Data Communications Company

DCC Price Control RY24/25 – Corporate Management

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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 deliver for our customers. By integrating executive and board leadership, strategic planning, regulatory readiness, and customer engagement, Corporate Management ensures that DCC operates transparently, credibly, and efficiently within a changing regulatory landscape.

RY24/25 activities and costs

Total costs were £19.8m, which was £3.2m above the regulatory baseline of £16.6m (and £1.1m above DCC's forecast provided during the RY23/24 price control process). The variance to the baseline reflects planned investment in building internal capability in key areas such as Licence Renewal and Ex Ante which are critical in preparing for the transition to DCC2.

In RY24/25m, we materially reduced external services spend (down by 63% from £7.1m in RY23/24 to £2.6m in RY24/25) as we focussed on bringing key activities in house. For example, we completed the insourcing of the Business Case Centre of Excellence in July 2024 and scaled down the external support to Licence Renewal (with small 'run off costs' in third party spend of £0.5m and £0.7m respectively).

During RY24/25, we worked closely with Ofgem to support the License Renewal activities (including the consultation on DCC's future role and preparing a comprehensive Business Handover Plan). We also recruited dedicated regulatory specialists to support the development and implementation of ex ante price controls, including preparing DCC's first Ex Ante Business Plan.

During the year, we successfully transitioned to a new leadership team (with a new CEO and CFO in place), delivered improvements in our cost control and governance and driven further focus on cost efficiency, with a target of £50m in cost savings by Business Handover.

Future activities and costs

DCC is focused on increased customer centricity, driving value for money for customers, and the transition to DCC2.

Corporate Management's function will continue to work on Licence Renewal activities, supporting Ofgem's RFP process for appointing the Successor Licensee. We will also embed the Ex-Ante Price Control processes and governance to ensure DCC is prepared to meet forward-looking regulatory requirements.

The Strategy, Policy and Partnership & Projects teams are working closely with Customer Engagement to develop innovate strategies to maximise the value from our network and data, driving improved customer outcomes and greater cost efficiency.

Our delivery approach remains to build high-performing in-house capability while using targeted external expertise only where it adds demonstrable value. This approach balances operational resilience with disciplined cost management.

1.1. RY24/25 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 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			RY24/25	RY25/26	RY26/27
Total Corporate Management		**£m**	**16.616**	**17.990**	**-**
Payroll costs	PR	£m	9.142	10.794	-
Non-payroll costs	NP	£m	0.269	0.087	-
Recruitment	RC	£m	0.007	0.001	-
Accommodation	AC	£m	5.259	5.281	-
External services	ES	£m	1.816	1.705	-
Internal services	IS	£m	0.102	0.103	-
IT Services	IT	£m	0.021	0.021	-
Incurred			**RY24/25**	**RY25/26**	**RY26/27**
Total Corporate Management		**£m**	**19.793**	**25.855**	**26.123**
Payroll costs	PR	£m	11.043	14.090	13.686
Non-payroll costs	NP	£m	0.341	0.250	0.250
Recruitment	RC	£m	0.460	0.366	0.191
Accommodation	AC	£m	5.000	7.439	6.683
External services	ES	£m	2.598	3.296	4.896
Internal services	IS	£m	0.202	0.266	0.270
IT Services	IT	£m	0.148	0.147	0.147
Variance			**RY24/25**	**RY25/26**	**RY26/27**
Total Corporate Management		**£m**	**3.177**	**7.864**	**26.123**
Payroll costs	PR	£m	**1.901**	**3.296**	**13.686**
Non-payroll costs	NP	£m	0.072	**0.163**	**0.250**
Recruitment	RC	£m	**0.453**	**0.365**	**0.191**
Accommodation	AC	£m	-0.259	**2.159**	**6.683**
External services	ES	£m	**0.783**	**1.591**	**4.896**
Internal services	IS	£m	0.100	**0.163**	**0.270**

IT Services	IT	£m	0.127	0.126	0.147

Table 1 – Cost variances by GL

1.1.2. External costs

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

1.2. Purpose, Scope, and Structure

Scope

The Corporate Management cost centre in RY24/25 included primary regulatory and strategy functions and broader corporate capabilities, such as 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, supporting development of the ex-ante regulatory framework, 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, developing the Business and Development Plan, regulatory stakeholder engagement and code development.
- In RY24/25, the Price Control team was renamed as Economic Regulation and the work on economic incentives was moved into this team. Changes were also made with regulatory design and delivery. Activity to support the move to ex ante price control regulation was also scaled up through an in-house team in RY24/25.
- **Customer experience** was relevant for 24/25 and then it transformed to Partnerships and Projects in April 2025.
    - Customer Experience - During RY24/25 Strategic Customer Engagement was comprised of Customer Experience, Business Case, Centre of Excellence, and Partnerships and Projects. On 31 March 2025, the Chief Customer Officer left DCC, and these teams were moved to the Chief Strategy and Regulation Officer (Partnerships and Projects), and Chief Operations Officer (all other teams). We are continuing the report these teams within the Corporate Management chapter for price control purposes for 24/25.
    - Partnerships and Projects (Active April 2025 - Previously part of Customer Experience) – This newly aligned team was created to drive efficiency by bringing together complementary functions across partnerships and customer engagement. Since formation, it has supported the onboarding of SEC parties, significantly improving the process for customers and offering coordinated guidance and integration planning. It also led targeted strategic customer engagement activities, including bilateral sessions and thematic forums, to improve transparency, responsiveness, and alignment with user needs. A key part of the team's work has been to lead a review of DCC's charging methodology, working closely with external stakeholders (including DESNZ, Ofgem and customers).
- **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 (changes 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 RY24/25 include:

- 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
- Extensive engagement with Ofgem to deliver a wide range of compliance-related activities.
- Delivery of a significantly improved annual Price Control submission.
- 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

The organisational structure was revised for the forecast year, the associated spend is explained through the two diagrams below. This was to take account of the changes made for customer experience to Partnerships and projects.

Organisational structure RY 24/25 (April – March)

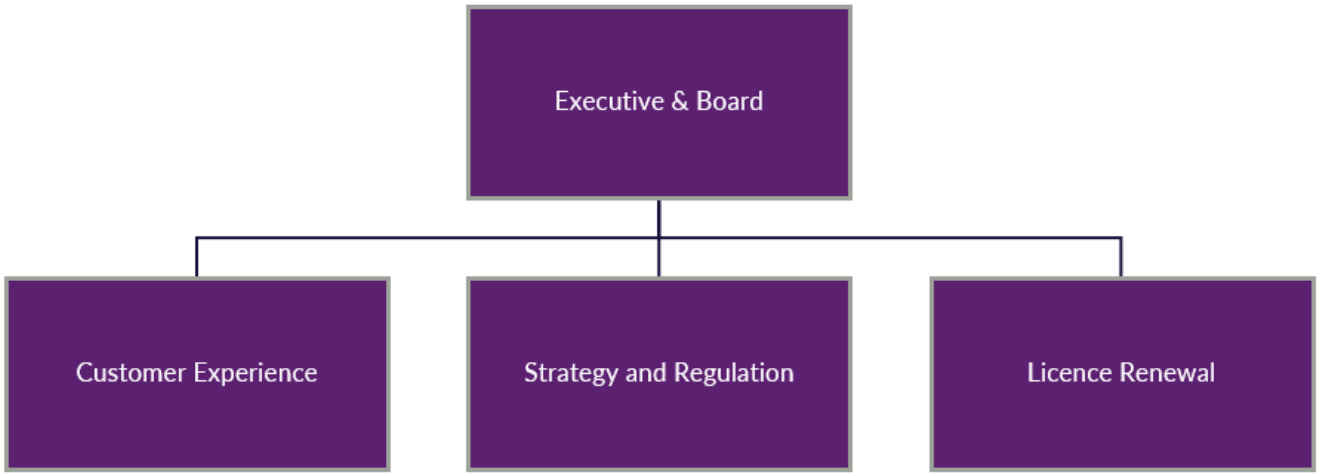


Figure 1. Diagram showing Organisational structure RY 24/25 (April – March)

The cost centre structure is set out in further detail in the table below.

Functional structure in RY24/25	Description
Executive and Board	• Includes CEO and Chief of Staff • Board Secretariat • Management of Non-Executive Directors • Central PA function
Customer Experience	• Chief Customer Officer (only relevant for 24/25) • Strategic Customer Engagement activities • Development of DCC's Business Cases, including the Centre of Excellence • Developing improved process to onboard new SEC parties through the Partnerships team
Strategy and Regulation	• Chief Strategy and Regulation Officer • Economic Regulation including Price Control • Regulatory Support, Compliance and Engagement • Engagement with Ofgem and DESNZ • Corporate Strategy • External Communications and Public Affairs
Licence Renewal	• Chief License 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 – Table of description of functions RY 24/25 (April – March)

Organisational structure RY 25/26 (start - April) and 26/27 (end - March)

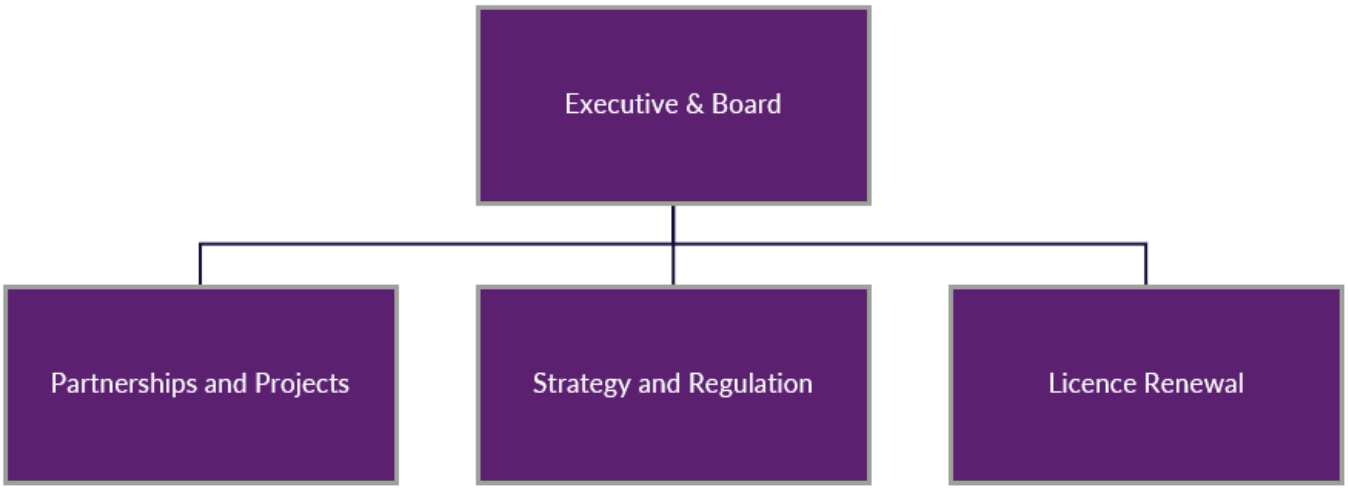


Figure 2. Diagram showing Organisational structure RY 25/26 (start - April) and 26/27 (end - March)

The cost centre structure is set out in further detail in the table below.

