases by programmes and projects
  - Defining security requirements based on DCC security policies and the DCC SAF
  - Supporting the drafting and production of High- and Low-Level Designs
  - Performing threat and risk assessments on behalf of programmes and projects
  - Supporting security audits and penetration testing activities, including supporting Security Assurance to provide oversight of remediation activities
  - Representing Security in SMKI PMA and at SSC, gaining approval for designs, risk assessments and strategic improvements
  - Providing SME knowledge and expertise to programmes and projects
  - Signposting the correct security function to speak to – in effect performing a security project manager role

- Security Assurance
    - Working with DCC Procurement colleagues to ensure security requirements and controls are included within supplier contracts
    - Ensuring decommissioning activities align with statutory and regulatory requirements
    - Engaging and acting as security point-of-contact with / for the 3rd-party Competent Independent Organisation (CIO) throughout the design and build phases; and coordinating SSC engagement
    - Validating DCC security requirements including compliance with DCC SAF
    - Reviewing and validating Supplier High- and Low-Level Designs
    - Validation Section G and BCDR (Section H) Compliance
    - Providing oversight for PIT, SIT and production security functional and non-functional testing
    - Validating initial and pre-production risk assessments
    - Reviewing and endorsing Supplier produced Security Management Plans, including Supplier security monitoring, alerting and response arrangements and log management
    - Scoping and providing oversight for penetration test activities, including the implementation of remediations
    - Providing independent internal security validation and produce CISO Statements

On top of this project work the teams also focus more on the overall security strategy and wider Business Strategy and Technical Roadmap. Both at the Architecture and Assurance level the team provides several BAU activities such as:

- Strategic, speculative and pre-project activities (pre FBC) that then get rolled into overall DCC Total System or DCC internal changes. Some of these activities are then included into the DCC Business Strategy under the Privacy and Security service family (i.e. Post Quantum)
- SecMods. The team not only evaluate SECMOD but also provide content and evaluation for new SECMOD or for changes that are requested/instigated by stakeholders
- Support, development and alignment of the DCC Security Architecture Framework with all SEC, ISO and other regulatory requirements. Support and architecture of DCC internal security controls (i.e. SIEM architecture)
- Contribution and support for internal and external architecture and centre of excellence bodies, committees and DESNZ collaboration. This is the case for the development of internal NIST compliance architecture models or for security policies, standards and guidelines that are then consumed by internal and external stakeholders (i.e. in 2025 guideline on security testing alignment to SEC requirements). The team is also the main contributor to the Security Sub-Committee and the go-to team for DESNZ collaboration on security (outside the project specific work).
- Additionally, the Security Architecture team has expanded its scope to cover the internal DCC IT stack and tolls that will be separated from the current shareholder.
- As part of the BAU activities DCC includes and must account for internal reviews, team meetings, training and sick leave.

The variance in this team stems from the balance between BAU and programme work varying from the forecast, rather than a net increase in total costs (i.e. programme actuals are correspondingly lower).

In PC25, the Security function forecasted a materially lower level of resource for RY25/26 being retained at a functional level than is usually the case. The intention was to improve attribution accuracy, avoid double-counting, and align resource with delivery activity. However, the forecasted level of 90% was overstated. In practice, working days account for only c.86-87% of the year, before considering additional, aforementioned, non-recharged activities undertaken by the team.

Security Architecture and Assurance	Actual 2024/25	Actual 2025/26	Forecast 2025/26	Forecast 2026/27
Gross Payroll Costs	2.503	2.407	2.486	1.262
Allocations to Programmes	(1.488)	(1.241)	(2.244)	(0.769)
Net Payroll Costs	1.015	1.166	0.242	0.493
FTE	17.4	17.5	21.0	18.0
Programme Utilisation	*59%*	*52%*	*90%*	*61%*

Table 4 – Security Architecture and Assurance Forecast and Actuals

Actuals for RY25/26 show that overall recharge is more in line with historic recharge rates. The slight decrease is due to a wider focus on strategies, development of the internal security framework and very likely to some timesheet reporting changes and technical issues due to internal organisation and tooling transitions.

Furthermore, compared to the previous forecast the organisation has reduced the number of FTEs allocated to the function, absorbing more activities and work. The current internal forecast is for the team to be overbooked for most of RY26/27 with an eye on providing support to wider DCC programmes. Therefore, the variance does not reflect growth in Security Architecture and Assurance activity or inefficiency. Actuals for RY25/26 are consistent with historic levels, and the function has delivered:

- Lower actual FTEs than forecast
- Stable cost levels year-on-year
- Increased programme allocation compared to prior years
- Strengthened governance and clearer allocation rules for future cycles

The variance is therefore a function of allocation methodology, baseline adjustments, and Ofgem's prior determination, rather than increased cost or delivery inefficiency.

Value for Money

The Security Architecture and Assurance team is vital to the successful running of almost all major ongoing programmes at DCC. In RY25/26 the team has been directly involved in several projects and whilst the team shows an overall variance in resource for this regulatory year currently, in most cases, the projects were delivered well under the specific forecasted security budget. In the substantive majority of cases, the underspend on these programmes is because of lack of internal resource to allocate to the programme or the overbooking of time to the function rather than to the programmes.

Some of the major projects are listed below. The figures below may include also other security driven activities and are provided as an indicative guideline as to the net position for Security resource on that specific programme:

SMETS1 - underspend of £414k on Security resource. This container covered the bulk of the SMETS1 activities that are then split down into several subprojects and/or engagements including: *Tech Refresh*, *Maximising migration*, *DCO Re-procurement*, *Maintenance*, *FOC ANSO Re-procurement*, *SHC CentLog and DXC Re-platform*.

ECoS – £19k spend on Security resource. The ECoS re-procurement project kicked off in RY25/26 and in its initial phase was supported via BAU. The team's responsibility was to manage the specification, designing, building, and testing of security requirements to ensure that the process is configured so that data remains secure through the change of supplier process.

CH&N – underspend of £9k on Security Resource. This is the tail end of the 4G Communication Hub development which closed done the main program in 2025 to then deliver a major update and enable roaming under different sub-projects:

Core, Device Manager re-procurement, 4G MR1, 4G Roaming, 4G CH Logs, 4G - Release 2, 4G & Beyond Project

DSP – underspend of £701k on Security resource. The required resource was for DSP Data Systems. In this case the underspent is due to internal lack of resources to allocate to the program.

FSM – underspend of £321k on Security resource. The purpose of the Future Service Management (FSM) programme is to procure and implement a replacement capability for the DSMS that meets both the necessary SEC obligations and Service Users' needs. This team takes the lead on engagement with the external Government security stakeholders and the SEC Security sub-committee. They ensure 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.

PKI-E - underspend of £179k on Security resource. In this case the project was in general delivered under cost with some provisions in the business case for worst case scenarios not been needed.

MHHS - underspend of £72k on Security resource. There was a significant underspend in resourcing costs compared to baseline due to the closing down of the MHHS programme.

VWAN - underspend of £160k on Security resource. The Virtual Wide Area Network (VWAN) service is designed to provide an alternative connection for consumers who do not have Smart Meter Wide Area Network (SMWAN) coverage. It uses the consumer's existing broadband connection to securely access DCC services. The Security team conducted risk reviews and assurance to ensure the developed solution adheres to strict security protocols to protect DCC services from security threats, this included:

Reviewing all technical designs, Scrutinising test reports, Leading on the penetration testing

Future Connectivity – underspend of £298k on Security resource. 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 security team were responsible for specifying the 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.

Future Considerations

Project allocation should stabilise on a range between 60-65% for the near future, with the team becoming more strategic in nature the additional time allocated to activities like Business Strategy and Technical Roadmap can unlock exceptional value for money changes in the near future.

For instance, in RY25/26 the team has been the main core of the Post Quantum initiative, strategies, ex-ante planning and proof of concepts, not all these activities could be covered by a project but are the basis of the Post Quantum Readiness programme that will drive changes for years to come. The required resource for the team should stabilise around 60-65% recharging to wider DCC programmes.

