



Executive Summary of DCC's Price Control Submission

Price Control RY24/25

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This document is intended to provide an Executive Summary of DCC's broader Price Control RY24/25 submission. It provides a high-level overview of our costs and the reasons why these have been incurred. More detailed information on each of these areas is provided in our price control submission.

Introduction

As a licenced monopoly operating the digital infrastructure underpinning the smart meter roll-out across Great Britain, the Data Communications Company (DCC) plays an essential role in a fast-evolving energy ecosystem. This requires us to achieve operational performance to meet customer needs, but also to strengthen our security and resilience capabilities to ensure reliable connectivity, while ensuring a cost-efficient service to deliver value for money for British bill payers.

Each year we prepare an *ex-post* price control submission outlining the rationale for incurring our costs, the robustness of the processes followed, and the customer and stakeholder engagement undertaken. Ofgem's scrutiny is an essential component of the current regulatory regime, and we recognise the important role Ofgem plays in protecting consumers, especially during an ongoing affordability challenge across the sector.

This is also an opportunity for DCC to demonstrate how and where we have addressed previous feedback, from customers and the regulator, to deliver a more efficient and effective service – both directly and through the transition to new arrangements. For example, in our submission this year, we have set out the improvements made to further strengthen our internal governance and cost controls, including a 32% reduction in external services spend between RY23/24 and RY24/25.

Under new leadership, DCC's focus on delivering value for money has continued to strengthen and is one of our three core priorities (together with an increased customer centricity and the transition to DCC2). This reflects the need to balance continued focus on operational performance and in year delivery with planning for the material changes required to enable a seamless transition to our new, not-for-profit structure. A practical example of this is the successful move to 4G communication hubs across Great Britain to enable further smart meter adoption and prepare for the 2G/3G switch-off in 2033.

These priorities will continue to be reflected and reinforced in future submissions, with actions already underway in RY25/26 to further reduce costs, including a major cost efficiency programme in our Design, Build and Run (DBR) function, the closure of our Ruddington office in June 2025, and ambitious cost savings targets set for the wider business.

Having taken firm action to address previous feedback, strengthened our governance processes to control expenditure decisions, and further increased our focus on driving a culture of cost efficiency under our new CEO, we believe RY24/25 acts as a 'reset' for DCC. In an *ex-post* process, there is an inevitable lag between Ofgem's feedback in one process, effectively at the end of the year for which the next price control submission applies, and the impact of actions taken by DCC being reflected in the next and future submissions (comments by Ofgem in the past have indicated that this time lag is not always fully appreciated).

During RY24/25, we have terminated many of our external services contracts, put in place material programmes of cost reduction, and are driving value in our procurement and contract management activities. Our internal costs have fallen year-on-year despite a material increase in activity as we strive to deliver 'more for less'. A further disallowance of costs in areas where DCC has demonstrated firm action to address Ofgem's feedback from the RY23/24 and RY22/23 reviews seems counterintuitive to us (and could make DCC's current transition journey more difficult).

The tangible actions taken by DCC demonstrate we have listened to Ofgem, and our customers, and we are keen to engage and respond in a positive and constructive way as we jointly develop the frameworks for DCC2 and transition to the new regime over the coming months. For example, we are engaging closely with customers on our first *ex ante* business plan, providing even greater transparency and taking a collaborative approach to determining our future activities and associated costs to drive the best value for money.

We have provided herein the context for DCC's activities in RY24/25 and how these have enabled us to meet customer needs, while preparing for the transition to DCC2. A detailed breakdown of the costs incurred in RY24/25 is provided in the rest of our price control submission.

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1. Context for RY24/25

The Government has put delivering clean power by 2030 (CP30) at the heart of one of its five missions. Achieving CP30 has the potential to drive growth, reduce bills and underpin energy security. While much of the focus in realising this ambition has been on building new physical infrastructure to generate and transmit electricity, the digital infrastructure that underpins a smarter, greener, fairer system is equally vital.

The smart metering network, and the data transmitted across it, is a key component of the digital infrastructure required across Great Britain. As the National Energy System Operator (NESO) stated in its advice to Government in November 2024, 'smart meters [...] will provide the foundations of a smarter, more flexible system', and we expect this to be reflected in NESO's forthcoming Sector Digitalisation Plan.