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)	• DCC onboarding process (SEC parties and new customers) • Charging Methodology • Strategic Customer Engagement activities
Strategy and Regulation	• Chief Strategy and Regulation Officer • Economic Regulation including Price Control • Regulatory Support, Compliance and Engagement • Corporate Strategy • External Communications
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 3 – Table of description of functions RY 25/26 (start - April) and 26/27 (end - March)

1.3. Driver for Variance – Resource

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

Programme variance by Sub-Team

Baseline		RY24/25	RY25/26	RY26/27
Corporate Management Payroll Costs	**£m**	**9.142**	**10.794**	**-**
Corporate Management	£m	0.506	0.594	-
Customer Experience	£m	1.622	1.881	-
Economic Regulation	£m	0.484	0.593	-
Executive and Board	£m	0.805	0.920	-
External Communications	£m	0.765	0.910	-
Licence Renewal	£m	0.663	0.741	-
Regulatory Affairs Office	£m	0.332	0.345	-
Regulatory Design and Delivery	£m	0.778	1.005	-
Regulatory Strategy and Performance Management	£m	0.815	0.971	-
Regulatory Support and Economic Incentives	£m	0.594	0.707	-
Strategic Customer Engagement	£m	1.778	2.127	-
Incurred		**RY24/25**	**RY25/26**	**RY26/27**
Corporate Management Payroll Costs	**£m**	**11.043**	**14.090**	**13.686**
Corporate Management	£m	0.511	0.561	0.572
Centre of Excellence	£m	1.286	0.782	0.798
Customer Experience	£m	1.547	-	-
Partnerships & Projects	£m	-	1.459	1.869
Economic Regulation	£m	0.629	0.950	1.040
Executive and Board	£m	1.161	0.601	0.599
External Communications	£m	0.667	0.607	0.619
Licence Renewal	£m	0.777	1.736	1.689
Regulatory Affairs Office	£m	0.339	0.344	0.351
Regulatory Design and Delivery	£m	0.863	0.567	0.705
Regulatory Strategy and Performance Management	£m	0.824	0.916	0.935
Regulatory Support and Economic Incentives	£m	0.443	0.418	0.426
Strategic Customer Engagement	£m	1.003	1.081	1.064
Ex-Ante Price Control Project Resource	£m	0.549	0.701	-
Customer Feedback Tooling Project Resource	£m	0.011	0.034	-
Licence Renewal Project Resource	£m	0.346	3.290	3.018
Other User Onboarding Enhancement Project Resource	£m	0.087	0.042	-

Variance		RY24/25	RY25/26	RY26/27
Corporate Management Payroll Costs	**£m**	**1.901**	**3.296**	**13.686**
Corporate Management	£m	0.005	-0.034	**0.572**
Centre of Excellence	£m	**1.286**	**0.782**	**0.798**
Customer Experience	£m	-0.075	-1.881	-
Partnerships & Projects	£m	-	**1.459**	**1.869**
Economic Regulation	£m	0.144	**0.356**	**1.040**
Executive and Board	£m	**0.356**	-0.319	**0.599**
External Communications	£m	-0.098	-0.303	**0.619**
Licence Renewal	£m	0.114	**0.996**	**1.689**
Regulatory Affairs Office	£m	0.007	-0.001	**0.351**
Regulatory Design and Delivery	£m	0.085	-0.438	**0.705**
Regulatory Strategy and Performance Management	£m	0.008	-0.054	**0.935**
Regulatory Support and Economic Incentives	£m	-0.151	-0.289	**0.426**
Strategic Customer Engagement	£m	-0.775	-1.045	**1.064**
Ex-Ante Price Control Project Resource	£m	**0.549**	**0.701**	-
Customer Feedback Tooling Project Resource	£m	0.011	0.034	-
Licence Renewal Project Resource	£m	**0.346**	**3.290**	**3.018**
Other User Onboarding Enhancement Project Resource	£m	0.087	0.042	-

Table 4 – Variance by Sub-team

1.3.1. Centre of Excellence

Overview of Variance

Based on DESNZ requirements, we set up a team in December 2022 to support the development of 'Green Book' business cases. This was envisaged to be in in-house team and, to accelerate implementation, we engaged [redacted] to provide initial support. Given the urgency of 16 high-value investment proposals for 2023–24 and the need to comply with Licence Condition 16, we required external support to continue into RY23/24 and early RY24/25.

In May 2024, having built our in-house capability, we issued a termination notice to [redacted], and by August 2024 all work had transitioned in-house as part of our RY24/25 move to a fully internal COE. There was a small run-off cost of £0.5m in RY24/25 as the [redacted] resources exited the business,

Initial Plan (Start of 2023)

- COE Recruitment Campaign: Establish a team of seven Business Analysts and Authors to support business case development.
- Capability Development: Build internal expertise in financial modelling, business case authoring, and options evaluation.
- Minimal External Support: Utilise consultants only for peak demand periods under a call-off arrangement, minimising our reliance on contractors and bringing in expertise on a when we need it basis.

Actual Execution in 2024

- Strategic Consultancy Demobilisation: DCC issued [redacted] eight weeks' notice (May 2024), ensuring a structured handover by July 2024.
- Full Insourcing Achieved: Within eight weeks, DCC secured five interim specialists and one permanent hire, guaranteeing seamless transitions for ongoing business cases.
- Hybrid Transition to Permanent Staffing: During the second half of RY 2024/25, four additional permanent hires were onboarded, reducing external dependency and fostering long-term sustainability.

Scope of Variance and Key Challenges

The Centre of Excellence sub-team of the Corporate Management function incurred costs of £1.286m in RY24/25. This is relative to a zero Ofgem baseline, meaning that the variance reflects total incurred costs. A total of 8.41 FTEs were utilised in the Centre of Excellence sub-team throughout RY24/25, which predominantly comprised of in-house resource. This figure excludes 1.26 FTE from the Centre of Excellence team that were allocated via timesheets to other programmes across DCC, which most materially included DSP, CH&N, and FSM.

The Centre of Excellence team responds to the following Business Needs:

- Regulatory Compliance: Licence Condition 16 mandates DESNZ non-objection for all investment cases exceeding £10 million, requiring Green Book-compliant submissions under HMT methodology.
- Pipeline Urgency: Sixteen investment cases—including Future Connectivity (4G Replacement), DSP, and other critical projects—required immediate capacity expansion.

We considered the following options to ensure sufficient internal resource and expertise to meet this business need:

- Fully Outsourced Model: Maximum flexibility, but high cost (£5.1 million).
- Hybrid Model: A balance of three to four FTE internal staff supplemented by external support (£3.6–4.7 million).
- Fully Insourced Model: Majority of work handled internally (£2.7–4.6 million), minimising consultancy reliance.
- Accelerated Insourcing: Rapid internal team build-out, offering long-term sustainability but higher implementation risks.

Of the identified options, we opted for the following pathway:

- Short-Term: Fully outsourced COE via [redacted] ensured uninterrupted delivery and regulatory confidence.
- Medium-Term: Transitioned to a Hybrid Model (Option 2) by Q3 2024, balancing cost efficiency with high-quality outputs.
- Procurement Strategy: DCC invoked an extension clause with [redacted] for continuity and value, justified by strong RFP performance and consistent results.

Securing Value for Money

In the initial establishment of the Centre of Excellence team, we were able to achieve cost efficiency for through the following channels:

- [redacted] rates, awarded via a November 2022 RFP, were 15 percent lower than comparable consultancies and aligned with public-sector benchmarks.
- The hybrid model reduced spend by up to 30 percent, bringing projected costs down to £3.6–4.7 million from £5.1 million under full outsourcing.

In RY24/25 we on-boarded four full-time individuals into the Centre of Excellence team, securing permanent expertise and capability and reducing long-term demand on contracted resource.

The Centre of Excellence team has built on early successes and unlocked significant efficiencies in RY24/25. The team has reduced business case cycle time from 20 months in RY23/24 to 14 months in RY24/25, representing a 30% time saving. In addition, the team raised its increase in first pass approvals to 80% in RY24/25, up from 78% in RY23/24.

In short, in RY24/25 the team fulfilled its responsibilities more quickly and to a high quality than in previous years.

Future Considerations

We forecast 6.0 FTE on the Centre of Excellence sub-team in RY25/26 and RY26/27, which represent a fall from RY24/25 and in part reflects a decreased reliance on contractors as the COE becomes fully in-housed by RY25/26. This fall in FTE demand corresponds to a fall in forecasted costs from £1.2m in RY24/25, to £0.5m in RY25/26 and RY26/27.

- Ongoing risk reduction:
  - Regulatory assurance—high-quality submissions sustain DESNZ confidence, reducing the risk of licence penalties.
  - Cost control—The hybrid staffing model adjusts dynamically, preventing stranded FTE costs during demand fluctuations.
- Governance Enhancements:
  - Quarterly COE performance reviews integrated into customer experience metrics, demand forecasting, and budget variance tracking—reported directly to the DCC Board.
  - By RY2025/26, DCC will operate with a fully insourced COE team, ensuring long-term sustainability.

The Business Case Centre of Excellence (COE) initiative successfully balanced operational continuity, financial prudence, and regulatory compliance through a structured transition from full outsourcing to a hybrid model and, ultimately, full insourcing. The cost-effective approach not only delivered substantial savings of up to 30 percent but also significantly improved internal capability maturity and regulatory submission quality. By RY 2025/26, DCC will have fully transitioned to an in-house model, ensuring strategic independence, financial efficiency, and ongoing risk mitigation.

1.3.2. Partnerships and Projects

Overview of Variance

The Partnerships and Projects sub-team was established as part of a broader restructure within Customer Experience to bring our onboarding and delivery functions into a single, unified unit. This strategic realignment has streamlined processes, improved cross-team coordination, and eliminated duplication. The team is now driving significant enhancements to the end-to-end customer journey by refining the onboarding process to accelerate integration and satisfaction. This has been done alongside close engagement with external stakeholders, including our customers, to ensure our solutions meet their requirements.

The team also has line of sight of the value proposition to DCC users including that we are aligned to the centralised consent initiative created by Ofgem.

The Partnerships and Projects team has also led a review into our charging methodology to ensures it remains fully cost-reflective, reinforcing financial transparency. We have also collaborated with DESNZ and Ofgem to advance key data initiatives and secure robust regulatory alignment. By centralising these responsibilities, we've created clear accountability, accelerated project delivery, and strengthened our capacity to deliver seamless, high-quality customer experiences.

We also support publicly funded innovation projects, principally directed by DESNZ (e.g. Smart Meter Energy Data Repository, SMEDR).

Scope of Variance and Key Drivers

The team changed from customer experience and reduced in size and removed the Chief Customer Officer and Head of Engagement Partnering. These roles were subsumed in terms of responsibilities with Design, build and run team. The remaining roles were aligned to the ne team and leadership responsibilities were subsumed by Chief Strategy and Regulation Officer.

As the team did not exist in its current form during RY25/26, a zero baseline exists for RY25/26 and RY26/27. To support forecasting, cost estimates were based on comparable activities within the broader Customer Experience function, where we expect a reduction compared to the baseline.

Key cost drivers include:

- Scaling onboarding support for new SEC parties
- Delivering cross-functional customer and partner initiatives

Value for Money

The restructured team provides more efficient delivery. All roles are permanent and costed within DCC benchmarks, with no reliance on external consultancy.

Future Considerations

As onboarding volumes and delivery complexity increase, the current structure provides a scalable model. Activity levels will continue to be reviewed to ensure alignment with business demand and cost efficiency.

The Partnerships and Projects team forecast a team of 12.27 in RY25/26 and increase to 15.88 in RY26/27.

The small increase in FTEs reflects our shift from contractor to permanent in-house roles as the new team increases to BAU capacity. The increase of 3.5 FTE includes roles of Account Strategy Leads and Customer Engagement Managers of different seniority. This change improves continuity, embeds customer knowledge within the team, and strengthens long-term relationships. It enables more tailored, proactive support and faster issue resolution, directly benefiting our customers.

1.3.3. Economic Regulation

Overview of Variance

The Economic Regulation team is responsible for delivering the price control process in accordance with Ofgem's guidance. During RY24/25, the scope of activities expanded to include both ex-ante and ex-post processes.

Consistent with the broader approach across the business, external consultancy support was reduced in favour of insourcing key functions, with additional internal resources recruited throughout the year. Additionally, the Economic Incentives team transitioned from Regulatory Design and Delivery into Economic Regulation, integrating various responsibilities and generating overall cost efficiencies.

Scope of Variance and Key Challenges

We forecast a total of 10.30 FTE to be utilised by the Economic Regulation team in RY25/26. This corresponds to an increase in incurred costs forecast from £0.629m in RY24/25 to £0.950m in RY25/26.

The forecasted variance is driven by the key factors below:

- Delivery of ex post price control processes for RY23/24 and RY24/25, which has become more complex and increased granularity.
- Transfer of incentives work into Economic Regulation in January 2025.
- Supporting the design and implementation of the new ex ante price control framework and aspects of Licence Renewal work.
- Absorption of additional governance responsibilities around expenditure controls, such as Price Control Risk Committee (PCRC), which were managed internally without additional recruitment.

Securing Value for Money

Economic Regulation and the delivery of price control reporting to Ofgem is a key element of DCC's Licence obligations. The volume of work delivered by this team has increased over recent years as the business has grown and matured from a focus on programme-delivery to an operational business at scale.

During RY24/25 and into RY25/26 and RY26/26, the additional complexity of continuing the deliver the ex post price control processes at the same time as supporting the development of ex ante (and managing the complexity of transitioning from one regime to the other) will also be a significant challenge.

Resource allocation followed standard recruitment procedures, ensuring cost efficiency.

- All permanent hires were within established benchmarks.
- Contractor costs are expected to be within industry benchmarks, subject to confirmation.