1.4. Driver for Internal Cost variance – Resource RY26/27 only

1.4.1. Security Architecture and Assurance

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 forecasted variance of £250k in RY26/27 is relative to a reduced Ofgem baseline, after a previous disallowance for this team in RY24/25. Therefore, the £493k of forecasted incurred costs must be seen with respect to the initial submitted baseline of £1.3m. This represents a continuation of the approach we adopted in RY25/26, where staff are allocated to programmes rather than only the function. Resources are only partially allocated to programmes in our forecast for RY26/27 given insufficient certainty around which individuals, skills and resources will be required across our programme portfolio. This means by

default all resources are allocated to the Security function, hence the higher forecasted cost incurred RY26/27 in Table 3.

The current forecast for the Security Architecture and Assurance function is that the team is fully (if not over) allocated for most of the current RY with projects waiting in the queue, however the team also needs to cover BAU tasks as illustrated in the previous section (strategy, SECMODs, support to stakeholders and development of new controls). A fair assumption is that the team will recharge 60-65% of the overall time to projects.

1.4.2. Post Quantum Readiness Programme Resource

The Post Quantum Readiness programme seeks to prepare DCC for the ready availability of quantum computers for use by those wishing to instigate a cyber-attack on the smart meter network. The initiative aims at upgrading the DCC network and technical estate in order to deliver a quantum safe system ensuring that the underpinning trust model remains robust in the face of future advances in quantum computing.

At the end of 2025, DCC rolled the initial Post Quantum Computing proof of concept into a wider program named Post Quantum Readiness budget under the DCC Privacy and Security service family. A Full Business Case is being developed in 2026 to support all changes and costs moving forward. Coordination with industry will be achieved with close cooperation with the SSC and DESNZ, in particular the SSC and industry will implement a Post Quantum Working Group in 2026. At the time of writing the DCC scope does not include upgrades to any other HAN devices except for the Communication Hubs.

The work will involve a wide-ranging upgrade of all cryptographic interfaces across the network to adopt quantum-safe algorithms, representing a significant and long-term uplift in network resilience.

The programme will focus on several key areas:

- Quantum capable Public Key Infrastructure (PKI). Upgrading the TSP to support quantum keys: SMKI, IKI & DCCKI. (VWIKI)
- Adoption of quantum safe algorithms for system interfaces
- Industry engagement on specification changes (quantum capable GBCS)
    - Support for quantum algorithms on devices.
    - Comms Hub enabled mitigations for devices which are not capable of support quantum safe algorithms.
- Development of quantum capable firmware for Comms Hubs.

To support these outcomes there will be two further workstreams:

- Post Quantum Centre of Excellence
    - This will form the nexus of all quantum developments.
    - Develops and maintains roadmap of activity.
    - Ensures appropriate mechanisms for funding approvals are used.
    - Ensures common standards are adopted and provide support to programmes with quantum requirements which fall out of scope.
- Cryptography Inventory
    - Will track all the cryptographic inventory (what keys are used where) so that the migration to quantum safe algorithms can be tracked.

Post Quantum activities will stretch all the way to 2033 or even later with DCC reassessing its position over the years. Most of the migration activities will commence in the next budget cycle and will continue for years to come. For RY26/27, resource costs will be split between different internal teams under a formal programme.

1.5. Driver for Internal Cost variance – Non-Resource

Not applicable for this chapter.

Data Communications Company

DCC Price Control RY25/26 – Service Delivery

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1. Service Delivery Cost Centre 3

1.1. RY25/26 Cost Variances Overview 4

1.1.1. Internal Cost overview 4

1.1.2. External Cost overview 4

1.2. Purpose, Scope, and Structure 4

1.2.1. Purpose 5

1.2.2. Scope 5

1.3. Drivers for Internal Cost Variance - Resource 7

1.3.1. In Life Change 8

1.3.2. EPMO 12

1.3.3. SEC Release Programme Resource 14

1.3.4. Capacity Programme Resource 17

1.3.5. 3G Sunsetting Programme Resource 19

1.4. Driver for Internal Cost variance – Resource RY26/27 only 21

1.4.1. Connectivity Squad Resource 21

1.4.2. Common Capabilities Squad Resource 22

1.5. Driver for Internal Cost variance – Non-resource 23

1.6. Drivers for Internal Cost Variance – Non-resource RY26/27 only 24

1.7. Drivers for External Cost 24

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. Service Delivery Cost Centre

Summary

What is this and why is it important?

The Service Delivery (SD) function, which has been renamed as the Change and Delivery Office (CDO) is a part of the wider Design, Build, Run function.

The CDO plays a vital role in overseeing DCC's portfolio of change programmes during the Concept to Contract and Contract to Market lifecycle stages. Its core purpose is to ensure these programmes are delivered efficiently and in line with regulatory and operational requirements, including those set by Ofgem and DESNZ.

It supports both major programmes (led by the original Service Delivery team) and ongoing smaller changes (via the In-Life Change team, Test Assurance and the Enterprise Project Management Office). By applying a consistent and structured approach, CDO helps to implement change smoothly, minimising disruption while maximising value for stakeholders.

The change programmes managed by CDO are delivered working closely with DESNZ and DCC's key stakeholders and customers and subject to a high level of regulatory scrutiny. As such, they are designed to deliver tangible improvements for our customers and end consumers. Notable initiatives include the FSM programme, DSP2.0, 4G Comms Hubs and Networks, vWAN, and PKI-E, all of which are detailed in their respective chapters in this submission.

Robust cost allocation and tracking processes ensure transparency and accountability, while day-to-day operations and cross-programme coordination ensure DCC continues to meet its strategic goals and regulatory obligations.

RY25/26 activities and costs

During RY25/26, CDO incurred a total cost of £7.9m, which was £4.9m above Ofgem's baseline. This increase is primarily due to the transfer into the function of £4.6m of resource costs related to the In Life Change team (£1.3m), EPMO team (£1.6m), SEC Release programme (£1.1m), Capacity programme (£0.2m) and 3G Sunsetting Mitigation programme (£0.3m) from Operations and Finance & People functions.

This brings all change management activities into one location, along with resource planning and governance. This consolidation has led to a reduction in overall head count for these activities from 63.8 FTE to 59.6 FTE, as part of a wider reduction of 40 FTE across CDO.

Future activities and costs

Looking ahead, key priorities for the Change and Delivery Office (CDO) in RY26/27 include mobilisation of the Long-Range Radio (LRR) contract renewal and the new Application Network Security Operator (ANSO) service to maintain secure and resilient smart metering communications.

Following the successful go-live of Future Service Management (FSM), CDO will focus on transition to business-as-usual operations and service stability. The Digital Service Platform (DSP2.0) programme will remain a major focus, supporting platform delivery, customer migration and operational readiness, while the Virtual WAN (vWAN) initiative will continue to extend smart metering connectivity to premises beyond traditional network coverage. Further detail on each initiative is provided in the relevant chapters of this submission.

We will also continue to use specialist resource to deliver in-life change across common technical and operational capabilities, alongside targeted connectivity support to manage operational risks across DCC services. CDO costs and resource usage will continue to be closely monitored through the time sheeting process, enabling accurate tracking, governance and forecasting of resources.

1.1. RY25/26 Cost Variances Overview

We summarise our relevant Internal and External Costs in this section and explain the material cost variances (greater than £0.150m) in further detail throughout the document, grouped based on general ledger codes (GLs).

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 cost centre purpose and our resource and non-resource costs.

Cost Centre 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).