Today, the smart metering network is already enabling the energy system to transition to a smarter, greener future while empowering consumers to make informed choices on energy use and access the most appropriate products and services. At the end of March this year, there were more than 34 million meters in 20 million premises connected to the smart metering network, with over 2.6 billion messages sent each month.

As the number of meters in homes and small businesses has grown, so too has the benefit of accessing smart meter data, with it widely recognised by Ofgem as 'crucial for the success of key ongoing and future transformation initiatives needed to decarbonise our energy system'¹.

Yet there remains further to go. NESO advice suggests penetration of 86-90% of smart meters is required to deliver Clean Power, with DESNZ acknowledging that 'the smart meter roll out is critical for unlocking innovative approaches to managing consumer demand'². Further rollout of smart meters will need to balance continued operational performance of existing meters, ensuring consumers receive the best possible experience, and a programme of swap out of legacy devices to next generation technology over the late 2020's and early 2030's to ensure continued connectivity.

During this time, DCC will need to continue delivering operational performance that meets customer needs, demonstrating how we have, and will, address critical pain points. We will need to do this while demonstrating that the actions we have taken are delivering value for money for bill payers – and we will also continue to play our part in supporting our customers with their future rollout, and service performance obligations.

While the focus on both operational performance and future roll-out and swap-out of smart meters will remain, the DCC of the late 2020's will look different to that of today. In line with Ofgem's ongoing review of our future regulatory framework, and in close collaboration with the regulator we are already preparing our business for the future. This has required significant management focus, and many of the structures to support this were developed during RY24/25.

Ofgem's decisions on the ex-ante framework and governance structures, and its recent consultation on the future role and objectives of the future DCC are bringing increasing clarity on the construct of our future organisation. We are confident the shift to a not-for-profit model will reinforce our belief that the DCC, and the services that we deliver on behalf of industry, should deliver maximum system wide benefit.

¹ [DCC review: Phase 1 Consultation](#)

² [Clean Power 2030: Action Plan: A new era of clean electricity](#)

2. RY24/25 cost overview and governance

2.1. Expenditure summary

The costs we incur drive the revenue we recover from customers, and ensuring value for money is therefore a critical objective for the business. In line with the forecasts shared with customers through our Charging Statement (see section 2.2 below), RY24/25 total costs³ were 5 percent above RY23/24 (in real terms), with internal costs decreasing by 6% and external costs increasing by 9%.

£m	DCC actual RY23/24	DCC actual RY24/25	Change		
			£m	% nominal	% real ⁴
Annual costs ⁵	563.4	609.3	+46	+8%	+5%
SMETS Internal Costs ⁶	155.9	151.8	-4	-3%	-6%
SMETS External Costs ³	392.7	443.2	+51	+13%	+9%
Switching costs ⁷	14.8	14.3	-0	-3%	-7%

Table 1 – Spend summary RY24/25 compared to RY23/24

Internal Costs – Internal costs have reduced by £4m in RY24/25 versus RY23/24. This reduction reflects our commitment to driving costs down where we can as these are typically more controllable within the regulatory year (as opposed to longer term fundamental service provider contracts that make a large part of our external costs).

Within this, and in line with previous feedback from Ofgem and customers, a strong focus on controlling the use of external services (through terminating contracts and in-housing of roles) delivered a material cost reduction of £13m (32%) in RY24/25 (although this was partially offset by in-housing where there is an enduring requirement for skills and capacity). Whilst DCC has taken firm action during the year to reduce the level of external support through stopping certain engagements, there was a small amount of ‘run-off’ cost incurred during the year, which DCC has highlighted to Ofgem (clearly explaining the rationale for these costs).

The reduction in internal costs is a significant achievement given the simultaneous challenges of maintaining high-level operational performance and enhancing our network at the same time as managing material external change and internal transformation (including the work underway to ensure a seamless transition to DCC2).

External Costs - The £51m increase in external costs was in line with expectations, with the majority of the cost related to essential multi-year contracts and programmes and determined by actions taken in prior years, often several years ago (the rationale for these costs was also explained to Ofgem before our price control submission). There were two key drivers of cost increase:

- Increased volumes of SMETS1 and SMETS2 meters on the network (including the successful migration of a large supplier’s remaining SMETS1 customer base) combined with growing use of the system by a broader range of customers driving higher data volumes. The volume drivers represented c.45% of the cost increase.