Future Considerations

In the near term, workload is expected to increase as the ongoing demands of the ex-post price control processes for RY25/26, and RY26/27 coincides with the development and implementation of ex ante processes for RY26/27–RY27/28, alongside reopeners and activities related to developing the second ex ante business plan for 2028/29 onwards.

Additionally, there are key dependencies with Licence Renewal and Business Handover initiatives, requiring continued alignment of economic regulation efforts and support to related industry consultations and processes.

We forecast a slight increase in headcount to 8.80 FTE in RY26/27 compared to the 7 individuals we currently have in the Economic Regulation team in late RY24/25.

1.3.4. Executive and Board

Overview of Variance

The Executive and Board are responsible for overseeing critical strategic activities related to Smart DCC's licence renewal and regulatory compliance. This includes the role of the Chief Licence Renewal Officer, who leads the organisation's preparations for licence extension and renewal, ensuring alignment with regulatory expectations and business continuity.

Scope of Variance and Key Challenges

The variance for RY24/25 is driven by the changes in our CEO role. As explained in Section 1.5.1 on recruitment costs, we went through a CEO transition in the year.

Our CEO costs include time spent by our outgoing CEO, the time incurred by our interim CEO, which was then followed by recruitment of a permanent CEO towards the end of the year. The additional costs reflect the cost of these employees and contractor, and the minimal overlap time we allowed for handover between roles.

Securing Value for Money

Key responsibilities include developing policy positions to support licence extension, responding to Ofgem's evolving regulatory framework, particularly the proposed move to an ex ante Price Control model, and ensuring Smart DCC is well-positioned for regulatory changes.

The Executive and Board also manage business handover planning and delivery, a crucial process to secure seamless transition arrangements for Smart DCC's operations in line with licence expiry.

Additionally, they provide strategic support for Ofgem's Request for Proposal (RFP) process for the Successor Licensee, ensuring that Smart DCC's interests are fully represented and that regulatory requirements are met.

These functions are essential to safeguarding Smart DCC's regulatory standing and operational stability, justifying the continued investment in Executive and Board oversight in this area.

Future Considerations

The reduction in costs for RY25/26 and RY26/27 reflects the uncertainty around extent of Board member time required and hence is not costed into our Annual Business Plan. We will revise these costs for our Ry25/26 price control submission.

1.3.5. Licence Renewal and Licence Renewal Project resource

Overview of Variance

The Licence Renewal team is responsible for shaping and supporting Ofgem in several key areas, including defining the future role of DCC, facilitating a smooth transition to a Successor Licensee, completing the data room for Ofgem's [redacted] procurement process, and managing the separation of services and regulatory/governance policy.

During RY24/25, DCC established a Licence Renewal programme, allowing existing resources to dedicate time to the initiative. This approach did not generate incremental costs for DCC or its customers but instead reallocated expenses from functional budgets to the Licence Renewal programme.

Scope of Variance and Key Challenges

A total of 5.94 FTEs were utilised by the License Renewal sub-team through RY24/25, which predominantly came from resource that was already in-house. This resource was mobilised mid-way through the RY as the License Renewal programme ramped up.

The baseline budget for RY24/25 was set at zero following Ofgem's final determination, meaning the variance reflects actual cost allocations from business functions.

- Existing resources contributed to key activities, including:
- Development of policy papers
- Design of governance structures
- Support for Switching decisions
- Business Handover Plan (BHP) submissions, including subsidiary documents
- Plans outlining the separation of services
- Ex-ante regulatory support
- Regular engagement with Ofgem to support decision-making and problem-solving

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 business cessation at the Transfer Date in a manner that:

- Complies with the Licensee's obligations under the Licence
- Does not hinder or disrupt the ability of a Successor Licensee to assume operations in accordance with its Licence obligations
- Supports an effective business handover, preserving service quality and operational efficiency

To meet these legal requirements, DCC is obligated to prepare and implement a Business Handover Plan. By leveraging existing internal resources, the cost of [redacted] was reduced from [redacted] million in the first half of RY24/25 to [redacted] million in the second half. Since timesheet costs are not incremental to total DCC spending, this approach demonstrates efficiencies achieved by shifting work from external consultancy to in-house teams, delivering an estimated £0.2 million benefit to customers. Internal resources used enabled DCC to achieve its key deliverables: as an example, submission of BHP and subsidiary documents (highlighted above) at a lower cost than through a 3rd party consultancy.

Future Considerations

DCC intends to continue utilising internal resources throughout the programme, leading to a year-on-year reduction in non-resource costs and significantly lower reliance on external consultancy.

This in-housing will come with an increase in FTE resource utilised. We currently forecast 7.32 FTE utilised on the License Renewal team in RY25/26, and 5.91 FTE in RY26/27. This excludes the FTE resource from the License Renewal sub-team to be staffed on various programmes across the business (c.16 FTE)

1.3.6. Ex-Ante Price Control Project Resource

Overview of Variance

During RY24/25, price control activities expanded to incorporate both ex ante and ex post processes. This shift represents the preparatory phase for transitioning to an ex-ante price control model, which will introduce a more structured forward-looking approach to regulatory oversight.

Scope of Variance and Key Challenges

The baseline budget for RY24/25 and RY25/26 was set at zero due to this resource being a new sub-team, meaning the variance for these years reflects actual cost allocations from business functions.

4.6 FTEs contributed in RY24/25, of which 3 FTE came from the Economic Regulation team.

The three roles from the Economic Regulation team were the Director of Ex ante, Head of Ex Ante and an Economic Regulation Manager, all of whom were recruited to work closely with Ofgem and internal stakeholders to support the design of the ex-ante regime and deliver DCC's first ex ante business plan.

They were supported by:

- 0.7 FTE from customer
- 0.6 FTE from economic regulation
- 0.3 FTE across 5 people from operations

The transition to ex ante price control involves several complexities that require specialist expertise and careful implementation. Key challenges include:

- Design and development of the ex-ante price control framework, including responding to Ofgem's consultations in this area.
- Regular engagement with Ofgem on key features of the ex-ante design and process to deliver this.
- Adjusting the scope of existing processes to support the transition, ensuring regulatory alignment.
- Managing uncertainties in delivery due to the complexity of the transition.
- Supporting initial customer engagement on future activities to be covered in the ex-ante business plan.

Securing Value for Money

Since July 2024, this activity has been delivered using in house resources, which have been managed through DCC's standard recruitment processes.

- All permanent hires were within industry benchmarks.
- Contractor hires, expected to be within benchmarks, have been secured for their specialist expertise in ex ante price control. These contractors are engaged for a fixed period, ensuring high-quality implementation before responsibilities transition to the Economic Regulation team on an enduring basis.

Future Considerations

In the short term, workload is expected to rise as ex post processes for RY25/26, and RY26/27 run concurrently with the development and implementation of ex ante price control for RY26/27–RY27/28. Additionally, this transition intersects with Licence Renewal and Business Handover activities, requiring careful coordination to maintain efficiency and regulatory compliance.

Once the ex-ante regime is in place and the first Business Plan has been delivered, the ongoing management of ex ante price control will transition back into the Economic regulation team on an enduring basis. We have therefore not assumed any resources in the ex-ante programme in RY26/27 for the purposes of this submission.

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

1.4.1. Corporate Management

The Corporate Management function provides strategic oversight, governance, and direction to ensure the organisation operates in a compliant, efficient, and accountable manner. It defines corporate objectives, allocates resources across functions, and ensures alignment with regulatory, financial, and stakeholder expectations.

The 26/27 variance is due to a zero forecast with total forecast spend of £0.572m being slightly above the previous year spend (£0.561m). The activities carried out by this function are an industry norm: setting long-term strategy, maintaining robust governance frameworks, ensuring regulatory compliance, and managing strategic relationships with external parties. It ensures that decision-making is transparent, that the organisation adapts to change effectively, and that statutory and fiduciary duties are met.

By setting the tone for culture, ethics, and leadership, Corporate Management safeguards the organisation's integrity and long-term value. Its role is essential in regulated environments where public trust, compliance, and performance assurance are critical.

7.85 FTEs were utilised by the Corporate Management sub-team in RY24/25, which we forecast to rise slightly to 8.10 FTE in RY25/26 and RY26/27. This increase is driven by the vacancy for Deputy Chief of Staff which is expected to be filled in RY25/26.

1.4.2. External Communications

The External Communications team protects and enhances DCC's reputation. They tell DCC's story to key decision makers and other external audiences. This is done by developing strategic messaging, anticipating issues, and identifying the opportunities to engage with stakeholders, using a range of channels and platforms to communicate with them. Their role helps to shape the right external environment for the DCC to deliver its strategic objectives.

The costs of running the External Communications function remain steady and are consistent with previous years' spending. There are no planned changes that would increase the budget or workload, demonstrating careful financial management aligned with Smart DCC's overall strategy.

Maintaining an effective External Communications team helps protect Smart DCC's reputation, build trust with stakeholders, and meet transparency and regulatory requirements efficiently and professionally.

5.17 FTEs were utilised on the External Communications team in RY24/25, which we forecast to remain constant between RY24/25 and RY25/26. This is reflected in the consistent outlook in forecasted incurred costs.

1.4.3. Regulatory Affairs Office

The variance in 2026/27 arises due to the application of a zero baseline during the budget-setting process. This does not reflect a change in the underlying resource requirement or expenditure, which remains consistent with 2025/26 actuals. We forecast a consistent [redacted] FTE being utilised from RY24/25 out to RY26/27, which corresponds to the role of [redacted].

The [redacted]s costs were previously captured under a broader strategic area. This variance corrects the coding, allocating their cost accurately to the Regulatory Affairs Office.

There has been no increase in FTEs or overall spend; rather, the adjustment ensures that existing leadership costs are reflected in the appropriate functional area.

This adjustment enhances financial clarity by aligning leadership costs with the relevant business area, improving transparency and enabling clearer evaluation of regulatory delivery. It does not introduce any

new costs and is consistent with the prior year's actual expenditure. The correction is expected to support stronger governance, accountability, and forward-looking planning.

1.4.4. Regulatory Design and Delivery

The Regulatory Design and Delivery team is responsible for ensuring that Smart DCC fully understands and complies with its regulatory obligations at both licence and code levels. The team also manages ongoing engagement with key regulatory stakeholders to support compliance and collaborative working.

The variances in budget and resource levels reflect normal operational changes within the team, including staff turnover and role transitions. Some fluctuations have been partly offset by underspends on regulatory consultancy services. Additionally, temporary secondments of team members into related functions, such as licence renewal, have affected resource allocation but support wider organisational priorities.

These movements are consistent with maintaining flexibility and capacity to meet evolving regulatory demands. The core function and budget remain aligned with previous plans, ensuring Smart DCC continues to manage regulatory risk and deliver compliance effectively.

The RY26/27 variance is driven by the zero Ofgem baseline and does not correspond to any major increase in headcount or underlying costs relative to previous years. After excluding for any FTE from the Regulatory Design and Delivery that was staffed on programmes elsewhere in the business, 6.36 FTEs were mobilised in the team in RY24/25. We forecast this to fall to 4.26 FTE in RY25/26 and rise slightly to 5.24 FTE in RY26/27. This reflects the profile of forecasted incurred costs.

1.4.5. Regulatory Strategy and Performance Management

The Regulatory Strategy and Performance Management team is essential for ensuring that Smart DCC effectively navigates the complex regulatory environment. This team develops and implements regulatory strategies that align with Ofgem's requirements and industry best practices, safeguarding Smart DCC's compliance and long-term viability. The variance in 26/27 is due to a zero baseline and is in line with previous years expenditure.

The team monitors performance against regulatory obligations, track key metrics, and provide insights to support decision-making at executive and board levels. By proactively managing regulatory risks and opportunities, the team helps Smart DCC maintain a strong regulatory position and supports efficient delivery of licence commitments.

This function ensures that regulatory changes are anticipated, understood, and integrated into business plans, enabling Smart DCC to respond promptly and effectively to evolving requirements. The investment in this team is justified by its critical role in driving compliance, minimising risk, and delivering value to stakeholders.

The RY26/27 variance is driven by the zero Ofgem baseline and does not correspond to any major increase in headcount or underlying costs relative to previous years. 6.36 FTEs were utilised in RY24/25, which we forecast to rise to 8.00 in RY26/27, given several in-house FTEs will have been onboarded in the intervening period.

1.4.6. Regulatory Support and Economic Incentives

The Regulatory Support and Economic Incentives team was formed as part of the broader restructuring of the Strategy and Regulation function. It consolidated some roles from the former Regulatory Governance and Design and Delivery teams into a single unit aligned to the DCC's contract lifecycle. This streamlined structure replaced the previous two-tier model and is led by a single Head.