Baseline			RY25/26	RY26/27
Total Service Delivery		**£m**	**2.982**	**2.977**
Payroll costs	PR	£m	2.603	2.612
Non-payroll costs	NP	£m	0.307	0.307
Recruitment	RC	£m	0.072	0.058
External services	ES	£m	-	-
Incurred			**RY25/26**	**RY26/27**
Total Service Delivery		**£m**	**7.918**	**4.198**
Payroll costs	PR	£m	7.342	3.924
Non-payroll costs	NP	£m	0.251	0.256
Recruitment	RC	£m	0.074	0.019
External services	ES	£m	0.251	-
Variance			**RY25/26**	**RY26/27**
Total Service Delivery		**£m**	**4.936**	**1.222**
Payroll costs	PR	£m	**4.739**	**1.312**
Non-payroll costs	NP	£m	-0.055	-0.051
Recruitment	RC	£m	0.002	-0.039
External services	ES	£m	**0.251**	-

Table 1 – Variances by GL

1.1.2. External Cost overview

Not applicable for this function. Our material external costs for our SMETS2 programme are set out in the 'External Costs' chapter.

1.2. Purpose, Scope, and Structure

1.2.1. Purpose

The Change and Delivery Office (CDO) function is pivotal to delivering DCC's portfolio of change programmes. Operating within a robust governance framework, CDO ensures that all changes are implemented in line with regulatory, operational, and quality standards, supporting successful transition into in-life operation. It plays a key role in ensuring DCC's systems comply with regulatory obligations and meet the evolving requirements of Ofgem and DESNZ.

During RY25/26 the function built upon structural shifts which took place in RY24/25, which transitioned the function into a portfolio-led delivery model. This model continues to deliver strong value for money through a number of mechanisms.

- CDO continued to reduce reliance on external resources and focused on creating internal capabilities. This led to a reduction of contract FTE from a forecast of 28 FTE to 12 FTE in March 2026, with further reductions to the contract to permanent ratio planned for the first half of RY26/27;
- The movement of the EPMO team (12.5 FTE in RY25/26) from the Finance function (5FTE) and Operations (7.5 FTE) into CDO led to greater alignment across resource planning and governance, and the programme delivery teams, leading to Improvements to resource forecasting and cost control.

This delivery approach offers the following benefits:

- Improved Programme Outcomes: Closer alignment between delivery teams and programme objectives supports more consistent and successful delivery.
- Enhanced Accountability: Clear ownership and governance structures ensure decisions are made efficiently and transparently.
- Greater Agility: The portfolio-led model enables faster mobilisation of resources and improved responsiveness to changing priorities.
- Stronger Collaboration: Cross-functional working is embedded, encouraging knowledge sharing and better integration across programmes.
- Employee Engagement: Clearer roles, improved visibility of outcomes, and a stronger connection to delivery success contribute to higher levels of engagement and motivation.

1.2.2. Scope

The function plays a critical role in managing the wide-ranging changes required across the Smart Metering ecosystem. It ensures regulatory compliance, supports government-mandated initiatives, oversees service contract transitions, and enables the introduction of new technologies. Through this work, Service Delivery upholds and improves the efficiency, reliability, and quality of smart metering services across the UK.

CDO is accountable for delivering change across the ecosystem, including:

- Modifications to the Smart Energy Code (SEC) and Retail Energy Code (REC).
- Ofgem-directed change initiatives.
- Government-led changes, such as the enrolment and adoption of SMETS1 devices, MHHS and VWAN offering better outcomes for consumers.
- Management of expiring third-party service contracts, such as DSP re-procurement which – through a disaggregated solution – when deployed will deliver significant operational savings to DCC and its customers.
- Transition to next-generation services, including the vWAN programme

Contribution to DCC strategy

The Change and Delivery Office underpins DCC's ability to deliver multiple change programmes in a consistent, controlled, and scalable way, with the agility to adapt to evolving regulatory and business priorities. This structured delivery model ensures alignment with DCC's licence obligations and provides value for money.

In RY24/25, the function also continued to reduce its contracting work-force reliance by up-skilling and increasing its permanent headcount. This has driven costs down overall for the function, with further reductions expected in the first half of RY26/27.

Drivers of Activity and Cost in RY25/26

Most CDO costs are allocated directly to the programmes they support. Full breakdowns are provided in individual chapters of this submission.

Key programmes influencing activity and cost include:

- DSP: Re-procurement and migration from the existing Data Service Provider platform.
- Future Connectivity: Investigating and accelerating the availability of new technologies to support long-term network needs in the North.
- PKI-E: Maintaining secure digital access through renewed public key infrastructure.
- VWAN: Connecting consumers without mobile access via home broadband, a game changer for expanding use of the network.
- FSM: Strengthening issue resolution and operational support for our customers through improved service management tooling.

By delivering these initiatives, alongside the in-life technical and SEC/REC changes, the function continues to enable reliable, efficient, and customer-centric outcomes—ensuring that regulatory commitments are met, operational objectives are achieved, and the smart metering ecosystem evolves to meet the needs of energy customers and consumers alike.

Cost Centre Structure

As at the end of RY25/26 the cost centre's organisational structure is shown below.

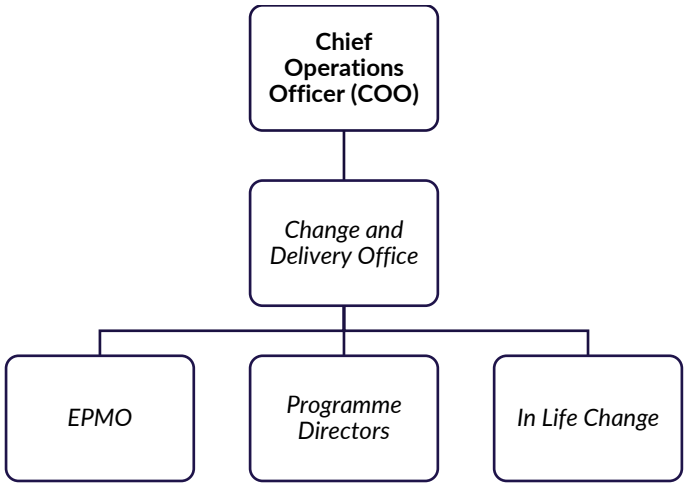


Figure 1. Service Delivery Cost centre organisational structure

The table below shows the structure in RY25/26 and a description of the teams within the structure.

Previous Sub-team end-RY24/25	Current Sub-team end-RY25/26	Description
EPMO (within Finance Chapter)	EPMO	The Enterprise Project Management Office (ePMO) is responsible for pan-DCC programme planning, portfolio management, programme governance activities and strategic oversight. This includes • Resource planning, allocation and monitoring supporting efficient programme delivery and strategic workforce utilisation.

		• Portfolio management, using MOP principles, to maintain and govern a single source of truth enterprise plan. • Professional service function related to programmes, including governance and reporting • Managing and maintaining the Clarity Project Management tool. • Ensuring professional project management practices by aligning to Prince 2 and MSP principles
In Life Change (within Operations Chapter)	In Life Change	The In Life Change team manage a portfolio of service family aligned SEC and REC mandated changes, plus other in-life changes which reduce technical debt and deliver life service enhancements. The team was realigned during RY24/25 and is accountable for delivering major initiatives aligned to the SMETS2, Connectivity and Common Capabilities service families.
Programme Directors	Programme Directors	Delivery Directors oversee a portfolio of programmes, ensuring alignment with strategic goals and regulatory requirements. They lead Programme Directors (and by extension programme and project managers), manage resources, and ensure programmes are delivered on time and within budget. During RY25/26 the Delivery Directors portfolios consisted of • Digital Service Platform (DSP 2.0) Programme • Target Architecture Framework (TAF) • Enterprise Service Interface (ESI) • Future Service Management (FSM) • SMETS 1 Service Family activities (including Device Configuration Operations (DCO), ANSO and PKIE) • Market-wide Half Hourly Settlement (MHHS)

Table 2 – Description Per Sub-Team Structure

1.3. Drivers for Internal Cost Variance - Resource

Programme Variance by Sub-Team

The table below shows the payroll variance by sub-team within the Service Delivery (Programme) cost centre.