³ Excluding ‘Other’ costs and costs of Comms Hubs which are ordered by our customers and passed through to them at cost

⁴ ONS, March CPIH 2024 is 3.4%

⁵ Excluding ‘Comms Hubs which are ordered by our customers and passed through to them at cost, and Pass-Through costs

⁶ External Costs cover our Fundamental Service Providers (FSPs) across key systems and services specified in our licence. Internal Costs relate to payroll for DCC staff and other costs, such as IT, facilities or any external service providers that are not our FSPs

⁷ Switching costs include both Internal and External Costs.

- Key upgrades to our services (c.55% of the total increase). This included the successful build and go-live of our new 4G communications hubs and network (4G CH&N), activities to reprocore our new Data Service Provider (DSP) and Future Service Management (FSM) systems, developing system functionality for the Market Half-Hourly Settlement (MHHS) programme, and critical maintenance and technical updates across our systems.

Switching Costs – While maintaining a very high-level of performance (including 100% service availability), we have managed to reduce the total switching costs for RY24/25 by 7% in real terms (in comparison to RY23/24).

2.2. Cost forecast accuracy

DCC's charging statement and RECCo switching budget provide the best and most complete forecast of expected costs. These include DCC's best view of the costs we expect to incur and include all types of expenditure. These are developed through the year and shared with our customers and key stakeholders for their feedback via Quarterly Finance Forums (QFFs), and RECCo forums.

In contrast, a 'price control baseline' is also used but only for price control purposes and is constructed using only a subset of our forecast costs, i.e. those that meet the criterion of being 'significantly more likely than not to occur'.

Critically, the 'price control baseline' excludes forecasts of costs that Ofgem considered were not yet sufficiently justified as being economic and efficient at the time of the previous price control review⁸. As such, this 'regulatory baseline' differs significantly from our stated forecasts provided in our charging statement and switching budget.

As shown in table 2 below, in RY24/25, total costs were within 3.2% (£19m) of our charging statement⁹ and switching services budget¹⁰, reflecting strong forecast accuracy (and an improvement vs last year's 4% variance). In contrast, our costs were over £100m (20%) above the 'price control baseline'.

£m	DCC actual RY24/25 – price control	DCC forecast RY24/25 – charging statement	Regulatory baseline RY24/25 – price control
Annual costs¹¹	609.3	590.3	497.7

Table 2 – RY24/25 spend compared to charging statement and baseline

It is important that the differences in methodology underpinning the forecasts provided through DCC's charging statements and the baseline used for price control purposes are clearly understood by our customers in order to ensure the variances derived from these are interpreted correctly.

An example of this is where Ofgem has set a baseline value of zero for resource costs in our Network Evolution programmes (e.g. 4G CH&N, DSP, PKI-E, and TAF), even though all these programmes have continued from previous years. For 4G CH&N, the resource costs incurred in RY24/25 were £5.3m, slightly below the forecast provided during last year's price control (i.e. £5.4m), but with a regulatory baseline set to zero, the £5.3m incurred will appear as an "overspend" in the price control.

Therefore, whilst actual costs may appear (to those unfamiliar with the process) as an overspend to the baseline used in the price control process, they were actually in line with our business cases and internal

⁸ As set out in section 2.18-2.24 of "DCC Price Control: Processes and Procedures", published by Ofgem in July 2022.

⁹ SMETS budget of £575.4m - DCC Charging Statement for RY24/25, issue 2.0, 17 Jan 2025, table 6:

<https://www.smartdcc.co.uk/media/m15mbtpm/charging-statement-ry2425-issue-20.pdf>.

¹⁰ Our charging statement only covers our smart metering network. Each year we prepare and agree a budget with RECCo for our switching services in advance of the next financial year. RY24/25 switching budget was £18.6m – 2024-25 RECCo Budget, <https://www.retailenergycode.co.uk/fs/wp-content/uploads/2024/02/RECCo-Budget-2024-25.pdf>, Table 3

¹¹ Excluding 'Comms Hubs which are ordered by our customers and passed through to them at cost, and Pass-Through costs

forecasts (which have been shared with Ofgem). This has been a source of confusion externally, including in media reporting following the RY23/24 process, which picked up on the 'price control variances' to criticise DCC's forecasting accuracy.

As agreed with Ofgem, for this year's price control submission, DCC is changing the way we report our forecast costs to present full forecasts of costs for RY25/26 and RY26/27, in line with our current and future charging statements. Previously, DCC has only included forecast costs that meet Ofgem's criterion of being 'significantly more likely than not to occur' (broadly those deemed as already 'committed').