The team structure includes a Head of Regulatory Support and Economic Incentives and three Senior Regulation Leads; each aligned to a specific phase of the lifecycle. An Economic Incentives Manager role was included until January 2025, at which point responsibility transferred to the Economic Regulation team. This move, alongside the dormant Regulatory Advisor role, contributed to underspend versus baseline, evidencing Smart DCC's focus on internal efficiency and resource optimisation.

All team roles were filled through internal transfers or development promotions, with no net increase in headcount. Notably, the decision not to backfill the former Head of Regulatory Governance role contributed to further cost efficiencies.

The team was 4.55 FTEs in RY24/25 due to attrition. The costs remain stable through 25/26 and 26/27. This results in a forecasted FTE of 5.00 in both years.

Investment in this function has delivered value by simplifying governance, avoiding external recruitment, and promoting internal capability. Resource requirements are expected to remain stable, although future developments in the regulatory landscape may require reassessment.

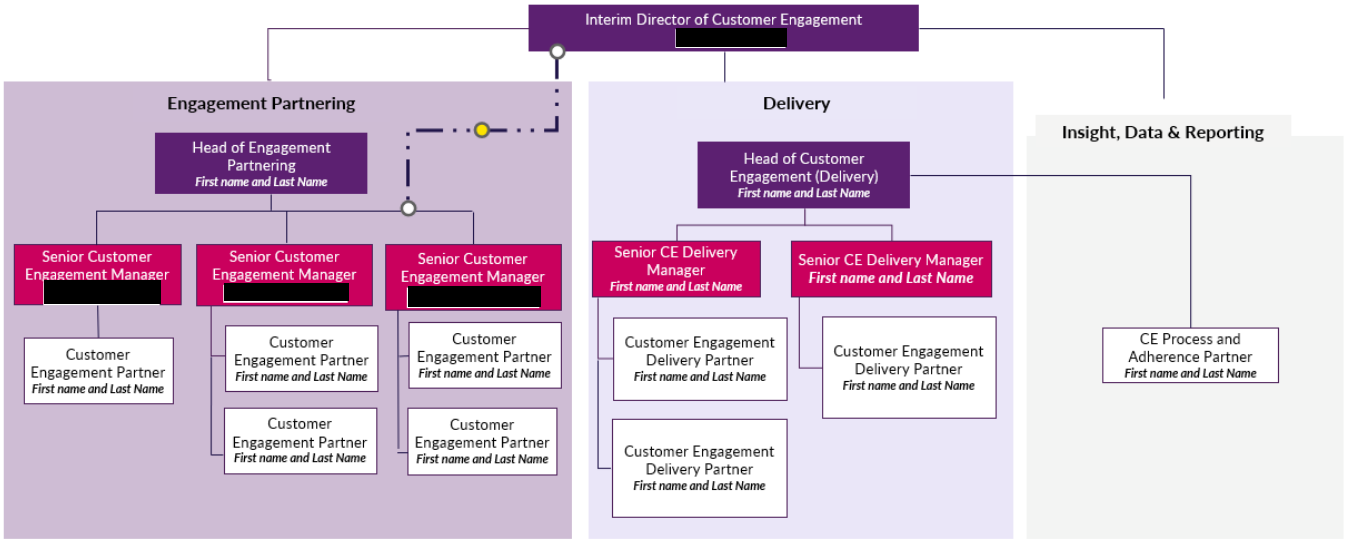
1.4.7. Strategic Customer Engagement

The Strategic Customer Engagement team is focussed on ensuring DCC's customers have a clear and common understanding of DCC's strategy, the changes we are delivering, and ensuring customers have sufficient opportunity to input into and shape what changes are needed and how they are delivered. The team also manages DCC's input to the SEC governance arrangements and delivers key customer meetings such as the Quarterly Finance Forum.

The team manages:

- Engagement across 14+ active programmes, ensuring customer insight informs DCC's decision-making (inclusive of Customer First, launched in November 2024).
- 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, with improved evidence capture on engagement outcomes.
- Continued development of standardised engagement policy and procedures across DCC – including further embedding of engagement principles within the Programme Framework, Procurement Strategy, and Business Case processes.

This sub-team is structured around three core areas:



For RY26/27, we forecast costs of £1.064m consistent with our team size in RY24/25 and RY25/26. The full value shows as a variance against the zero baseline for RY26/27.

1.5. Drivers for Internal Cost variance – Non-Resource

This section explains our material variances for RY24/25 and RY25/27, 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		RY24/25	RY25/26	RY26/27
Recruitment cost	RC	£m	**0.453**	**0.365**	**0.191**
Test Lab Operator	AC	£m	-0.148	-0.504	**0.693**
Test Lab Refurbishment	AC	£m	-	**0.200**	**0.200**
Legal Advice - Ofgem RFI	ES	£m	**0.254**	-	-
Licence Renewal - Capita Separation	ES	£m	-	**1.300**	**3.180**
[redacted] - Centre of Excellence	ES	£m	**0.535**	-	-
[redacted] - Licence Renewal	ES	£m	**0.620**	-	-

1.5.1. Recruitment Cost

Overview of Variance

During RY24/25, DCC underwent a significant leadership transition, resulting in a structured approach to executive recruitment and workforce stability. The departure of the previous CEO prompted a phased succession plan to ensure continuity while identifying the best long-term leadership strategy.

This transition consisted of three key phases:

- The departure of the previous CEO, requiring immediate leadership restructuring.
- The appointment of an interim CEO, maintaining business stability while the search for a permanent CEO progressed.
- The recruitment of a permanent CEO, followed by strategic hires to strengthen internal teams.

Throughout this period, all hires—including senior positions—were made through a [redacted] process, including the appointment of an internal candidate to the CFO position which achieved salary cost savings.

Scope of Variance and Key Challenges

The leadership transition and associated recruitment efforts required several key actions:

Permanent Recruitment Costs

- Various permanent hires across different roles were made to enhance long-term workforce stability and improve organisational effectiveness.

Interim Leadership and Executive Recruitment

- Fees were allocated for multiple interim leadership positions, including Transition Director, Programme Director, Director of Policy, and MD of Product, ensuring seamless leadership throughout transitions.
- Recruitment and placement costs were incurred for interim Chief Executive roles to support executive continuity while DCC navigated its leadership restructure.

Strategic Hires to Uplift Teams

- Targeted recruitment efforts were made to strengthen internal teams, fill critical gaps, and enhance organisational capability.

Smart DCC Fees (July 2024 – Licence Renewal)

Recruitment and placement costs were incurred specifically to support the Licence Renewal process, ensuring regulatory compliance and operational continuity during key transition periods.

- These included Director of Policy Development, together with Commercial, EIT and HR SMEs

CEO Recruitment

- A dedicated recruitment process was conducted for the new CEO appointment, ensuring strong executive leadership aligned with organisational priorities.

Securing Value for Money

To ensure recruitment expenditures remained cost-efficient while supporting operational continuity:

- All permanent hires were secured within industry benchmarks, leveraging internal recruitment to minimise salary costs.
- Interim executive placements were engaged for the shortest necessary duration, avoiding long-term financial commitments.
- A competitive CEO search was conducted to ensure strong leadership while managing costs effectively.
- Led negotiations with executive search firms to secure a PSL with favourable terms and significantly reduce placement costs.
- Implemented an internal mobility process that significantly increased internal moves into key roles, reducing reliance on external recruitment.

Future Considerations

With leadership transitions now largely complete, recruitment expenditures are expected to reduce in RY25/26, with limited additional hiring required. However, provisions for recruitment reference checks and executive hiring flexibility will be maintained based on previous trends.

DCC remains committed to optimising recruitment processes, securing high-value hires, and reducing external hiring costs where feasible, ensuring long-term leadership stability and operational efficiency.

1.5.2. Test Lab Operator and Refurbishments

Overview of Variance

The role of a DCC Test Lab Operator is central to supporting smart metering functionality across the DCC and is used as an environment to test System Integration Testing for VM02 and User Testing Services within the User Integration Testing environment. [redacted] 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.

We plan for refurbishments from time to time cover essential improvements to maintain secure, reliable facilities.

Scope of Variance and Key Drivers

In March 2024, DCC re-procured the [redacted] contract under a consolidated [redacted] arrangement [redacted]. To ensure value for money this new commercial structure merged several legacy agreements, including:

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

DCC found cost efficiencies of consolidating [redacted] 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] which was [redacted] less than [redacted] s first proposal.
- Where the overall contract increased by [redacted] per annum, the cost to Test Labs functional spend decreased due to programme related [redacted] activity moving away from CTO budget (i.e. CH&N). £0.32m reduction to Test labs costs over 24/25 expected compared to 23/24.

For RY26/27, a zero baseline was applied, and therefore the forecast reflects the full value of the restructured contract and is in line with previous years spend. The following three factors should also be noted:

- Transition from offshore to onshore resource model
- Rate cards change from INR to GBP
- Application of indexation aligned to UK earnings benchmarks

Despite these upward pressures, overall costs reduced due to contract consolidation and negotiated resource efficiencies.

For refurbishments, the variance arises because we did not include provisions (or 'uncommitted' forecasts) in our forecasts for our RY23/24 price control submission and therefore this cost item has a zero baseline. However, planned works are necessary to:

- Update ageing equipment to meet current testing needs
- Improve the laboratory layout for efficiency and safety
- Ensure compliance with operational and security standards

Forecast refurbishment costs of £0.200 million have been included in both RY25/26 and RY26/27. We work closely with the [redacted] and our facilities manager before proceeding with any refurbishment works, and ensure they secure value for money in line with our property strategy.

Value for Money

Test Lab services remain essential to DCC's ability to support market participants, assure system changes, and maintain end-to-end test capability. The function ensures the continued robustness of the smart metering ecosystem and underpins customer confidence in integration testing outcomes.

Future Considerations

DCC Test Lab will continue to be required in the future, this is to ensure that a testing facility is available for Testing Participants to test new code deployments and that they can connect their back-end systems in a secure environment. The testing provides quality assurance of the network and that a new release is fit for purpose prior to entering the production network. The [redacted] team will be vital to ensure that the day

to day running of the test labs and the support that they provide to DCC programmes and customers is available for any required testing requirements.

1.5.3. Legal Advice – Ofgem RFI

Overview of Variance

Ofgem issued an RFI to verify DCC's compliance under the Electricity Act 1989 and Gas Act 1986. To balance speed of response with privilege protection, DCC combined an automated search to flag potentially privileged documents with a focused in-house review.

DCC was required to respond to further comments and enquiries from Ofgem regarding the requested documentation and information (Documentation). Additionally, DCC conducted a manual review of the Documentation identified during the automated search as potentially Legally Privileged (Retained Documentation). This review assessed whether the Retained Documentation was exempt from disclosure to Ofgem. Any documents not deemed Legally Privileged were subsequently provided to Ofgem.

Scope of Variance and Key Challenges

The variance stems from several key challenges encountered during the review process:

- Document Volume: A more detailed review, de-duplication and in some instances, redaction of the Retained Documentation set (circa 20,000 documents) was necessary due to a larger-than-anticipated dataset and the need to individually review email attachments.
- Legal Advisory Needs: Ongoing external legal counsel was required to support ExCo and the Board in assessing the scope of the Request for Information (RFI).
- Regulatory Obligations: DCC was required to respond to Ofgem's request for clarification on the work conducted by CMS.
- Governance and Decision-Making: An increased number of meetings were necessary to provide ExCo with legal updates and advisory input.

DCC faced strict regulatory requirements under the Electricity Act 1989 and the Gas Act 1986, mandating full compliance with the RFI.

Given the complexity and volume of documents, DCC considered completing the work in-house with support from its Panel Law Firms. However, it lacked the necessary software and personnel to undertake the review within the required timeframe. Consequently, DCC appointed CMS to conduct the review, ensuring compliance and adherence to regulatory obligations. Ofgem was informed of CMS's scope of work, including a detailed breakdown of the review process.

Securing Value for Money

While the review does not present direct financial savings, its impact extends to operational improvements:

- Lessons Learned: Insights gained from this review are informing enhancements to relevant processes and procedures.
- Regulatory Compliance: The thorough approach ensures continued adherence to statutory obligations, mitigating potential risks.

Future Considerations

Further work will depend on Ofgem's subsequent actions. However, as the primary review has been completed, additional costs related to this type of work are expected to be minimal.