Baseline		**RY25/26**	**RY26/27**
Service Delivery Payroll Costs	**£m**	**2.603**	**2.612**
Professional Services Practice	£m	1.862	1.862
Programme Director	£m	0.405	0.405
Service Delivery Office	£m	0.337	0.345
Incurred		**RY25/26**	**RY26/27**
Service Delivery Payroll Costs	**£m**	**7.342**	**3.924**
Professional Services Practice	£m	1.862	0.696
Programme Director	£m	0.542	0.088
Service Delivery Office	£m	0.386	0.126
In Life Change	£m	1.342	0.634
EPMO	£m	1.599	1.253
SEC Releases Programme Resource	£m	1.135	0.203

Capacity Programme Resource	£m	0.224	-
3G Sunsetting Mitigation Programme Resource	£m	0.252	0.001
SMETS2 Squad Resource	£m	-	0.102
Connectivity Squad Resource	£m	-	0.619
Common Capabilities Squad Resource	£m	-	0.202
Variance		**RY25/26**	**RY26/27**
Service Delivery Payroll Costs	**£m**	**4.739**	**1.312**
Professional Services Practice	£m	0.000	-1.166
Programme Director	£m	0.137	-0.317
Service Delivery Office	£m	0.049	-0.219
In Life Change	£m	**1.342**	**0.634**
EPMO	£m	**1.599**	**1.253**
SEC Releases Programme Resource	£m	**1.135**	**0.203**
Capacity Programme Resource	£m	**0.224**	-
3G Sunsetting Mitigation Programme Resource	£m	**0.252**	0.001
SMETS2 Squad Resource	£m	-	0.102
Connectivity Squad Resource	£m	-	**0.619**
Common Capabilities Squad Resource	£m	-	**0.202**

Table 3 – Cost centre variance by sub-team

1.3.1. In Life Change

Overview of variance

The In Life Change (ILC) team is a dedicated project delivery team that delivers operational enhancements, fixes and maintenance across live services. The team is underpinned by KPIs which ensure they are data-driven, with a constant focus on continuous improvement. Results have shown a consistent improvement across all KPIs, including e2e cycle time and SEC and REC SLAs. Our strengths include stakeholder management across multiple business areas, end-to-end change and project coordination, risk and dependency management, and embedding robust governance and controls, including rigorous financial management. By combining deep knowledge of existing products and processes with structured delivery expertise, we ensure that in-life changes and projects are delivered efficiently, sustainably and in a way that protects both customer outcomes and business performance.

ILC moved from Service Delivery to Operations as a result of Project Shift – a DBR wide structural change which aligned workflows and reduced duplication. Project Shift is further explained in the Operations chapter of this submission. This movement was a like for like movement of resource and no additional organisational changes occurred during the RY for In Life Change.

The variance in RY25/26 and RY26/27 reflects the transfer of the In Life Change cost centre from the Operations function back to Service Delivery during RY25/26. As no baseline has been set for In Life Change within Service Delivery, all associated costs present as a variance against a zero baseline.

We have prepared a reconciliation of the baseline costs in the Operations chapter and the costs incurred in this Service Delivery chapter to determine the net cost variances:

Baseline		RY25/26	RY26/27
In Life Change (Operations)	£m	2.740	2.657
In Life Change (Service Delivery)	£m	-	-
Incurred		**RY25/26**	**RY26/27**
In Life Change (Operations)	£m	-	-
In Life Change (Service Delivery)	£m	1.342	0.634
Variance		**RY25/26**	**RY26/27**
In Life Change (Net)	£m	-1.398	-2.023

Table 4 – In Life Change net variance table

Therefore, we have incurred lower costs (net variance of -£1.398m against Operations baseline) for this sub-team compared to the baseline in RY25/26 and forecast another reduction in RY26/27.

Scope of variance and key challenges

The In Life Change team works in delivering in life change into the business with roles aligned to Project and Programme management and ensure that any changes to live services (for example SEC Mods) are delivered in a timely and efficient manner, with strong governance and minimal impacts to live service. The team covers a high volume of projects from technical infrastructure upgrades, capacity increases etc.

The reduction in net costs compared to the baseline is driven by the circa 8 FTE of ILC team members who have booked time to programmes and projects during the year. The FTE utilisation across RY25/26 demonstrates how the ILC team flexes capacity across priority initiatives, with resource deployed across a number of key activities as outlined below:

Operations initiatives

- Capacity and scaling activity (c. 0.8 FTE): Resource was deployed to support network capacity programmes, focused on scaling and optimisation of the platform. This work ensured that the network is able to support increasing demand, including growth in communications hubs, and aligns with longer-term strategic objectives such as enabling the LRR network. The relatively targeted FTE requirement reflects the role of ILC in coordinating delivery and governance, rather than undertaking the full technical delivery, while still ensuring programme outcomes are achieved.
- GBCS 4.2 delivery (c. 0.6 FTE): The team supported the implementation of the Great Britain Companion Specification (GBCS) 4.2, which defines the communications standards between smart metering devices and the DCC. The allocation reflects project management and coordination effort required to deliver updates to industry specifications, ensuring compliance with mandated changes while maintaining system interoperability.
- SMETS2 security and certification activities (c. 1.3 FTE): A higher proportion of FTE was allocated to SMETS2-related security activities, including certificate rotation and manufacturing pack updates. These activities are critical to maintaining the security and integrity of the smart metering network and are inherently specialist and risk sensitive. The higher FTE requirement reflects both the complexity and importance of these activities, which require careful coordination and assurance.

Other activities

- SEC release management (c. 0.9 FTE): The team played a key role in managing and delivering SEC releases, which are mandatory industry change cycles. Resource was allocated to ensure that releases were delivered in line with SEC obligations, including coordination across multiple stakeholders and ensuring readiness for testing and deployment. This activity forms a core part of ILC's ongoing regulatory delivery responsibilities.
- Additional capacity programme support (c. 0.8 FTE): Further resource was allocated to capacity-related initiatives, reflecting the ongoing and iterative nature of scaling work. This includes supporting optimisation activities and ensuring alignment between technical delivery, commercial arrangements and programme governance. The duplication of capacity-related effort across initiatives highlights the sustained demand in this area.

SMETS1

- SMETS1 maintenance and continuity activity (c. 1.2 FTE): Resource was deployed to maintain the SMETS1 estate, ensuring continuity of service across a legacy platform that continues to require active operational support. This work is critical to maintaining service reliability and managing technical debt, with FTE allocated to ensure that issues are addressed proactively rather than reactively.

Switching

- REC release management (c. 0.5 FTE): The team also supported the delivery of REC releases, which are industry-mandated changes relating to switching and retail market processes. The FTE allocation reflects the coordination and governance required to deliver these changes efficiently while minimising impact on live services.

Securing Value for Money

The transfer of In Life Change during RY25/26 aligns all change activity under the Change and Delivery Office (a.k.a. Service Delivery) function. The team covers a high volume of projects from technical infrastructure upgrades, capacity increases and SEC/REC modifications, amongst others.

The move of this function into the wider 'Build' function across the COO functions allows for all project and programme managers within DCC to align across standards and practices, for example Prince 2.

All In-Life Change work ensures value for money by only delivering critical changes and projects. We only deliver critical maintenance, fixes and enhancements to ensure smooth operating of the network in-line with our SEC obligations. Furthermore, many of our changes and projects delivered, have, and will, directly deliver significant cost savings. As referenced in other documents, we have delivered – and will continue to – various Overage-reducing changes. See below for full historic view as well as planned work.

In addition to the above, all CRs/PRs go through a rigorous process that ensure all contracted work is thoroughly reviewed via our Contract Management process which ensures value for money.