By providing a complete view of all costs expected to be incurred in RY25/26 and RY26/27, customers and Ofgem will have greater visibility of our future plans. This approach will also promote consistency in the information provided as we move to an ex-ante regime from late 2026.

The forecast provided in this submission is based on the Charging Statement shared with customers in December 2024. Since this was developed, we have continued to refine our activity plans and associated cost forecasts and will provide an updated position in our draft ex-ante Business Plan, which will be shared with the new Customer Challenge Group at the end of August 2025.

It should be noted that there is a significant time lag between the December 2024 Charging Statement used for this ex post submission and our final ex-ante business plan (in December 2025). We will provide a description of the movements between these forecasts in our ex-ante business plan submission.

3. Meeting customer needs

3.1. Maintaining exceptional system performance

Our smart metering network is integral to suppliers' daily operations, for example in providing accurate and timely usage and billing services to their customers. The data sent across our network is also used to inform grid optimisation and support the development of new initiatives, such as, how to improve our energy usage and identify support for vulnerable customers.

We also manage the requirements associated with being deemed equivalent to Critical National Infrastructure, where the encryption of customer usage data and overall security of our suite of systems is paramount. Our investments in our systems and teams over RY24/25 ensure that we maintain sufficient resilience. We delivered over 5,000 enhancements (e.g. upgrades or modifications) to our systems to maintain service reliability across SMETS1 and SMETS2 with a 98.2% success rate.

Overall, we have maintained a high-quality service during RY24/25, where we achieved 100% against our smart metering system performance targets set through the Operational Performance Regime (OPR).

Under the Operational Performance Regime (OPR), we record our system performance against three weighted performance measures, along with some unweighted measures:

	Result RY23/24	Result RY24/25	Target
Service availability	99.93%	99.97%	99.50%
Install & Commission	99.75%	99.73% ¹²	99.00%
Prepayment	99.84%	99.83% ¹³	99.00%

Table 3 – RY24/25 performance summary

¹² Simple average of North: 99.21%, Central: 99.98%, South: 99.99%

¹³ Average of mechanisms A and B – Penalty mechanism A: 99.88%; Penalty mechanism B: North: 100.00%, Central: 99.72%, South: 99.72%

Switching Service

Overall, our cost and performance for the switching service remain excellent (i.e. £14.3m vs budget of £16.4m, no unplanned outages or major incidents, 100% system availability). This service helps consumers switch energy suppliers swiftly and seamlessly, and we have enabled over 38 million energy switches to date.

Following Ofgem's decision to keep the switching service within DCC in October 2024, we are now focused on delivering enhancements that maintain the high standards of performance demonstrated since the go-live phase, whilst ensuring we continue to deliver value for money for our customers. DCC and RECCo shared our plan to deliver these enhancements with Ofgem in mid-April 2025, and will implement changes throughout 2025/26, alongside close engagement with customers.

3.2. Delivering resilience through proactive security monitoring

As more connected devices play an increasingly important role in helping to deliver a smarter, greener and fairer energy system, the importance of securing these devices and protecting the data transmitted by and across networks continues to increase in importance. DCC's security capabilities continue to be recognised as leading practice from across industry, and formed a critical component of recent discussions with Ofgem leadership and the Energy Security and Net Zero Select Committee (including during the Minister's visit to our Manchester offices in December 2024).

However, we can't take this for granted, as the threat landscape continues to evolve and our customers rely more heavily on reliable performance to deliver their products and services. Therefore, it is imperative that we stay abreast of the latest cyber security risks and best practice approaches for defence.

Building on RY23/24, we have continued to invest in how we monitor for and respond to cyber threats, protecting consumer data and customer operations. In RY24/25, we successfully maintained network security while the volume of sensitive information through our network increased to 2.6 bn messages a month.

We have continued our close engagement with the SEC Security sub-committee to upgrade our monitoring capabilities, as well as integrating those in our supply chain. Alongside cyber protection benefits, enhanced monitoring is reducing disruption for our customers. This has been delivered through investments into software and tools, mitigating the requirement for additional capacity to deliver this improved service.

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

Public Key Infrastructure (PKI) Enduring

The Public Key Infrastructure Enduring (PKI-E) programme was created to competitively re-procure the system which protects the cyber security of DCC's smart metering services, known as the Trusted Service Provider (TSP). This is essential in securing communication between devices, reducing the risk of security attacks. In RY24/25 we spent just over £3m on this programme to developing the business case and run our existing security system.