Additionally, the improvements DCC has implemented, both in response to the RFI and subsequent reviews, will strengthen compliance efforts.

1.5.4. Licence Renewal - Capita Separation

Overview of Variance

Capita currently provides the DCC with several 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. Costs included forecast are based on the scenario where the successor licensee does not have similar capabilities as a parent company and to enable key activities to happen in a timely manner ahead of handover.

Scope of Variance and Key Challenges

We expect the end to end activity could take up to 18 months therefore there is a significant risk that if DCC does not start this activity within its licence period then the Successor Licensee will not have the systems/services to operate by handover scheduled November 2026. Scope of costs expected to be incurred:

- 3rd party expertise across to plan, manage and integrate systems/services. Use of an external party to support DCC alleviates any requirement for existing DCC staff to be assigned away from their work that would provide a risk to DCC delivering its mandated duties. Given the tight timeframe bringing in additional resources does not seem practical and the use of a 3rd party with expertise and experience in this field should reduce risk to the successor licensee.
- Design, build, test and implementation of new systems and services
- One off cost from new service providers ahead of go-live of new services
- Run costs post DBT and implementation

Scope of the services provided by Capita that will need to be replaced and integrated in DCC infrastructure are:

- 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
- Surety bond and keep well deed

Securing Value for Money

DCC will follow a [redacted] procurement for potential replacement of systems and services to ensure value for customer money. The costs included in the forecast are based on what we expect the market will quote for the Design, Build, Test and Implementation of the new systems and services. Through the procurement process DCC will be looking for cost efficiencies and savings against its cost forecast.

Future Considerations

DCC will be working with Ofgem throughout RY25/26, which includes checkpoint meetings for updates on the procurement process for the Successor Licensee and what infrastructure it is expected to have, for example in the scenario that the Successor Licensee has equivalent capability and capacity to Capita, DCC expects non-resource costs to be significantly less. DCC will communicate and agree with Ofgem on next steps ahead of contractually committing to spending money to ensure it is best for the Successor Licensee.

1.5.5. [redacted] – Centre of Excellence

Overview of Variance

The Centre of Excellence (CoE) was established to provide the specialist skills required following the imposition of Licence Condition 16, particularly the capability to develop HMT Green Book-compliant business cases for all investments exceeding £10 million.

Following a detailed options analysis, a consulting model was identified as the most economic and efficient solution. A [redacted] procurement process was conducted, resulting in the awarding of a contract to [redacted] in January 2023, with extension options available until December 2024.

The £0.535m variance relates to the support provided by [redacted] while DCC recruited and onboarded an in-house team to fulfil these specialist functions.

Scope of Variance and Key Challenges

During the period from April to July 2024, DCC successfully transitioned all services previously provided under the consulting contract to a blended in-house model, utilising both permanent hires and contractor resources.

The transition was critical in mitigating the following risks:

Risk	Impact
1. Disruption of Inflight business cases	Delays to business-critical project and programmes
2. Latent Knowledge Transfer	Reduced competence / team capability
3. Operational Instability	Potentially non-competitive extensions required for current services
4. Protracted delivery of business cases	Increase in costs associated with delivering business cases

Table 5 – Table showing risks

Extending the contract of the incumbent consulting provider was essential for maintaining business continuity, stability, and strategic momentum in delivering business case requirements for DCC and its customers. Without this extension, there would have been significant disruption to operations, delays in future capabilities, and a decline in stakeholder confidence.

Securing Value for Money

The procurement of [redacted] followed a [redacted] process, ensuring that expertise was secured at optimal rates. The extension of this contract allowed DCC to avoid gaps in capability while executing a structured transition to an in-house team.

- Key financial and non-financial benefits include:
- Maintaining consistency and quality in the production of HMT Green Book business cases.
- Preventing operational delays, ensuring regulatory compliance and approval timelines were met.
- Enabling effective knowledge transfer from consultants to internal staff, accelerating capability development within DCC.
- Mitigating risks associated with sudden changes to business case processes.

Future Considerations

With a fully transitioned in-house model now in place, consultancy expenditure related to this function is expected to decline in RY25/26 and beyond. The internal team will continue refining processes to ensure efficiency while maintaining the high standards required for regulatory business cases.

DCC will monitor resource needs closely to ensure cost-effective delivery, while minimising reliance on external providers for business case development.

1.5.6. [redacted] Licence Renewal

Overview of Variance

The Licence Renewal team is responsible for shaping and supporting Ofgem in key activities, including the design of the future DCC, ensuring a smooth transition to a Successor Licensee, completing the data room for Ofgem's [redacted] procurement process, securing 3rd party independent assurance and managing the separation of corporate services from Capita alongside regulatory and governance policy.

During RY24/25, [redacted] was engaged following a [redacted] procurement process to provide specific expertise and knowledge in business handover and systems separation to support DCC in these activities. Concurrently, DCC recruited internal resources to strengthen the programme's execution.

Scope of Variance and Key Challenges

The baseline budget for RY24/25 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 RY24/25, there were several additional activities relating to the business handover and planning for the separation of corporate services from Capita which necessitated additional external support from [redacted].

Key benefits of [redacted] involvement included:

- Preparation of the Business Handover Plan (BHP) submissions with supporting subsidiary documents
- Preparation of a detailed plan for the separation of corporate services from Capita
- Development of policy papers
- Design of governance structures such as JHSG
- Support on switching decisions
- Ex-ante regulatory support
- Regular communications with Ofgem to facilitate decisions and problem-solving

Securing Value for Money

[redacted] was appointed through a [redacted] procurement process. However, as internal resources were onboarded, reliance on external consultancy was reduced, leading to a significant decrease in costs. Significant reductions on day rates have been negotiated as the contract has continued for the last six months of RY24/25, expenditure on [redacted] services amounted to £[redacted] million.

Future Considerations

Workload is expected to increase in preparation for the handover period leading up to the Successor Licensee. However, through the continued development of an internally resourced team, reliance on consultancy support is projected to decline significantly compared to RY24/25.

1.6. Drivers for Internal Cost variance – Office costs

The following variances have been grouped by office site to provide a clear view of key cost drivers. They reflect essential lease payments, facilities, and one-off obligations required to maintain or transition Smart DCC's premises, with most variances arising from zero or incomplete baseline forecasts unless stated otherwise.

Variance	GL		RY24/25	RY25/26	RY26/27
Brabazon Facilities	AC	£m	-0.436	-0.303	**0.455**
Brabazon Office Lunches	AC	£m	0.121	0.114	**0.171**
Brabazon Rates	AC	£m	-0.080	-0.000	**0.370**
Brabazon Rent	AC	£m	-0.023	-0.000	**0.536**
Brabazon Repairs	AC	£m	-	**0.500**	**0.500**
Brabazon Service Charge	AC	£m	-0.205	0.000	**0.272**
Ibex Dilapidations	AC	£m	-	**0.462**	-
London Office Move	AC	£m	-	**0.300**	-
London Office Rent	AC	£m	-	**0.928**	**1.897**
London Office Facilities	AC	£m	-	0.146	**0.392**
London Office Lunches	AC	£m	-	0.081	**0.171**
London Office Rates	AC	£m	-	**0.180**	**0.392**
London Office Service Charge	AC	£m	-	0.136	**0.272**
Ruddington Dilapidations	AC	£m	-	**0.350**	-

Table 6 – Internal Cost variance – Office costs

1.6.1. Brabazon Variant Costs

1. Brabazon Repairs (RY25/26 & RY26/27)

Essential remedial works to ensure compliance with lease terms and avoid higher end-of-lease liabilities. No baseline provision created a variance. Repairs are expected to be completed within the forecast period, reducing the risk of higher end-of-lease liabilities.

2. Brabazon Facilities (RY26/27)

Ibex facility costs ensure that office infrastructure and services such as maintenance, cleaning, and utilities are available to support daily business activities. These are vital for providing a safe and functional workplace. The variance reflects the zero-baseline forecast, which did not include these necessary overheads.

3. Brabazon Rates (RY26/27)

Brabazon Office rates cover essential property charges that secure the office premises for Smart DCC operations. Maintaining a suitable working environment is critical for business continuity and staff wellbeing. The zero baseline forecast causes a variance, as these costs are recurring and consistent with prior years.

4. Brabazon Rent (RY26/27)

Ongoing lease payments critical to maintaining the Brabazon site. A zero baseline forecast results in the variance.

5. Brabazon Service Charge (RY26/27)

Service Charges cover necessary landlord services, including utilities, maintenance of shared spaces, and property management. Maintaining these services is essential for operational continuity and a compliant working environment. The zero baseline forecast causes a variance, as these costs are recurring and consistent with prior years.

6. Brabazon Office Lunches

The London Office lunches support essential team collaboration and staff welfare during working hours. These costs are necessary to maintain productivity and morale. The variance arises because the baseline forecast was set to zero and align with previous year spend.

1.6.2. London Office Variant Costs

Costs below relate to the move to the new London office. This expenditure enables the transition from multiple smaller offices into a single location, supporting better space utilisation and delivering long-term efficiencies.

1. London Office Move (RY25/26)

One-off costs linked to relocating to the new consolidated site, including fit-out, moving services, and transitional arrangements.

2. London Office Rent (RY25/26 & RY26/27)

Annual lease payments for the new central London premises, required to support the operational strategy.

3. London Office Rates (RY26/27)

London Office rates cover essential property charges that secure the office premises for Smart DCC operations. Maintaining a suitable working environment is critical for business continuity and staff wellbeing. The zero baseline forecast causes a variance, as these costs are recurring and consistent with prior years.

4. London Office Facilities (RY26/27)

London facility costs ensure that office infrastructure and services such as maintenance, cleaning, and utilities are available to support daily business activities. These are vital for providing a safe and functional workplace. The variance reflects the zero baseline forecast, which did not include these necessary overheads.

5. London Office Service Charge (RY26/27)

Service Charges cover necessary landlord services, including utilities, maintenance of shared spaces, and property management. Maintaining these services is essential for operational continuity and a compliant working environment. The zero baseline forecast causes a variance, as these costs are recurring and consistent with prior years.

6. London Office Lunches

The London Office lunches support essential team collaboration and staff welfare during working hours. These costs are necessary to maintain productivity and morale. The variance arises because the baseline forecast was set to zero and align with previous year spend at Ibex.

A [redacted] process was undertaken to identify suitable premises offering best value, considering location, lease flexibility, and total cost of occupancy. The selected office provides modern facilities with improved working environments that are expected to contribute positively to staff engagement and productivity.

All costs (Apart from one offs) are forecast to continue at the contracted level, with indexation applied in line with lease terms. The move positions Smart DCC to realise operational benefits from consolidation, and future reviews will assess whether anticipated efficiencies are delivered as planned.

1.6.3. Dilapidations (Ibex and Ruddington)

Overview of Variance

Dilapidations are a contractual obligation that can only be executed at the end of a lease and apply to both Ruddington and Ibex. The lease for Ruddington is set to expire in December 2025, and DCC has announced the closure of the site in June 2025 to allow time for decommissioning and exit. This decision aligns with the broader strategy to consolidate operations into a two-site property model as per previous updates to Ofgem.

Scope of Variance and Key Challenges

At the end of the lease, both DCC and the landlord will appoint Dilapidation Solicitors to assess the building and negotiate the associated costs. These negotiations will commence following the June 2025 exit and could extend over several months.

The current cost provision represents a worst-case scenario, but actual costs may vary depending on:

- Building condition
- Alterations made over the course of the lease
- Negotiation outcomes

Since dilapidations are a contractual requirement and must occur upon lease termination, no alternative options were considered. The transition away from Ruddington forms part of DCC's long-term property strategy, reducing overhead costs and optimising space usage.

The variances for Ibex and Ruddington reflect provisions for possible dilapidations work. At the time of writing, we are in the process of securing a new London lease for our Ibex office and have not yet finalise our contracts.

Securing Value for Money

While dilapidations are a necessary contractual expenditure, the overall property strategy ensures significant financial savings.

- Closing Ruddington removes £0.610m, from our budget.
- Moving to a two-site model enables streamlined facility management while maintaining necessary workspace capacity.
- Any negotiated reductions in dilapidation costs will further minimise financial impact.

Future Considerations

This expenditure is forecasted and will be moved accordingly. Since dilapidations occur at lease termination, no further actions or risk mitigation strategies are applicable beyond negotiations.

DCC will continue to monitor property strategy effectiveness, ensuring future lease agreements align with long-term cost efficiency objectives.