#	Change	Description	Cost Avoidance	Delivery Date
1	**FOC Retry Optimisation**	Reduced number of long retries from 5 to 2 – reduced SMS volume by 27% with a <0.7% impact on daily success rates.	£[redacted] Dec 2024 - Mar 2029.	Dec 2024
2	**IOC Short Retry Optimisation Phase**	Reduced short retries from 4 to 2 – resulted in 26% reduction in SMS volumes with no impact on success rates	£[redacted] on SMS Overage charges Feb 2025 – Mar 2029	Feb 2025

3	**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] on SMS Overage charges Apr 2025 – Mar 2029.	Apr 2025
4	**Vodafone (IOC & FOC) Overage settlement – signed Mar 2025**	Renegotiated future contract terms to [redacted]	£[redacted] from Apr 2025 - Mar 2029	Mar 2025
5	**SRV 4.10 max SMS (MOC)**	Collaboration with provider to reduce the maximum SMS per SRV 4.10 from 3 to 2	£[redacted] Feb 2025 - March 2029	Feb 2025
6	**Active SIM (all cohorts)**	Removal of 416k 'ghost SIMs' from Jan 2025. More opportunities exist for customers to remove duplicates	£[redacted] in RY25/26 and £2.5m in RY26/27.	Jan 2025
7	**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] from Jan 2025 - Dec 2025 and £[redacted] Jan 2026 - Mar 2029	Jan 2026
8	**Fast Fail (IOC/FOC)**	**Fast Fail** Seek to stop sending repeat messages to non-communicating meters. is currently costing £[redacted] per month.	£[redacted] from Jun 2026 - Mar 2029	Jun 2026
9	**4.3 SRV Batching**	**Scheduled 4.3 (MP304)** - Reduce SMs by moving customers from On-demand SRV 4.3 to scheduled SRV4.3	£[redacted] from Nov 2026 - Mar 2029	Nov 2026
10	**4.10 Push to Cache (MOC)**	**Scheduled 4.10 (MP312)** - Enable the use of existing scheduled read functionality for SRV 4.10 data, allowing scheduled reads to occur without generating SMS traffic.	£[redacted] from Apr 2027 - Mar 2029	Apr 2027
11	**Secure (MOC) Commercial Negotiation**	Ongoing discussions seeking to reduce future volume/demand cost exposure	£[redacted] from Sept 2025- March 2029	Mar 2026

Table 5 – In Life Change CRs/PRs descriptions

Future Considerations

There are no material structural changes planned for the In Life Change (ILC) function in RY26/27, with the team expected to remain broadly stable in terms of headcount, capability and delivery scope. The forecast variance of £0.634m continues to reflect the absence of a Service Delivery baseline, rather than an increase in underlying resource requirements (an average of ~20 people across both periods).

The ILC delivery model will continue to operate as a flexible, portfolio-aligned capability, with resource dynamically deployed across programmes and service families in response to demand. This approach enables DCC to prioritise critical activity while maintaining efficient utilisation of resource and effective cost control.

In RY26/27, resource is expected to be predominantly allocated across the following service families:

Connectivity (c.1.6 FTE): Demand is expected to increase as the organisation continues to support the transition to 4G communications and manage ongoing connectivity challenges across multiple networks and technologies. This reflects the growing complexity of the operating environment and the need for sustained delivery capability in this area.

Common Capabilities (c.4.9 FTE): Resource will support cross-cutting technical and operational enhancements that underpin multiple services. This includes ongoing maintenance, optimisation and

standards-driven change to shared platforms, reflecting the continued need for coordinated in-life change across common capabilities.

SMETS1 (c.3.4 FTE): Continued support will be required to maintain the SMETS1 estate, with resource allocated to ensure service continuity across a legacy platform. This remains a key area of focus given the ongoing operational requirements associated with maintaining an ageing estate.

In addition, the ILC team will continue to support core regulatory and delivery activity, including SEC and REC releases and SMETS2-related initiatives (such as DSP technology refresh activities). These activities are essential to maintaining compliance, ensuring network integrity and supporting the evolution of the smart metering ecosystem.

Looking ahead, the continued use of time booking to programmes will remain a key feature of the delivery model. This ensures that costs are attributed directly to value-generating activity and provides improved transparency of resource utilisation. As a result, residual costs within the ILC cost centre are expected to remain lower than baseline assumptions, consistent with the trend observed in RY25/26.

Overall, the ILC function will continue to provide a stable, efficient and responsive delivery capability, enabling DCC to manage ongoing change across its services while maintaining strong cost discipline and alignment with regulatory expectations.

1.3.2. EPMO

Overview of variance

The variance in RY25/26 and RY26/27 reflects the transfer of the Enterprise Portfolio Management Office (EPMO) from the Finance & People cost centre into Service Delivery during RY25/26. We have also transferred our governance and reporting, and resourcing capability from Service Assurance under our Operations chapter.

As no baseline has been set for EPMO within Service Delivery, all associated costs present as a variance against a zero baseline. Under Finance & People, a baseline of £3.55m has been set for EPMO and Process Improvements. There was no baseline under Operations, as part of this forecast was incorporated within Service Assurance.

We have reconciled the costs across the three chapters:

Baseline		RY25/26	RY26/27
EPMO and Process Improvements (Finance)	£m	3.550	3.610
EMPO (Operations)	£m	-	-
EPMO (Service Delivery)	£m	-	-
Incurred		**RY25/26**	**RY26/27**
EPMO and Process Improvements (Finance)	£m	1.850	-
EMPO (Operations)	£m	-	-
EPMO (Service Delivery)	£m	1.599	1.253
Variance		**RY25/26**	**RY26/27**
EPMO (Net)	£m	-0.101	-2.357

Table 6 – EPMO net variance table

The RY25/26 variance of £1.599m reflects the part-year cost of most EPMO resource within Service Delivery following this transfer. Forecast variance costs of £1.253m in RY26/27 reflect a steady-state requirement rather than an expansion in activity or scope.

Scope of variance and key challenges

During RY25/26, the combined EPMO and Process Improvement function peaked at 16 FTE, reflecting mobilisation activity, licence-related change and the initial establishment of enterprise portfolio capability. This tapered through the year as contracted capacity rolled off, and the function transitioned towards a more stable, in-house operating model.

Over RY25/26, 6 FTE transferred into EPMO from Service Assurance. These roles covered the Delivery Office Lead, governance and reporting, operational change/transition, and resourcing. One of these roles was removed as a result of Project Jupiter, where role responsibilities were consolidated (please refer to the Finance & People chapter for the full rationale). These roles were assessed to remain essential alongside EPMO and amalgamated into CDO.

As set out in the Finance & People chapter, the enterprise EPMO operated with 17 FTE at the start, alongside a separate Process Improvement team of 6 FTE. From September 2025, approximately 12 FTE transferred into Service Delivery, representing the enduring EPMO capability required to support delivery portfolios. When averaged across RY25/26, this equates to approximately 7.5 FTE, reflecting that no EPMO resource was charged to Service Delivery earlier in the year. The Process Improvement activity remained within Finance & People.

From September 2025, responsibility for the delivery facing elements of the EPMO (12 FTE) transferred into Service Delivery.

Within Service Delivery, EPMO activity includes:

- enterprise planning and prioritisation across delivery portfolios;
- portfolio performance reporting and centralised risk, dependency and milestone oversight;
- delivery standards, assurance and practitioner support; and
- enterprise resource management to support capacity planning and deployment.

A key challenge in RY25/26 has been managing the in-year transfer of accountability while maintaining continuity of portfolio oversight. Clear cost attribution has been applied so that only EPMO activity directly supporting delivery governance is reflected within Service Delivery, with non-delivery activity remaining within other cost centres.

Securing Value for Money

The transfer of EPMO into Service Delivery delivers value for money through clearer accountability and reduced organisational duplication, rather than to increase overall cost.

Embedding EPMO alongside delivery leadership improves the efficiency and effectiveness of portfolio decision-making by:

- supporting prioritisation within constrained delivery capacity,
- enabling earlier visibility of delivery risk, cost pressure and inter-dependencies,

- reducing reliance on external assurance and consultancy through consistent internal standards, and
- improving the quality and comparability of senior governance information.