The Full Business Case for this solution has been developed over the past two years and we achieved a 'non-objection' from DESNZ in January 2025. Our proposal is to replace but also augment our ageing security platform. The new platform must work with the existing key infrastructure solutions but needs capability for extension so DCC can evolve the solution in response to emerging cyber threats or customer requirements.

3.3. Driving improvements in network connectivity

We are delivering a number of programmes to improve connectivity for our customers, now and in the future. In RY24/25, we enabled the continued migration of SMETS1 meters onto our network (one of the

most complex migration programmes), made significant progress in addressing the issue around non-communicating meters and those beyond the reach of our current network, and moved into live service on our 4G CH&N programme to mitigate the impact of 2G/3G sunsetting.

SMETS1 migration

Since 2015, we have worked closely with DESNZ and industry to migrate SMETS1 meters onto the network. Migration enables suppliers to extend the usability of their SMETS1 devices at a much lower cost than replacing these meters before end of life. It also allows customers to maintain the benefits of smart metering functionality and ensure meters are interoperable between suppliers, facilitating switching in the market.

During RY24/25, the number of SMETS1 meters operating on our network increased from 12.2 million to 12.9 million, enabled by strong DCC performance, with over 99.9% of migrations delivered 'right first time'.

In summer of 2024 we were able to close out a cohort of SMETS1 meters by working closely with the supplier to complete the remaining device enrolments and adoption onto our network. We had originally intended to close our migration service at the end of 2024, but following discussions with DESNZ we have extended this capability to support the last major remaining supplier to complete their actions for the final SMETS1 migration.

No-WAN and Non-Communicating Meters

Given the need to drive greater penetration of smart meters in support of clean power, we are working closely with DESNZ and industry to connect consumers who want a smart meter but are in areas without cellular or radio coverage.

There are approximately 328,000 premises where there is no WAN connection available, and where smart metering devices are therefore not able to communicate via the DCC (referred to as "No WAN premises"). DCC is working on the DESNZ-led Virtual WAN (VWAN) Solution as an alternative to the traditional Smart Metering WAN. To date, we have secured financial approval and mobilised the programme for Design, Build and Testing, targeting a 'soft launch' in January 2026 ahead of full testing and roll-out. In RY24/25, we incurred £3.0m on this programme (which started in RY24/25 and therefore has no 'price control baseline' cost from last year's process).

We have also made significant progress in addressing the issue of non-communicating meters. Continued operational performance of existing smart meters is critical in delivering the enduring benefits for consumers and our customers. During RY24/25, we reduced the volumes of non-communicating meters on the network¹⁴ by 40% (from 1.5 million at the start of the year to 824k meters by the end of March) and are continuing to work closely with suppliers to drive further improvements in identifying and connecting these meters. However, not all non-communicating meters are visible to DCC (e.g. some SMETS2 meters were not properly connected to the DCC network when installed, and others are registering a 'blank' read which DCC cannot validate). We are collaborating with industry to develop solutions to address these in support of an improved consumer experience.

4G Comms Hubs & Network (CH&N)

Our 4G CH&N programme is essential to achieving continued connectivity and an effective smart meter functionality across Great Britain. More specifically, the aim is to futureproof consumers from the sunsetting of 2G and 3G communications technologies, by incorporating a 4G communications hub into the installation to connect to our smart meter network.

¹⁴ Non-communicating meters are those where DCC can validate that the meter has not communicated with the DCC network for 35 days

The new communication hub is also materially less expensive per unit than a new SMETS1 or SMETS2 meter unit, delivering better value money for our customers and end consumers.

Important milestones for the programme in RY24/25 include the move (on schedule) into live service in December 2024, and completion of a real-world trial in February 2025 through the deployment of 3556 devices including the replacement of 650 existing communications hubs.

During RY24/25 we incurred £31.1m to complete the build and testing phase of our programme (against a forecast of £38.7m), which is major milestone given the complexity and importance of the 4G CH&N programme. We also received confirmation of non-objection from DESNZ in April 2025 to proceed with the rollout of the new technology and execute orders for inventory so that they can be deployed by suppliers in their smart meter rollouts. This is reflected in our full score on customer engagement we received under our CH&N project performance incentive.¹⁵

3.4. Strong focus on customer engagement

RY24/25 has marked a clear shift in DCC's approach to external engagement, bringing together a clear focus on both cost control and customer centricity. This includes open and constructive engagement with Ofgem and DESNZ regarding the future role of the DCC and how we can support the transition of the energy ecosystem in the medium to long-term.