1.7. Drivers for Internal Cost variance – Non-resource RY26/27 only

Variance	GL		RY24/25	RY25/26	RY26/27
Travel, subsistence and expenses	NP	£m	0.048	0.103	**0.190**
Price Control improvement/support - [redacted]	ES	£m	-0.039	0.068	**0.534**

Table 7 – Internal Cost variance – Non-resource RY26/27 only

1.7.1. Travel, subsistence and expenses

Overview of Variance

Following the lifting of Covid-related restrictions and return to the workplace, work culture has shifted, allowing teams to travel as required for business need between sites and engage in activities that contribute to operational improvements. This increased mobility has resulted in higher costs associated with business travel, primarily in train fares and hotel stays.

Our Hybrid working approach has enhanced collaboration and engagement, strengthened stakeholder relationships, and improved the effectiveness of in-person engagements. However, these benefits have led to a rise in overall travel expenditures, reflecting the increased frequency of site visits and stays for multi-day engagements.

Scope of Variance and Key Challenges

The key factors driving increased travel costs include:

- A higher number of in-person meetings, workshops, and strategy sessions that require travel between sites.
- Increased travel requirements for specialist employees providing on-site support, inspections, and operational oversight.
- Post-pandemic price fluctuations in transportation and accommodation costs
- The necessity of extended stays for project-critical activities, where remote participation is insufficient.

Securing Value for Money

To ensure travel expenditures remain cost-effective while preserving the benefits of increased site visits, the following measures are being considered:

- Adopting a hybrid approach where virtual meetings complement necessary in-person engagements
- Optimising travel schedules to reduce unnecessary trips while maintaining operational efficiency.
- All travel and hotel stays are now approved by line managers
- Leveraging corporate partnerships for more cost-efficient accommodation arrangements.
- Exploring alternative travel options, such as advanced booking for discounted fares and grouped travel where feasible.
- Monthly reporting of travel and accommodation spend to ensure this is efficient and effective.

Future Considerations

Looking ahead, travel costs are expected to stabilise as the organisation refines travel policies and implements cost-control measures. There will be continued emphasis on balancing the advantages of in-person collaboration with financial prudence. Strategic planning and targeted travel investments will help ensure that business travel remains both efficient and value driven.

1.7.2. Price Control improvement/support

Overview of Variance

The variance has arisen due to the zero-baseline set for RY26/27. Price control improvement support has been a necessary service over the past three years, significantly enhancing the quality of DCC's price control submissions. Given the specialist knowledge required for this work, discontinuing external support would risk a decline in the quality of submissions.

Scope of Variance and Key Challenges

As noted above in relation to Economic Regulation team, the workload related to price control processes will increase over the next two years as we deliver the RY25/26 and RY26/27 ex post processes alongside the RY26/27 – RY27/28 ex ante Business Plan and associated activity. The demand that this will place on the in house team means it will be critical to continue to use specialist external resource to support these processes. This is consistent with industry norm for this activity, especially through a period of significant change.

The support required in RY26/27 will be critical as DCC transitions to an ex-ante price control approach. This shift introduces greater complexity compared to previous years, necessitating expert input to ensure a smooth implementation. Given the duration and timings for the RY26/27 ex post review are not yet determined, the requirement for and cost of external support may vary to accommodate the scope of work.

Securing Value for Money

To guarantee cost efficiency and industry alignment, this service will be procured through a [redacted] request for proposal (RFP) process, opening it to the wider market. This approach will ensure continued high-quality support while maintaining financial prudence.

Future considerations

The variance in RY26/27 is the result of a zero baseline in this year. The actual forecast spend shows year-on-year savings of over £0.100m vs. RY25/26.

Data Communications Company

DCC Price Control RY24/25 - Commercial

Version: 1.0
Date: 31.07.2025

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 of the Function is to deliver DCC operations in the most economic and efficient manner, ensuring compliance with licence conditions while proactively managing supplier performance and third-party risks. In RY24/25, the Commercial team continued to support key programmes such as 4G CH&N and DSP, both of which reached significant milestones this year (as described in our submission).

RY24/25 activities and costs

Total costs in the Commercial team were £7.9m, £1.3m below the regulatory baseline of £9.2m and DCC's own forecast of £9.3m (submitted in RY23/24). The favourable variance was driven by materially lower spend on external services (£1.0m below baseline, including reduced third party procurement support as we strengthened the in house team) and lower resource costs (£0.6m below baseline, partly driven by moving Contract Management from the Commercial function to Design, Build and Run (DBR)).

During RY24/25, we completed over 400 procurement activities (a 50% increase from the previous year), successfully re-procuring the DSP contract delivering over £20m annually in savings, authoring a new procurement strategy, establishing a robust procurement pipeline, and developing targeted category strategies across consultancy, cloud, professional services, and IT. Alongside this, improvements in our procurement systems will allow us to identify further savings to be delivered in future years.

Future activities and costs

As we target further cost efficiencies throughout the business, we are forecasting a reduction in Commercial Function costs in future years of c.£2m (to c.£6m in RY25/26 and RY26/27). Whilst this is partly due to transferring the cost of the Contract Management Team to DBR, we forecast c.£1m of savings through realising efficiencies from the investments we have made to our procurement process. These include embedding our new standards-based Procurement Strategy and Policy, improved management of tactical and programme procurement activities, digitalising end-to-end processes, and reinforcing our Third-Party Risk Management capabilities.

Key re-procurements, including Capita contracts and intercompany agreements, will be prioritised as we prepare for supporting the transition to DCC2. Additionally, we will embed Environmental, Social, and Governance (ESG) considerations within our contracts, supporting ongoing reductions in gross tCO2e per meter and promoting sustainability.

1.1. RY24/25 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			RY24/25	RY25/26	RY26/27
Total Commercial		**£m**	**9.219**	**9.688**	**-**
Payroll costs	PR	£m	6.739	7.792	-
Non-payroll costs	NP	£m	0.092	0.093	-
Recruitment	RC	£m	0.003	0.000	-
External services	ES	£m	1.902	1.703	-
IT Services	IT	£m	0.483	0.100	-
Incurred			**RY24/25**	**RY25/26**	**RY26/27**
Total Commercial		**£m**	**7.928**	**6.110**	**5.972**
Payroll costs	PR	£m	6.167	4.820	4.933
Non-payroll costs	NP	£m	0.243	0.091	0.093
Recruitment	RC	£m	0.166	0.127	0.117
External services	ES	£m	0.868	0.872	0.779
IT Services	IT	£m	0.486	0.200	0.050
Variance			**RY24/25**	**RY25/26**	**RY26/27**
Total Commercial		**£m**	**-1.291**	**-3.578**	**5.972**
Payroll costs	PR	£m	-0.573	-2.972	**4.933**
Non-payroll costs	NP	£m	**0.151**	-0.002	0.093
Recruitment	RC	£m	**0.163**	0.127	0.117
External services	ES	£m	-1.034	-0.831	**0.779**
IT Services	IT	£m	0.003	0.100	0.050

Table 1 – Operations 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

Our Commercial team lead on procurement of external services and suppliers, seeking to maximise value for money and ensure optimal outcomes for both 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
- 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 supplier relationships
- Drive strategic alignment and value creation with our critical suppliers
- Proactively minimise our exposure to supply chain risk by running suppliers through our third-party risk management framework
- Provide Commercial and Procurement Support for new workstreams such as Value-Added Services and Product Development
- 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 over c.400 sourcing activities costing over £0.100m – 50% more than last year. This activity covers a large proportion of the commercial team's time.
- Embedded a revised Benefits and Savings process facilitating independent sign off efficiencies driven by Commercial. 24/25 ended 42% over target
- Developed a new Procurement Strategy, in conjunction with Ofgem, which will streamline our procurement processes, maximise value for money and facilitate better outcomes for customers
- Established a more robust Commercial pipeline, enabling greater forecasting of prospective activity and subsequent resource and demand modelling
- Developed Category Strategies across consultancy, cloud, professional services and IT services spend
- Delivered a new Third-Party Risk Management (TPRM) process which allows DCC to fully understand their supply chain risk and proactively mitigate issues. We achieved our stretch target for 24/25 with all critical suppliers and sub-suppliers having been assessed
- Delivered a 14% absolute carbon emissions reduction of 14% compared with FY24; developed reduction strategies and a data dashboard for monthly carbon footprint calculations
- Stretch targets achieved on reducing our direct/indirect carbon footprint: 60% of our Tier 0,1 & 2 contracts now include ESG terms and we've seen a 7% reduction in gross tCO2 per employee
- Ran a successful procurement on DSP that will result in 4 Master Service Agreements and a commercial outcome of c.45% of OBC envelope for Lot 1 and c.30% of OBC envelope for Lot 2
- Re-negotiated the existing DSP contract with the incumbent supplier to secure better terms, and concluded a successful ITT procurement phase for the DSP Data System which enabled a further down selection to the next procurement phase
- Concluded a successful Selection Questionnaire procurement phase for the DSP System Integrator which enabled an initial down selection for the ITT phase
- CH&N went live on 3rd December below budget. £[redacted] returned to DCC from all the suppliers Total £[redacted] supplier cost savings during DBT
- [redacted] procured Azure hosting service for the Device Manager component of the 4G CH&N solution, and [redacted] procured a logistics provider who will receive the 4G communication hubs from the manufacturer, store the devices securely, and deliver them to customers
- 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 23/24

In April 24/25 Contract Management transferred over to Design Build and Run in a move that supports our overall design-build-run plans.

The move allowed the business to align all our in-life activity under one ExCo leadership and provide cross-functional focus between operations. It also allowed Commercial to build the growing need for Category Management and Strategic Supplier Management (SSM) and focus on the Responsible Business Framework program, linked to our purpose, across DCC.

Figure 2: Commercial Cost centre organisational structure for FY 24/25

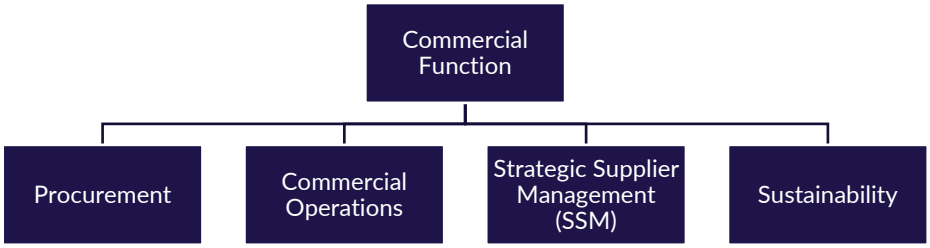


Table 2 provides the overview of the structural changes to the cost centre during RY24/25 and a description of the teams within the structure.

Sub-team structure reported in RY23/24	Sub-team RY24/25	Description
Commercial Operations	Commercial Operations, CCO included	Commercial Operations and Planning Accountable for: Functional business planning, including resource and budget management, to ensure key commercial outcomes are achieved Ensuring a proactive, 'in-control' 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) Commercial Senior Leadership providing strategic oversight. Overall accountability for Commercial objectives
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 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.
Vendor Management	Strategic Supplier Management (SSM) consisting of two sub-teams	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 timesheet 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)
Included in Commercial Operations	Sustainability	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 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		RY24/25	RY25/26	RY26/27
Commercial Payroll Costs	**£m**	**6.739**	**7.792**	**-**
Commercial Operations	£m	1.337	1.475	-
Procurement	£m	1.731	1.854	-
Contract Management	£m	3.671	4.464	-
Incurred		**RY24/25**	**RY25/26**	**RY26/27**
Commercial Payroll Costs	**£m**	**6.167**	**4.820**	**4.933**
Commercial Operations	£m	1.255	1.125	1.088
Procurement	£m	2.928	2.449	2.549
Contract Management	£m	0.964	-	-
Strategic Supplier Management	£m	0.488	1.001	1.042
Sustainability Team	£m	0.250	0.245	0.255
Ivalua Implementation Project Resource	£m	0.282	-	-
Variance		**RY24/25**	**RY25/26**	**RY26/27**
Commercial Payroll Costs	**£m**	**-0.573**	**-2.972**	**4.933**
Commercial Operations	£m	-0.082	-0.350	**1.088**
Procurement	£m	**1.196**	**0.596**	**2.549**
Contract Management	£m	-2.707	-4.464	-
Strategic Supplier Management	£m	**0.488**	**1.001**	**1.042**
Sustainability Team	£m	**0.250**	**0.245**	**0.255**
Ivalua Implementation Project Resource	£m	**0.282**	-	-

Table 3 – Operations variance by Sub Team

The Contract Management team has transferred out of the Commercial function into Operations. Refer to our Operations chapter for an explanation.