As set out in the RY24/25 Finance & People submission, EPMO represents a necessary and proportionate capability for managing a large and complex portfolio of regulated change. The costs now reported within Service Delivery represent a continuation of that capability, more directly aligned to delivery outcomes.

Future Considerations

Forecast EPMO costs in RY26/27 shows minimal change, reflecting a steady-state team of approximately 16 FTE supporting Service Delivery portfolios. The ongoing variance is solely due to the absence of a Service Delivery baseline for EPMO, rather than any expected increase in resourcing.

The size and structure of the EPMO will continue to be monitored as delivery maturity increases and portfolio management tooling becomes more embedded. Any future efficiencies identified will be reflected in subsequent forecasts.

1.3.3. SEC Release Programme Resource

Overview of variance

Twice each year DCC delivers a SEC Release (June and November) with all functions involved in that delivery. CTO ensure the detailed requirements are understood and that the solutions proposed by Service Providers fully meet those modification requirements. Test assurance and testing services ensure that the testing is sufficient, efficient and liaise with industry and TAG to support User testing. The In Life Change Delivery team sits within Service Delivery and runs the projects (Project Managers) for each Release.

In RY25/26, the SEC Release programme transferred from Operations to Service Delivery, meaning no baseline has been set within Service Delivery. Accordingly, the net variance for the programme is £0.251m above the baseline (within the Operations chapter).

Baseline		RY25/26	RY26/27
SEC Releases Programme Resource (Operations)	£m	0.884	0.372
SEC Releases Programme Resource (Service Delivery)	£m	-	-
Incurred		**RY25/26**	**RY26/27**
SEC Releases Programme Resource (Operations)	£m	-	-
SEC Releases Programme Resource (Service Delivery)	£m	1.135	0.203
Variance		**RY25/26**	**RY26/27**
SEC Releases Programme Resource (Net)	£m	0.251	-0.172

Table 7 – SEC Releases Programme Resource net variance table

Scope of variance and key challenges

Incurred costs of £1.135m in RY25/26 represent a net variance of £0.251m against the Operations baseline of £0.884m. This variance reflects both the transition of SEC Release delivery activity into Service Delivery and the more accurate representation of resource requirements across the delivery lifecycle.

The FTE profile across the year demonstrates the phased and cyclical nature of SEC Release delivery, with resource requirements peaking during periods of intensive testing and integration and reducing significantly following successful deployment.

During April to June 2025, average resource levels were approximately 12.9 FTE, representing the highest level of activity in the year. This reflects the early stages of the SEC Release lifecycle, where significant effort is required to prepare for integration testing. During this phase:

- Testing Services, In Life Change, Data Analytics and Strategic Operations, and Core Operations were all heavily involved.
- Activity focused on requirements validation, test preparation and alignment with industry participants.
- Engagement with DCC customers was critical to ensure readiness for integration testing and to agree testing scope and approach.

This period is inherently resource intensive, as it establishes the foundation for successful delivery and reduces the risk of downstream defects or rework.

Between July and September 2025, resource levels reduced to an average of approximately 8.0 FTE, although activity remained elevated during July and August. This phase reflects the transition into integrated testing, where:

- Testing Services and supporting functions were heavily engaged in executing test scenarios and validating system performance.
- Continued coordination with industry stakeholders ensured that testing outcomes met expectations and supported readiness for deployment.

The reduction in FTE compared to the earlier phase reflects the shift from preparation to execution, with activity becoming more targeted and focused on resolving identified issues rather than broad-based mobilisation.

From October to December 2025, average FTE reduced further to approximately 3.2 FTE, reflecting the final stages of delivery. During this period:

- Activity was focused on supporting external customer testing and preparing for deployment.
- Resource requirements reduced significantly as major testing activities concluded and the programme moved into final validation and release readiness.

This reduction demonstrates the effective progression of the release through the delivery lifecycle, with no requirement for sustained peak resourcing beyond critical phases.

In the final phase, January to March 2026, average FTE reduced to approximately 1.9 FTE, reflecting a steady-state post-deployment environment. This reduction was driven by:

- The absence of material defects following deployment of the November 2025 SEC System Release.
- A shortened hypercare period due to successful delivery and system stability.

This outcome highlights a key efficiency in delivery, where early investment in testing and assurance reduced the need for extended post-release support.

Overall, the FTE profile illustrates that the variance is not driven by sustained increases in resource requirements, but by:

- More accurate representation of delivery-phase resource needs, particularly during testing and integration;

- The timing and phasing of activity across the release lifecycle, with short periods of high intensity followed by rapid demobilisation; and
- The transition of delivery accountability into Service Delivery, with associated costs no longer reflected in the Operations baseline.

A key challenge in managing SEC Release delivery is the inherent uncertainty around scope and complexity, which is only fully defined once modifications are approved and allocated to a release window. This requires DCC to maintain a flexible resourcing model that can scale rapidly in response to confirmed requirements, while avoiding over-commitment of resource ahead of certainty.

The observed FTE pattern demonstrates that this approach is being applied effectively, with resource deployed in a targeted manner at critical points in the delivery cycle and scaled back promptly following successful delivery.

Securing Value for Money

DCC only allocate resources to SEC release activity when we know with certainty they are required. Rather than forecasting large provisions for SEC releases and locking in inflated budget, we revise up our forecasts as and when we gain additional certainty around resource requirements.

The scope of the November 2025 SEC System Release was known earlier in the year, but effort and time was required to ensure certain processes that engaged customers were started earlier in the SEC Release cycle that ensured agreements on durations of testing was achieved and cost savings realised. This is now the de facto approach adopted for future SEC Releases.

November 2025 SEC System Release delivered a key change to the returns process for certain SMART Metering kit, namely the Communications Hub (Comms Hub) that is swapped out when Customers change their supplier or upgrade to the latest suite of SMART Metering technology.

When an energy supplier needs to return that Comms Hub to DCC it can now complete that transaction even when it has inherited that piece of kit without the outgoing supplier performing the complete decommission process. This speeds up the returns process and saves Suppliers costs where they have to store significant numbers of Comms Hubs within their warehouses (at their cost).

Due to the twice-yearly cycle of SEC Releases coupled with the fact that DCC Customers did not approve nor target any SEC Modifications for the June 2026 SEC System Release then what remains is the November 2026 SEC System Release, which will deliver significant cost avoidances relating to SMS charges made to SMETS1 Meters.

Future Considerations

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. There has been support from the Strategy and Regulation team assigned to respond to items such as the SECMOD individual 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.

DCC runs a regular resourcing forum. As more information becomes known about release content and timelines, each function representative forecasts the resource requirements from their function. Whilst the timelines for SEC Releases can be forecast due to the static release dates each year – the content, and therefore start date and complexity only becomes clear once the modifications are approved by change board and assigned to the release window.

As mentioned above there is only the November 2026 SEC System Release window approved by DCC Customers and the benefits as described above.

1.3.4. Capacity 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

Smart meters in the North of England utilise Long-Range Radio (LRR). However, the long-range reach of this technology impacts the volume of data that can be transferred on it. As the volume of smart meters installed in CSPN has increased, so too has the demand placed on the WAN. These evolving demands have led to a requirement to increase the capacity of the network to maintain performance.

The CSPN Scaling and Optimisation (S&O) project was established in 2021. The project was tasked with identifying the risks of capacity being exceeded as smart metering continues to scale up in CSPN, and to identify potential solutions to reduce or manage those risks.

The project determined that the CSPN network as currently designed and implemented will not be capable of meeting demand as the utilisation of the network has evolved as installations increase. It then analysed options to increase network capacity and ensure the performance of the network. The project has established a roadmap of solutions to support the operation of up to 5 million Communications Hubs (CHs) in CSPN by the end of 2026 and has received approval to implement those solutions.

Evolving into the Capacity programme, this project is now overseeing the delivery of this roadmap of solutions. This includes working closely with [redacted] to fully assess several scaling options with a view to creating a medium-long term development roadmap.