This year, we continued to improve how we engage with our customers across our SMETS services and programmes. We do this through formal SEC and REC forums and regular channels such as our QFF. We also have regular targeted and tailored engagement, including bilateral meetings with energy suppliers and Distribution Network Operators (DNOs), and regular engagement with Energy Network Association (ENA) and Energy UK, representing the interests of energy suppliers and DNOs respectively.

Ahead of preparing our first ex-ante business plan in August 2025, we have also had several engagement workshops with our customers and wider stakeholders on SMETS1, SMETS2, Switching & Testing, Data Services and other key areas of activities.

Operational Performance Regime (OPR)

Under the OPR measures for customer engagement, we have self-assessed our performance at 2.65 out of 3 (an improvement vs last year's outcome of 2.08). This reflects the timing and frequency of engagement, quality of information provided and how customer views have been taken into account. We have provided in our submission the evidence underpinning our assessment and we look forward to receiving Ofgem's confirmation as part of the price control consultation document in November.

Customer First

As part of our strategic focus to drive greater customer centricity, in Autumn 2024 we initiated our 'Customer First' programme.

This was designed to build on the progress made in customer engagement over recent years and to ensure:

- Our performance measures are aligned to customer priorities.
- We are accurately capturing, and able to quantify customer needs.
- Our actions across the organisation enable a great customer experience.

In addition to the formal metrics covered by the OPR, we have also proactively developed additional Key Performance Indicators with our customers for monthly reporting on key aspects of customer journeys, for example the 'end-to-end success rate', and Customer Effort Score (CES).

The CES measures customers 'ease of working' with DCC, covering ease of contact and resolution of issues. Over RY24/25, we increased our score from 5.8/7 to 6.1/7, placing DCC in the Gartner top quadrant (which

¹⁵ <https://smartenergycodecompany.co.uk/documents/sec/20250512-4g-chn-bmppa-pa1-pa3-consultation-response/>

measures industry performance for customer engagement). By using this assessment alongside OPR measures, we are able to pinpoint drivers of dissatisfaction for our customers and develop targeted resolutions.

We have also focussed on improving our delivery of 'In-Life Change', which involves embedding new capabilities into our business on an enduring basis. We have increased our 'Go Live Right First Time' (RFT) performance from 52% in the first quarter of RY24/25 up to 87% by the end of the reporting year, reflecting our concerted effort to ensure changes to our system are as per the planned releases.

We are keen on building on the achievements made in RY24/25 and will continue to drive an improved service offering to our customers in RY25/26.

4. Delivering value for money

As mentioned above, at the end of March 2025, there were more than 34 million meters connected to the smart metering network, with over 2.6 billion messages sent each month. As more devices (e.g. smart meters, comms hubs) are connected to DCC's network, it is incumbent on us to deliver our services in a manner that ensures value for money for British bill payers.

4.1. Strengthening internal governance and cost controls

Inevitably in a fast-evolving energy system, and in the context of our ongoing transition to a new ownership model, it will always be possible to identify some areas where further improvement can be achieved, especially in hindsight (i.e. through an ex-post process). However, we have made significant steps in strengthening our internal governance and are committed to drive further efficiency for our customers.

Building on the prior year, we have further strengthened our cost control framework with the development of new governance and approval processes. Our work programme over RY23/24 and RY24/25 seeks to address Ofgem's feedback, including:

- *Internal governance and controls:* Over the past 18 months we have made improvements to our internal processes for approving investments. We have introduced new processes for how our work is initiated (known as our 'Front Door') ensuring all new activities are justified, with a plan in place for delivering these as efficiently as possible. This has been further strengthened by the introduction of a Portfolio Board and Investment Committee, designed to ensure spending decisions are robust and supported by strong justification. We have now embedded most of these changes and are seeing benefits across the business in the robustness of our governance and our investment cases.
- *External services:* We have reduced our expenditure on external services by 32% through the (i) completion and roll-off of consultants supporting organisational improvements, (ii) in-house recruitment to reduce reliance on external resource, and (iii) a new procurement strategy. Like all companies, we will continue to need third party resources where we require particular skills or expertise, and where it would not be economic and efficient to appoint full-time permanent roles. For example, we must conduct independent assurance across our programmes and operations to ensure the outputs from our service providers meet our requirements. This type of work requires subject matter expertise across a range of different areas and independence that could not be met by an in-house team.