1.3.1. Procurement

Overview of Variance

In RY24/25, the Procurement team underwent a strategic shift, transitioning from reliance on higher-cost contractors (used in RY23/24) to building a more sustainable in-house capability. While the long-term goal was to reduce contractor dependency, temporary contractor support was still required early in the year due to incomplete recruitment of permanent staff. As a result, we incurred higher than baseline costs in 24/25.

To manage peak workloads and maintain delivery momentum ahead of finalising the new Procurement Strategy, DCC engaged six temporary contractors: one Head of Sourcing and five Procurement Managers. These contractors were brought in on initial [redacted] terms, with some extended to [redacted] to support high-profile procurements. This temporary uplift brought the sub-team's FTE to 24.4.

Over the course of the year, these contractors were gradually phased out and replaced by four permanent FTEs. The overlap between contractors and permanent staff was intentional and aligned with industry best practice, ensuring robust knowledge transfer and continuity across critical procurements. The transition was managed tactically, with clear handovers and induction processes tailored to the complexity of each procurement.

Contractor Roles and Transitions

Head of Sourcing - Provided leadership across the Procurement function, led the drafting of the new Procurement Strategy, engaged with Ofgem, and oversaw major procurement activity.

- Replaced by: Head of Corporate Services Procurement, now accountable for all non-technology procurement across DCC.

Procurement Manager 1 [redacted]- Led the re-procurement of the DCO contract, including shaping requirements, complex supplier negotiations, and external benchmarking to evidence value for money.

- The initial [redacted] contract was extended by [redacted] months to allow additional negotiations and planning to absorb procurement delays within the programme timeline.
- The procurement achieved £[redacted] in run-rate savings over the life of the contract.
- Not replaced: the DCO contracts were signed and handed over to the Contract Management team before departure on 7 March 2025.

Procurement Manager 2 [redacted]- Managed the re-procurement of Parse and Correlate services, a challenging process due to limited market interest.

- Replaced by: An existing permanent employee with available capacity.

Procurement Manager 3 ([redacted]- Delivered two major procurements, FSM and PKI-E, both subject to the Treasury Green Book process and contracted under DCC's new Master Services Agreement.

- The MSA provides a streamlined framework that enables reusability of terms and improves efficiency for all parties.
- The initial [redacted] engagement was extended to maintain knowledge retention and enable additional negotiations with [redacted] to secure the optimum deal while protecting the planned go-live date.
- Not replaced: the PKI contract was ready for signature upon exit on 28 March 2025.

Procurement Manager 4 [redacted] - Led the RFP (Request for Proposal) for the Virtual WAN solution, a critical enabler for secure smart meter connectivity.

- Not replaced: The role was fixed term and concluded with the procurement.

Procurement Manager 5 [redacted]- Delivered two high-priority procurements: Wi-Fi replacement for DCC offices and Cloud Hosting for Device Manager (a CH&N project).

- Not replaced: The role was aligned to specific deliverables and concluded upon completion.

Overall Impact

The team exceeded the Ofgem baseline by 6.7 FTEs, comprising:

- ~3.7 FTEs from part-time contractors.
- ~3 FTEs from permanent hires made during the second half of the year.

This temporary uplift was necessary to ensure continuity and quality across several high-value, strategically important procurements, including FSM, DCO, Hosting of Device Manager, Switching SI, DSP support, PKI, and ANSO. The overlap between contractors and permanent staff was carefully managed to ensure seamless transitions and preserve institutional knowledge.

Scope of Variance and Key Challenges

The Procurement team transitioned from a contractor-heavy model to a more sustainable, business-as-usual (BAU) structure built around permanent staff. This shift was necessary to address the higher cost of contractors while ensuring continuity across critical procurement activities. Key challenges and drivers of this variance included:

- **Strategic Procurement Initiatives -** The development of a new Procurement Strategy and Category Framework required experienced professionals to lead and implement foundational changes.
- **Large-Scale, High-Impact Procurements -** Major projects such as FSM and ANSO introduced significant complexity and risk, necessitating additional short-term resources to ensure successful delivery.
- **Continuity of CPS-Led Work -** As CPS contractors rolled off by June, temporary contractors were brought in to maintain momentum and avoid disruption to ongoing procurement activities.
- **No Scope for De-Prioritisation -** All procurements were business-critical and time-sensitive, leaving no room to delay or defer work. A flexible and responsive resourcing model was essential.

This variance reflects a necessary short-term investment in contractor support to manage peak workloads and ensure continuity during a period of transformation. The recruitment strategy delivered value for money by aligning temporary resource needs with long-term efficiency gains.

Securing Value for Money

The approach to resource management ensured cost efficiency through:

- Replacing CPS contractors with fewer, lower-cost contractor roles via Recruitment Process Outsourcing (RPO).
- Offsetting [redacted]m originally allocated for procurement consultancy support, optimising the budget by shifting resources.
- Using temporary contractor roles to streamline sourcing activities, including:
  - Formalising the new Procurement Strategy.
  - Developing and executing Category Strategies.
  - Enhancing business self-serve procurement, improving efficiency.

The resourcing approach was designed to balance delivery needs with cost efficiency and included:

- **Targeted Contractor Replacement -** CPS contractors were replaced with fewer, lower-cost contractors sourced through Recruitment Process Outsourcing (RPO), reducing overall spend.
- **Budget Reallocation -** [redacted]m originally earmarked for external consultancy was reallocated to fund internal delivery, optimising use of available resources.
- **Strategic Use of Temporary Contractors -** Contractors were deployed to accelerate key initiatives, including:
  - Finalising the new Procurement Strategy.
  - Developing and executing Category Strategies.
  - Enhancing business self-service procurement capabilities to improve efficiency and reduce future demand on central teams.

Future Considerations

RY26/27 Procurement resource costs are expected to remain broadly in line with RY25/26, with a total of 24 FTEs. However, the reduction in contractor usage will deliver a net cost saving.

With a fully resourced permanent team in place, Procurement will shift focus to strategic category management and long-term value creation through:

- **Opportunity Pipeline Development -** Identifying and prioritising commercial opportunities across the business.

- **Enhanced Commercial Frameworks** - Driving [redacted] tension and securing better value through improved sourcing models.
- **Optimised Decision-Making** - Balancing risk, cost-effectiveness, and delivery timelines to support business objectives.

1.3.2. Strategic Supplier Management

Overview of Variance

The Strategic Supplier Management (SSM) sub-team comprises two distinct teams:

The SSM team, responsible for driving supplier strategy, risk management, and engagement across DCC's strategic supplier base.

Commercial Programme Directors, who provide senior commercial leadership to major programmes (e.g. DSP and CH&N) and whose time is allocated directly to those programmes.

While the Commercial Programme Directors are part of the SSM sub-team structure, their costs are ultimately charged to programme budgets. However, for the purposes of this submission, their costs are currently reflected centrally, contributing to the reported variance.

In RY24/25, the SSM sub-team was newly established following the split of the former Vendor Management team into two functions: Contract Management (now under Operations) and SSM. As a result, all associated costs appear as a variance against a zero baseline.

To support this transition, we have summarised the relevant variances, including the partial retention of resources within Commercial following the transfer of Contract Management to Operations.

Scope of Variance and Key Challenges

Variance		RY24/25	RY25/26	RY26/27
Operations: Contract Management	£m	**2.316**	**4.136**	N/A
Commercial: Contract Management	£m	-2.707	-4.464	-
Strategic Supplier Management	£m	**0.488**	**1.001**	**1.042**
Net variance	£m	0.097	**0.673**	**1.042**

Table 4 – Strategic supplier management variances

In RY24/25 the SSM sub-team operated with 6.5 FTEs (2 x Commercial Programme Directors and a core SSM team of 4 FTE). The Commercial Programme Directors were allocated to key programmes (DSP & CH&N). The new variance of £0.186m reflects the addition of new roles within the core SSM team, some of which were only in place for part of the year.

Key staffing changes

- Promotion within the SSM team to backfill a Senior SSM role, who led several critical initiatives:
  - Design and implementation of the Third-Party Risk Management (TPRM) Framework across supplier-facing functions.
  - Project management of the TPRM digitisation programme, including system design, testing, and training.
  - Process alignment with EPMO to integrate SSM into pan-DCC workflows.

Recruitment of a Strategic Supplier Assurance Specialist to backfill the Excellence Manager role, responsible for:

- Delivering data analytics to generate actionable insights.
- Automating key SSM processes (e.g., supplier profiling and segmentation).

- Leading central engagement activities such as 360 Feedback Surveys, the Annual Supplier Conference, and DCC Digest communications.

A further driver of variance was the return of two FTEs who had previously been seconded to Design-Build-Run (DBR) In-Life Supplier Management. These roles were initially expected to be covered within the DBR resource budget but were instead absorbed by Commercial, resulting in an overage compared to the baseline budget.

Team Structure and Responsibilities

Core SSM Team

Head of Strategic Supplier Management, accountable for:

- Leading the Strategic Supplier Relationship Management agenda, fostering partnerships that deliver value beyond contractual obligations through collaboration, innovation, and risk mitigation.
- Owning the Third-Party Risk Management (TPRM) strategy and framework across DCC, ensuring proactive identification and mitigation of supplier risks.
- Setting the vision for supplier strategies aligned with DCC's corporate objectives and long-term roadmap.
- Championing strategic supplier engagement through executive-level communication, alignment of forward plans, and sponsorship of key relationship initiatives (e.g., Annual Supplier Conference, Executive Roundtables).

Senior Strategic Supplier Manager, accountable for:

- Leading critical SSM initiatives and transformation projects, including:
    - Design and embedding of the TPRM Framework across supplier-facing functions.
    - Digitisation of TPRM, including system design, testing, and learning & development to drive efficiency.
    - Process design and alignment with EPMO to integrate SSM into pan-DCC processes.
- Acting as a senior relationship lead for high-impact suppliers, driving performance, innovation, and strategic alignment.
- Supporting the Head of SSM in shaping and delivering the SSM roadmap and mentoring junior team members.

Strategic Supplier Manager, accountable for:

- Managing day-to-day strategic supplier relationships, ensuring delivery against KPIs and driving continuous improvement.
- Developing and maintaining individual supplier strategies that align with DCC's strategic goals.
- Supporting risk management activities by applying the TPRM framework and escalating issues as needed.
- Contributing to supplier segmentation, profiling, and performance reviews to inform strategic decisions.

Commercial Programme Directors

Commercial Programme Director – CH&N

- Provides senior commercial leadership for the CH&N and VWAN programmes, overseeing supplier relationships, contract negotiations, and risk management.

- *Note: Costs are expected to be charged to programme budgets but are currently reflected centrally.*

- Key RY24/25 Deliverables:
    - Seamless transition of Azure services for Device Manager.

- Completion of [redacted] procurement for operational Azure services.
- Successful commercial delivery of CH&N DBT programme, including Early Life Support and contract closure.

Commercial Programme Director – DSP

- Leads commercial delivery for the DSP programme, including procurement, contract renewals, and supplier performance management.

- *Note: Majority of costs will be reallocated to programme budgets in future forecasts.*

- Key RY24/25 Deliverables:
  - Completion of DSP procurement: [redacted] ITTs, [redacted] MSAs, [redacted] contracts, ~150 documents.
  - Secured commercial outcomes expected to reduce cost to serve by ~£[redacted] per annum post-DBT.

In RY25/26, the net variance increases to £0.673m as we forecast the entire year with a fully resourced core SSM team and the inclusion of the Commercial Programme Directors, whose costs are not yet reallocated to programme budgets. Once recharged appropriately, the cost profile aligns with RY24/25 and remains consistent into RY26/27.

Due to the zero baseline in RY26/27, the full team cost of approximately £1.0m will again appear as a variance, despite no material change in scope or structure.

Securing Value for Money

A fully resourced SSM team is essential for maintaining supplier relationships, ensuring procurement efficiency, and managing risk within supplier contracts.

Our separation of the team was achieved by:

- Filling roles with existing DCC staff rather than creating additional headcount.
- Careful transfer of knowledge and processes ensuring supplier management functions remained unaffected.

Future Considerations

RY26/27 resource costs are broadly in line with RY25/26, totalling 6 FTE with an expected pay award increase for RY26/27.

1.3.3. Sustainability team

Overview of variance

This team of two was previously captured under the Commercial Operations sub team. This variance is a reflection of the [redacted] FTE now sitting as a separate sub team for RY24/25 through to RY26/27.