The project was planned in phases, each delivering incremental scaled capacity, and only triggered if an uplift in capacity is demonstrably necessary, preventing unnecessary spend:

- **Phase 0** – Replace existing Network Management System (NMS) with new Network Command Suite (NCS) – Introduces a new scalable network management platform with enhanced features and improved scalability.
- **Phase 1** – Re-platform RNI, to support future scale whilst re-architecting for better stability and upgrading existing BSS Systems.
- **Phase 2** - Further RNI scaling activity to ensure sufficient capacity is available. The precise scope and price of Phase 2 would be subject to agreement via future Change Control given that it is in part dependent upon the outcome of phase 0 and 1 activity.

In RY25/26, the Capacity programme shifted from the Operations chapter to the Service Delivery chapter, providing a net variance of £0.186m. We summarise the baseline and incurred costs below. Since our RY24/25 price control submission, we have developed our RY25/26 Annual Business Plan and forecast a greater resource requirement for the Capacity programme, which drives the variance reported.

Baseline		RY25/26	RY26/27
Capacity Programme (Operations)	£m	0.038	-
Capacity Programme (Service Delivery)	£m	-	-
Incurred		**RY25/26**	**RY26/27**

Capacity Programme (Operations)	£m	-	-
Capacity Programme (Service Delivery)	£m	0.224	-
Variance		RY25/26	RY26/27
Capacity Programme (Net)	£m	0.186	-

Table 8 – Capacity Programme net variance table

Scope of variance and key challenges

The Capacity Programme reported incurred costs of £0.224m in RY25/26, resulting in a net variance of £0.186m against the Operations baseline of £0.038m. This variance reflects both the transition of the programme into Service Delivery and an uplift in actual resource requirements compared to those forecast at the time of the RY24/25 submission.

A key driver of the variance is the underestimation of resource requirements in the original baseline, which assumed minimal activity (0.01 FTE) for RY25/26. In practice, delivery of the capacity programme, particularly in the context of scaling the network to support future demand, required significantly greater coordination, assurance and commercial engagement than initially anticipated.

In addition, the programme involved a high degree of cross-functional complexity, requiring input from technical, commercial, testing and delivery teams. This complexity, combined with the need to adopt an incremental and phased delivery approach, increased the level of delivery oversight required from Service Delivery (ILC), contributing to the observed variance.

A further challenge was the need to align technical delivery with evolving commercial arrangements, particularly given the phased nature of delivery and the requirement to negotiate and agree contractual terms alongside programme execution. This required sustained engagement from Contract Management and delivery teams to ensure that milestones, payment structures and delivery outcomes remained aligned.

Overall, the variance reflects a more accurate representation of the true delivery requirements of a complex, multi-phase capacity programme, rather than inefficiency or uncontrolled growth. The FTE deployment demonstrates effective resource management, with effort concentrated where required to ensure successful delivery and scaled back once key milestones were achieved.

During April to June 2025, average resource levels were approximately 3.1 FTE, representing a mobilisation and early delivery phase. Activity during this period was broad-based and required coordination across multiple functions, including In Life Change, Testing Services and Contract Management.

- A significant proportion of effort focused on commercial negotiations, where contract teams worked to define and agree a phased delivery model and align commercial structures with programme milestones.
- In parallel, testing preparation and assurance activities ramped up, ensuring that requirements were clearly defined and that the programme was positioned for successful integration testing.
- The ILC delivery team played a key role in coordinating end-to-end delivery, ensuring alignment between commercial, technical and governance activities.

Between July and September 2025, average FTE increased slightly to approximately 3.5 FTE, reflecting the peak of technical and assurance activity.

- Testing Services effort was at its highest during this phase, with intensive activity to validate solutions against requirements and ensure that appropriate assurance was in place.

- Coordination with industry participants and suppliers was critical, requiring continued engagement to provide the necessary information, validate outputs and confirm readiness for subsequent phases.
- Commercial and delivery teams remained engaged to ensure that delivery milestones continued to align with contractual commitments and programme objectives.

During October 2025 to March 2026, average resource levels reduced significantly to approximately 1.0 FTE, reflecting the transition into phased delivery completion.

- The programme was delivered in incremental phases (December 2025 and March 2026), reducing the need for sustained high levels of resource.
- Testing and project management activity tapered as key deliverables were achieved and no significant defects were identified, allowing delivery to progress in line with plan.

The overall FTE profile highlights a targeted and proportionate use of resource, with higher levels of effort concentrated in periods of peak delivery risk (e.g. testing and integration), followed by a rapid reduction once critical milestones were achieved.

Securing Value for Money

The Capacity Programme resources deliver value for money through driving the scaling and optimisation of the DCC's network so that it can support up to 5M CHs by 2026. As agreed with DESNZ, the project is being delivered in phases so that the cost is not expended until uplift in capacity is demonstrably necessary.

The Radio Network Interface is now about to manage up to 1400 transactions per second (TPS), allowing it to complete schedules reads within 7/8hours. Based on current forecasts, this satisfies the demand through to December 2027.

The DCC resources engaged in driving this programme have delivered value for money through:

- Testing Services: have facilitated and assured the necessary testing activity, ensuring quality (effective defect identification and resolution) and mitigating the downstream delays and additional costs that would have emerged if insufficient or low-quality testing activity was delivered.
- The CTO team acted as the technical authority, ensuring that the solution did not adversely impact existing infrastructure or service performance. Their responsibilities included reviewing design specifications and ensuring that these meet the DCC's technical requirements ensuring seamless integration.
- The contract team engaged with [redacted] driving delivery against contract terms and holding them accountable to any variances, such as through delayed penalty payments. For example, they held [redacted] to a £[redacted] delay payment following a milestone delay.
- Project Management and Governance support was provided within InLifeChange for delivery and seamless governance and assurance.

Future Considerations

There is currently nothing in the 'In Life Change' demand pipeline regarding the Scaling and Capacity Uplift in the [redacted] space which this programme is related to.

1.3.5. 3G Sunsetting 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

The smart meter network in the Central and South regions is currently supported by 2G and 3G cellular networks. This technology is now being phased out by all UK networks. To help mitigate the 2G/3G sunset, provide secure ongoing connectivity, and maximise the longevity of smart meter devices, this programme ensures that smart metering can continue to provide an efficient and effective service for energy providers and consumers post closure of the 2G and 3G networks.

The programme focused on the design, build, and integration of the Traffic Management Gateway (TMG), a critical enhancement to VMO2's network architecture that interfaces directly with DCC's live systems. The introduction of the TMG was necessary to manage traffic loading on the remaining 2G assets as 3G capacity was withdrawn. This solution required integration with DCC's DSP and assurance that contractual KPIs (core service delivery) would not be compromised.

In delivering these outcomes, the 4G CH&N programme will provide updated technologies and deliver a service that is sufficiently flexible to allow for future change while minimising the impact of change on DCC ' s customers and consumers. A disaggregated model also allows DCC to drive greater efficiency in delivering our services, and we anticipate these cost savings being passed on to our customers.

Baseline		RY25/26	RY26/27
3G Sunsetting Programme (Operations)	£m	-	-
3G Sunsetting Programme (Service Delivery)	£m	-	-
Incurred		**RY25/26**	**RY26/27**
3G Sunsetting Programme (Operations)	£m	-	-
3G Sunsetting Programme (Service Delivery)	£m	0.252	0.001
Variance		**RY25/26**	**RY26/27**
3G Sunsetting Programme (Net)	£m	0.252	-

Table 9 – 3G Sunsetting Programme net variance table

Scope of variance and key challenges

The driver of this cost variance is Ofgem's disallowance of costs associated with management of the 3G sunsetting programme, citing insufficient justification for DCC's role relative to CSP responsibilities. Integration of the TMG with DCC's system, however, is complex and DCC's oversight and assurance was essential to validate design, assure security, and conduct regression testing to prevent service degradation. Without this, the risk of service disruption to millions of smart meters would have been unacceptable. Costs were not duplicative of CSP responsibilities; VMO2 delivered the TMG build, while DCC assured integration, supported testing, ensuring contractual compliance, and security standards.