4.2. Improved contract management and supplier engagement

Given the nature of our organisation, commercial excellence is critical to delivering value for money. Over the past year, we have continued to mature our commercial capabilities and made structural changes to hold our commercial suppliers to account. We recognise this is particularly important as we approach a critical period of re-contracting as legacy technologies approach end of life.

As part of the external assurance of DCC's commercial performance (under the OPR), an independent auditor reviews DCC's contract management activities on Ofgem's behalf. For RY24/25, Ofgem appointed a new Auditor (PwC) who has awarded DCC a total score of 2.33 out of 3, our joint highest score¹⁶.

PwC's report reflects the improvements we have made to drive value for money throughout our commercial lifecycle, as well as providing feedback on areas where we can go further. This includes the following assessment:

- **Procurement:** As outlined by PwC, 'DCC conducts robust and compliant procurements with active market engagement and mechanisms to promote competition (e.g. looking for ways to improve early market visibility, strengthen engagement with DESNZ, and apply lessons from complex negotiations to future programmes)'.

This is very positive and reflects the achievements made in RY24/25. This includes the publication of a new Procurement Strategy which embeds customer requirements at the core of procurement activities and aligns our processes with government best practice, driving a streamlined approach and better value for customers. PwC's report also acknowledges how we have managed to embed several good practices into our re-procurement exercises including collaborative solutioning and the use of independent assurance to support complex procurements.

- **Contract approach and management:** As outlined by PwC, 'DCC demonstrates clear risk allocation and effective use of contractual incentives to drive service delivery [...] DCC effectively manages contract performance with strong alignment to SLAs and KPIs, supported by robust processes and systems'.

PwC's report also acknowledges the clear progress made during the year in strengthening our contract management capabilities, including initiatives such as the updated Contract Management Handbook, greater service provider collaboration and a clear focus on value for money through structured governance and tooling. This has included strengthening our approach to SEC modifications, with clearer accountability on our service providers helping to deliver more complete cost estimates.

CH&N and DSP

Through our key procurement activities, such as 4G CH&N and DSP, we have demonstrated that our approach to 'contract disaggregation' has driven greater competition into our supply chain, providing us with better levers to manage performance and drive greater value for money.

In the DSP programme for example, we have leveraged a collaborative contracting approach to improve incentives on our service providers to meet cost and scope requirements. The complexity and criticality of these contracts mean we have used expert contracting and legal advice to ensure the contracts deliver the solutions we require. In RY24/25, we incurred £9.2m in relation to the DSP programme, which is expected to drive annual savings of circa £20 million from 2029 once the new solution and migrations are completed.

5. Transitioning to DCC2

As mentioned in the introduction section, we are also focussed on getting DCC ready for Business Handover (expected in late 2026) and are collaborating closely with Ofgem to achieve a smooth and seamless transition (including implementing the ex-ante price control framework).

¹⁶ Based on draft report. Final report is not due until 31 July and therefore DCC are unable to present the final findings within this submission.

From the outset, we strongly supported Ofgem's decision to transition to a not-for-profit framework (including the move to an ex-ante regulatory framework) and we have significantly stepped up our activities in RY24/25 to support Ofgem in the most effective way.

5.1. Preparing for Business Handover in 2026

Several activities must occur to ensure a smooth transition of the business to a new Licensee and mitigate any disruption to services for customers. Since late RY23/24, we have had a small team dedicated to supporting Ofgem with its consultations on the design of the Successor Licence, the format of the new regulatory framework and the development of a detailed Business Handover Plan which sets out how we will separate from the current shareholder Capita and transition to a Successor Licensee

DCC has worked collaboratively with Ofgem to determine the scope, approach and costs of Licence renewal activities. We have scaled up the Licence Renewal team as the volume of business handover activity has increased and in preparation to support Ofgem's selection process for the Successor Licensee and in RY24/25, we have spent a total of £0.8m on Licence Renewal and Business Handover activities.

Transitioning to a new regulatory regime

As we move to DCC2, Ofgem is also transitioning DCC from ex post regulation to an ex ante price control regime, which means a cost envelope will be agreed beforehand, with supporting evidence for review by Ofgem.¹⁷ This will also involve the transition from 'for profit' to 'not for profit', which is a key element of the new regime.

During RY24/25, we worked closely with Ofgem to support the detailed design work for the new ex ante regime and stepped up our internal preparations for operating the business under this structure, spending a total of £0.6m on ex-ante price control activities.

RY25/26 will see a further increase in this activity as Ofgem completes the final design and DCC submits its first ex ante Business Plan for the period from Business Handover to March 2028.

As a result of the work done during RY24/25, we will be ready to submit our first business plan under the new regime in December 2025, having been subject to review by the Customer Challenge Group (CCG).

This ex-ante Business Plan will be structured around 'Service Families' which will mean DCC will group the activities, contracts and costs associated with the different element of our service together and manage these as internal portfolios (e.g. SMETS1, SMETS2, Meter Data Management, Privacy and Security etc.). This will improve transparency for customers and create a stronger link between the activities (and costs) DCC is undertaking and the value these services deliver.

In addition to activity directly supporting the design and implementation of the new price control regime, the move to ex ante regulation has a significant impact on our wider business processes. We are further strengthening our planning and coordination activities (building on the portfolio management processes developed by the EPMO), enhancing our financial reporting and risk management, and re-organising our operations around Service Families. This transition represents a significant undertaking, which began in RY24/25 and will continue until Business Handover in late 2026 and into the early period of DCC2.

¹⁷ <https://www.ofgem.gov.uk/sites/default/files/2025-05/DCC-Review-Phase-2-Determination-of-Allowed-Revenue-conclusions.pdf> The first cycle is a truncated period from the business transfer date to March 2028, with the three year cycle starting from April 2028. The ex post price control continues to apply to our reporting up to September 2027.

In the short term, we will continue to report our costs under both the existing 'ex post' and the new 'ex ante' frameworks. This change in framework will help provide certainty over DCC's reporting to industry and stakeholders.

6. Conclusion

The ex-post price control is an essential component of our current regulatory regime, offering DCC the opportunity to outline the rationale for incurring costs, the robustness of the processes followed and the customer and stakeholder support for our activity. We take these obligations very seriously and seek to undertake them in a transparent and collaborative manner with the regulator.

We recognise the essential role Ofgem plays in protecting consumers, especially during an ongoing affordability challenge across the sector, with DCC's price control a small, but important, part of that role. This year more than ever we have committed to providing early and open perspectives on our cost base, both on where feedback has been actioned and where there is more work to do to drive further cost efficiency for our customers.

This year's assessment comes at a time of significant change, both within the wider energy sector as the sprint for Clean Power accelerates (with smart metering a critical component within a wider digitalisation agenda) and for DCC as our current licence, in place since 2013, comes to an end. Inevitably, this involves an evolving regulatory construct, and a need for close collaboration to ensure a seamless transition to the future framework.

As outlined in our submission this year, we have reduced spend on internal costs, a notable achievement especially at a time of significant change. A marked reduction in external services spend has helped to ensure that any increase in activity has been mitigated and offset, enabled by strengthened internal governance and controls. The firm actions taken in RY24/25, coupled with the additional cost efficiency measures announced in RY25/26, mean DCC is well placed to move towards DCC2 as a lean, customer-centric organisation, ready to play our part in the future energy system.

Operational performance has remained exceptionally strong, delivering against all system performance OPR targets. We recognise the importance of delivering reliable performance for our customers, as this enables them to deliver their products and services. To do so, we continue to evolve our security capabilities, ensuring the smart metering system remains one of the leading examples across the sector.

Consistent with our approach to last year's submission, we have prioritised the quality and robustness of our data. We have conducted a thorough assurance exercise across three lines of defence, with Baringa providing an independent assessment of our modelling and RIGs submission as third line of defence. This assurance complements the governance processes we have put in place throughout the year, including monthly cost controls, risk management activities (including price control-specific risks), and stronger expenditure approval processes (including the new Investment Committee).

An independent 'Data and Assurance Report' is provided to Ofgem alongside this submission. Key conclusions from Baringa are that 'governance mechanisms, controls, reviews and sign-off processes are effectively implemented by DCC' and that 'DCC employs a number of standard internal assurance processes alongside our external review', which Baringa has assessed to 'provide a clear three lines of defence assurance model.'

Finally, and as we look ahead to DCC 2, we have worked in close collaboration with Ofgem and industry to ensure our planning enables a seamless transition to our future regulatory construct. This does require specific skills and time from across the business, but we're confident this is a good investment in our future, one in which we are able to deliver maximum value for Great Britain.