There was a resource peak of an average of 6.29FTE from Apr-25 to Jul-25. The majority of this peak was driven by CTO and Testing services engaged in delivering the testing and deployment of Phase 2 of the traffic management gateway (TMG) functionality. Key to this testing was integration with DCC systems, necessitating material effort from DCC's testing services. In July the final tests and deployment of the TMG Shaping algorithm was deployed into production, marking the end of the technical change/deliveries. Additionally, benchmarking trials were held in three towns, where the 3G network was temporarily switched off to monitor performance. This was monitored by VMO2, Programme and Operations colleagues.

Following the Technical deployments in July, resource levels stabilised to an average of 2.26 FTE from July-25 to Sept-25. These resources delivered a series of 3G switch-off pilots were carried out between July and September. These trials were similar to the benchmarking trials, but on a larger scale to monitor performance on 2G across a larger scale for a longer period with all the technology deployed. Again, this was monitored constantly with daily performance calls and updates between DCC and VMO2

Following the successful completion of the Pilot town switch-off, workload and FTE requirements reduced to 0.7FTE from Oct-25-Mar-26. DCC programme worked with VMO2 to agree their full switch-off plan which then commenced in Jan-26 through to March-26. Throughout this period there were daily performance calls, weekly DESNZ calls, and daily and weekly reporting created by VMO2 and DCC resulting in a successful, incident free switch-off of the VMO2 network.

Securing Value for Money

The switch-off of the 3G networks was a government mandate to mobile operators. The introduction of the Traffic Management Gateway by VMO2 onto their network (at their own cost) allowed DCC to maintain all previously agreed contractual measures and service level agreements for the performance of the VMO2 Central and South network.

DCC implemented measures to minimise costs while meeting programme objectives. Technical interventions included consolidating design and assurance activities across teams and delivering testing phases in parallel with VMO2's build schedule.

Customer engagement was proactive, with DCC providing updates and seeking input through industry forums such as OPSG and CTG to ensure readiness and minimise downstream impacts.

Commercially, DCC maintained contractual service levels with VMO2 and linked suppliers without uplift, despite significant changes to network architecture, and leveraged governance frameworks to avoid costly contract variations.

Future Considerations

No further activity is forecasted on the 3G sunsetting project.

1.4. Driver for Internal Cost variance – Resource RY26/27 only

1.4.1. Connectivity Squad Resource

Overview of variance

The Connectivity Squad Resource shows a £0.619m variance in RY26/27. As in prior years, this reflects the continued requirement for targeted, specialist connectivity support to manage operational risks associated with communications performance across DCC services.

Connectivity Squads were originally established to address specific and emerging connectivity challenges. However, experience in live operation has demonstrated that these challenges are structural rather than transient, arising from the inherent complexity of operating services dependent on multiple communications networks, technologies and suppliers.

Consistent with last year, the variance therefore reflects the ongoing need for specialist intervention capability, rather than the introduction of new scope or a change in service standards.

Scope of variance and key challenges

The £0.619m adverse variance arises due to the following factors, which are consistent with those reported in previous regulatory years:

- **Persistent connectivity-related operational risk:** Despite improvements in network capability and supplier performance, connectivity issues continue to present a material risk to service availability and customer experience. These issues often require focused, expert investigation and cannot be resolved solely through standard BAU processes or supplier escalation routes.

- **Requirement for rapid, coordinated response:** Connectivity Squads provide the ability to mobilise quickly in response to emerging risks or incidents, working across internal teams and external suppliers. This targeted capability reduces the likelihood of localised issues escalating into wider service impacts.

- **Limitations of historic baseline assumptions:** As in RY25/26, the baseline assumed that connectivity challenges would diminish over time and be absorbed into routine operational management. In practice, the nature of the operating environment has meant that a discrete capability remains necessary to manage risk effectively.

- **Enduring characteristics of the operating environment:** The reliance on external communications networks, combined with evolving technology and varying regional performance, means that connectivity-related challenges continue to arise even as services mature. The squad model remains the most proportionate way to manage this risk without embedding specialist capability across all BAU teams.

Securing value for money

Connectivity Squads deliver value for money by reducing the frequency, duration and impact of connectivity-related issues, thereby limiting operational disruption and protecting customer outcomes.

The targeted deployment of specialist resource enables DCC to:

- diagnose and resolve issues more quickly than would be possible through generic BAU structures;
- reduce reliance on reactive or escalatory interventions with suppliers;
- avoid wider service incidents and associated downstream costs.

The cost associated with Connectivity Squads is modest when compared to the potential operational, reputational and customer impacts of unresolved or poorly managed connectivity failures. As in previous years, this approach represents a proportionate and preventative investment.

Future considerations

This ‘squad model’ is forecast over the next 3 years, in line with Ex-Ante forecasting requirements. The Service Family taxonomy with DCC has evolved in recent months, therefore the content of each service family (and in some cases the name of the service family) will change. However, the concept and delivery model will continue.

1.4.2. Common Capabilities Squad 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

The Common Capabilities Squad Resource shows a £0.202m variance in RY26/27. This variance relates to the continued use of squad-based specialist resource to deliver in-life change across common technical and operational capabilities that cut across multiple services. This includes improving and enabling future scalability and operational efficiency

As established during Project Blue and described in last year's submission, the common capabilities squad model was introduced to move away from fragmented, programme-by-programme delivery and towards continuous, service-aligned delivery. This approach enables DCC to manage a rolling portfolio of technical change more efficiently, while maintaining service stability and quality. The RY26/27 variance therefore reflects the ongoing requirement for this delivery model, rather than the introduction of new scope or a change in approach.

Scope of variance and key challenges

The £0.202m variance is driven by factors that are consistent with those set out in RY24/25:

- **Cross-service technical change requirements:** Common Capabilities Squads support in-life change across shared technologies and platforms, including communications hubs and underpinning infrastructure that serve multiple services. These activities cannot be easily attributed to individual service or programme lines but are essential to maintaining overall service operability and compliance.
- **Forecasted future change activity:** As in previous years, the resourcing reflects anticipated future change, rather than confirmed, discrete programmes. The scope includes forecast maintenance activity, technical remediation and standards-driven change where precise timing and scale are not yet fully defined.
- **Persistence of change demand in live services:** Experience has shown that demand for change in common capabilities has not diminished as services have matured. Instead, ongoing standards evolution, technology updates and security-related requirements continue to generate in-life change that must be managed proactively.
- **Baseline limitations:** The original baseline assumed that common capability change would be absorbed within traditional programme structures. In practice, the squad-based model has proven more effective, but this enduring requirement was not fully reflected in the baseline, resulting in an apparent variance.

Securing value for money

Consistent with last year, the common capabilities squad model delivers value for money by enabling efficient, repeatable delivery of in-life change without the overhead of repeatedly mobilising and standing down programme teams.

This approach:

- reduces delivery lead times and hand-offs;
- improves quality and right-first-time outcomes through accumulated expertise;
- minimises operational risk by embedding delivery knowledge within a stable capability.

The scale of cost associated with this variance is modest relative to the operational and customer impacts that could arise from poorly coordinated or delayed change across shared technical platforms.

Future considerations

This squad model is forecast over the next 3 years, in line with Ex-Ante forecasting requirements. The Service Family taxonomy with DCC has evolved in recent months, therefore the content of each service family (And in some cases the name of the service family) will change. However, the concept and delivery model will continue.

1.5. Driver for Internal Cost variance – Non-resource

There is no individual material variance relating to non-resource internal cost spend. The largest spend of £0.120m is due to GBCS 4.2 Zigbee Certification expenditure.

1.6. Drivers for Internal Cost Variance – Non-resource RY26/27 only

Not applicable for this chapter.

1.7. Drivers for External Cost

Not applicable for this function. Our material external costs for our SMETS2 programme are set out in the 'External Costs' chapter.