Scope of variance and key challenges

The Sustainability Team are responsible for the development and implementation of DCC's Responsible Business Framework.

The team works collaboratively with colleagues from across DCC to deliver initiatives across sustainability, inclusivity and responsibility.

Given the key role DCC's suppliers play in delivering our network, the sustainability team has the greatest opportunity to influence DCC's social and environmental impact by being embedded within the Commercial team and engaging with suppliers.

There is a total of [redacted] FTEs in this function

[redacted] FTE – [redacted] – [redacted] manages DCC's Responsible Business Framework, liaising with colleagues across the business to embed sustainability into policies, processes and initiatives across the business. Additionally, they engage with suppliers on joint responsible business initiatives and collectively raising ESG standards throughout the supply chain.

[redacted] FTE – [redacted] – The [redacted] responsible for carbon emissions data collection, measurement and reporting. They also lead the internal Community of Practice driving sustainability engagement at a grassroots level through the organisation.

Securing value for money

The team have achieved stretch targets on reducing our direct/indirect carbon footprint:

- In FY25, 90% of our Tier 0, 1 & 2 contracts included ESG terms for the first time.
- A 7% reduction against 23/24 gross tCO2 per employee.

Future considerations

The RY26/27 cost is in line with prior years with [redacted] FTE forecast. Sustainability will be a growing focus area for DCC as it works to reduce supply chain carbon emissions and waste to deliver the smart metering network in a way that's aligned with the UK's Net Zero goals. As DCC matures, ESG considerations will be integrated throughout the business to ensure the business remains responsible and sustainable without the need for a large sustainability team. However, a slightly expanded sustainability team may be needed to support project development, centralise data and analyse insights, and comply with reporting requirements. Where possible skills will be leveraged from the wider Commercial team to reduce the likelihood of an additional FTE being required.

1.3.4. Ivalua Implementation Project Resource

This section relates to the internal resources working on the procurement approach for this tool described under section 1.5 of this document.

Overview of Variance

The variance in expenditure for the iValua Implementation Project is primarily driven by the use of internal resources, rather than external consultancy. While the actual cost is reflected in the Resource budget, the initial forecast was allocated to the Non-Resource budget, creating a shift in financial allocation.

As shown in the table below, the underspend in the Non-Resource budget offsets the overspend in the Resource budget, meaning the net variance aligns with planned spending:

Budget Type	Budget Line	Amount
Resource	Ivalua Implementation Project Resource	[redacted]
Non-Resource	eProcurement Tool – iValua	

Table 5 – Ivalua budget explanation

Scope of Variance and Key Challenges

The need for internal resources during RY24/25 was driven by several project priorities:

- Integration Phase 2 – Finalising system connectivity and workflow enhancements.
- System Change Requests – Addressing user requirements and refining functionality.

- Development and Discovery Work – Improving S2P (Source-to-Pay), Requisition Processing, and Commercial Pipeline management to ensure streamlined procurement operations.

Securing Value for Money

The decision to use internal resources rather than external consultancy was a cost-efficient approach, ensuring:

- Lower expenditure by leveraging internal subject matter experts (SMEs) and trained support teams.
- Increased knowledge retention, building in-house capabilities rather than relying on external providers.
- Greater long-term efficiencies, as automation through iValua reduces manual workload and improves procurement processes.

Future Considerations

As iValua remains Smart DCC's core eProcurement tool, there may be ongoing internal resource costs for:

- System adjustments in response to business needs and regulatory changes.
- Further process integration and automation improvements to enhance efficiency.

This variance reflects a reallocation of budget rather than an unplanned cost increase, with the underspend in Non-Resource balancing the Resource overspend. The decision to prioritise internal expertise over external consultancy supports cost efficiency, operational sustainability, and long-term value creation.

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

1.4.1. Commercial Operations

We forecast spend on the Commercial Operations sub-team in RY26/27 to reduce slightly down to 10 FTE from 11 FTE. The reported £1.088m variance arises solely due to a zero-cost baseline being applied, rather than a change in actual expenditure levels.

Across the forecast period, the Commercial Operations function will continue to deliver core business support, including:

- **Executive Leadership Support** - Provision of Chief Commercial Officer (CCO) resource to drive strategic alignment, governance, and leadership across all commercial activities.
- **Integrated Resource and Budget Management** - Oversight of commercial headcount and financial planning to ensure optimal resource allocation, cost control, and alignment with business priorities.
- **Commercial Pipeline and Demand Forecasting** - Management of the end-to-end commercial pipeline, enabling proactive planning, prioritisation, and capacity management across procurement and supplier engagement.
- **Audit, Compliance, and Assurance** - Delivery of robust governance frameworks to ensure regulatory compliance, mitigate risk, and maintain audit readiness across all commercial operations.

Efficiency and Continuous Improvement Initiatives - Identification and implementation of process improvements and automation opportunities to enhance commercial agility and reduce operational overhead.

This spend reflects ongoing operational needs and maintains continuity in service delivery, with no material change in scope or cost compared to prior years.

1.5. Driver for Internal Cost variance – Non-Resource

Variance	GL		RY24/25	RY25/26	RY26/27
Recruitment cost	RC	£m	**0.163**	0.127	0.117
Commercial Advisory Support	ES	£m	**0.153**	-	-

Table 6 – Non Resource variance

1.5.1. Recruitment Cost

Overview of Variance

Recruitment costs in RY24/25 were driven by like-for-like replacements, as more employees left than expected.

Scope of Variance and Key Challenges

Hiring 16 roles in 24/25 has largely been driven by the need to backfill positions due to attrition and to maintain delivery capability within the relevant sub-teams. There were 5 senior level hires out of the 16 that drove slightly higher costs, and this is in line with industry norm. In many cases, recruitment was necessary to ensure continuity of specialist knowledge and to support business-as-usual activity as well as priority programmes. This approach aligns with the broader workforce plans previously outlined for the sub-teams.

Securing Value for Money

Hiring decisions were made in a cost-efficient manner through:

- [redacted] recruitment processes, securing high-calibre talent at market-aligned salaries.
- Minimised agency fees by prioritising internal hiring strategies.
- Benchmarking salaries to align with industry standards and avoid excessive spending.
- Operational continuity, preventing disruptions and ensuring seamless transitions.

Future Considerations

Looking ahead, we will continue to focus on:

- **Retention and Engagement** - Strengthening employee value propositions to retain talent and reduce turnover-related costs.
- **Refined Hiring Processes** - Enhancing recruitment workflows to reduce time-to-hire and improve candidate experience.
- **Optimised Workforce Planning** - Aligning recruitment with long-term capability needs and budget forecasts to maintain cost control and operational resilience.

1.5.2. Commercial Advisory Support – [redacted] (SSP0137a, b and c)

Overview of Variance

This expenditure relates to specialist commercial advisory support required for specific, time-bound procurement activities. The activities commenced in RY23/24 but extended into the RY24/25 regulatory year. The spend terminated in Jun 2024 and the workload was absorbed into the Procurement function.

To provide some context, DCC engaged [redacted] to provide in-depth market knowledge, access to specialist industry expertise, and strategic input into complex procurements that could not be sourced internally.

Permanent recruitment for vacancies within the Procurement team proved challenging due to a shortage of qualified professionals with the necessary expertise. As a result, these roles could not have been filled through permanent hiring or contracting, making external consultancy the most economic and efficient solution for the finite period and specialised projects involved.

Scope of Variance and Key Challenges

Specialist Procurement Activity

Following a restructuring of the Procurement function, only two Senior Procurement Managers remained in the business, requiring additional external support to:

- Develop the Commercial Strategy for the DSP programme.
- Provide DSMS technical input, shaping the procurement structure.
- Lead market engagement and ITT development, ensuring best practice procurement.
- Offer industry insights to secure solutions that meet DCC's commercial and regulatory needs.

The advisor engaged had extensive institutional knowledge of DCC, making their continuity integral to the success of ongoing procurement activities. This expertise could not be replicated internally without significant time and cost implications.

Securing Value for Money

DCC determined [redacted] to be the optimal value-for-money solution, justified by:

- Benchmarking consultant day rates against [redacted], ensuring competitive costs.
- Alignment with the original framework agreement, established through a [redacted] RFP process.
- Retention of institutional expertise, avoiding disruptions in procurement and transformation workstreams.
- Mitigating risks associated with an overstretched and under-resourced procurement team.

DCC also considered the cost of running a [redacted] Request for Proposal (RFP) process, which, would likely have exceeded the value of the work itself. In this instance, direct procurement via a single-source strategy proved the most economic and efficient decision.

Evaluation of Costs versus Benchmark

A benchmarking exercise was conducted in April 2023, comparing rates across DCC's Consultancy Framework suppliers. The results are outlined in Table 7, demonstrating that [redacted] offered a [redacted] and cost-effective solution.

Benchmarking results for procurement of Commercial Advisory Support

Company Name	Score	Ranking
[redacted]		

Table 7 – Benchmarking results for procurement of Commercial Advisory Support

Future Considerations

With the enduring procurement structure established, reliance on external advisory support terminated in Jun 2024. Procurement will continue to:

- Implement category strategies, ensuring efficiency and value for money.
- Develop commercial frameworks to strengthen competitive tension in sourcing.
- Optimise procurement processes, leveraging insights gained from the transformation programme.

The engagement of [redacted] provided specialist expertise, strategic continuity, and economic efficiency, ensuring value for money while addressing critical procurement needs. Benchmarking and procurement strategy evaluation confirmed that direct procurement was the most cost-effective approach, preventing inefficiencies associated with internal hiring or additional RFP processes.

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

Variance	GL		RY24/25	RY25/26	RY26/27
Cost Benchmarking	ES	£m	-0.074	0.027	**0.200**
SSM Third Party Risk	ES	£m	-0.080	0.013	**0.257**

Table 8 – Non Resource variances RY26/27

1.6.1. Cost Benchmarking

The Procurement benchmarking service 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. The intended service will outline whether the deal is above, on or below market average (with a range of top quartile to low quartile) and it should be viewed as a complimentary service to running RFPs. It aims to a) provide additional validation that we are achieving value for money and b) avoids a situation where the lowest viable bid from the market is still worse than market average. This will be a very powerful lever for the Procurement team in negotiations.

It largely depends on the value of contracts that are reviewed by the benchmarking service provider; however, you can typically expect to drive an additional[redacted]% discount by having very tailored and specific data to hand in contractual negotiations. DCC expects the additional savings to run into the millions of pounds as a result of consuming this £0.200m per year service.

It's expected that this will be an annual cost; however, there may be options to sign up to a longer term to drive additional annual discount. DCC will consider this after the first year of the service to ensure it is not tied into a long contract

1.6.2. SSM third party risk

Overview of Variance

This variance relates to RY26/27 forecasted spend relative to a zero baseline. The forecasted spend for RY26/27 is in line with prior years. The spend is to support Commercial's Third-Party Risk Management (TPRM) framework. The framework enhances risk identification across the supply chain, leveraging internal and external data sources to assess suppliers, including new procurements and sub-contractors.

Due to the jurisdictions in which DCC's suppliers operate, DCC lacks the internal skills and capability to independently source and interpret risk intelligence, necessitating external Business Intelligence Due Diligence services.

Key areas of information from external sources

Requirement	Purpose
Company Structure profiling	To better understand the structure of supplier companies including parent company and majority shareholder ownership arrangements and the potential impact of any insights
Company Officer profiling	To understand and determine any critical business or ethical alerts with regards to company officers (e.g. News, ExCo Exits, Sanctions, Directors of concern, Politically Exposed Persons, Watchlists etc)
Supplier Business Insights	Supplier business insight including Top clients, Top Suppliers, Industry Share, Staff Churn, Service/Industry Mix and future business opportunities in line with DCC core objectives etc

Financial Insights	Insight into the Financial stability of supplier companies including financial performance, liquidity, debt servicing, Shareholding patterns, financial distress signals etc.
Supplier News	Media and market screening to provide an overview of key public and private updates regarding Third Parties – additional focus on adverse media insight including screening of supplier ethical practice, litigation etc.
Legal Insights	Indication of any notable legal claims against or ongoing legal proceeding with Third Parties. Insight into any legislative impacts (both existing and future) that may impact the Third Parties operations.

Table 9 – SSM Summaries of the function

Scope of Variance and Key Challenges

To ensure comprehensive supplier risk assessment, DCC requires nine key areas of external information, ranging from financial stability insights to merger and acquisition probabilities. These inputs enable early identification of supplier vulnerabilities, strengthening service stability.

Third Party Risk Management framework approach

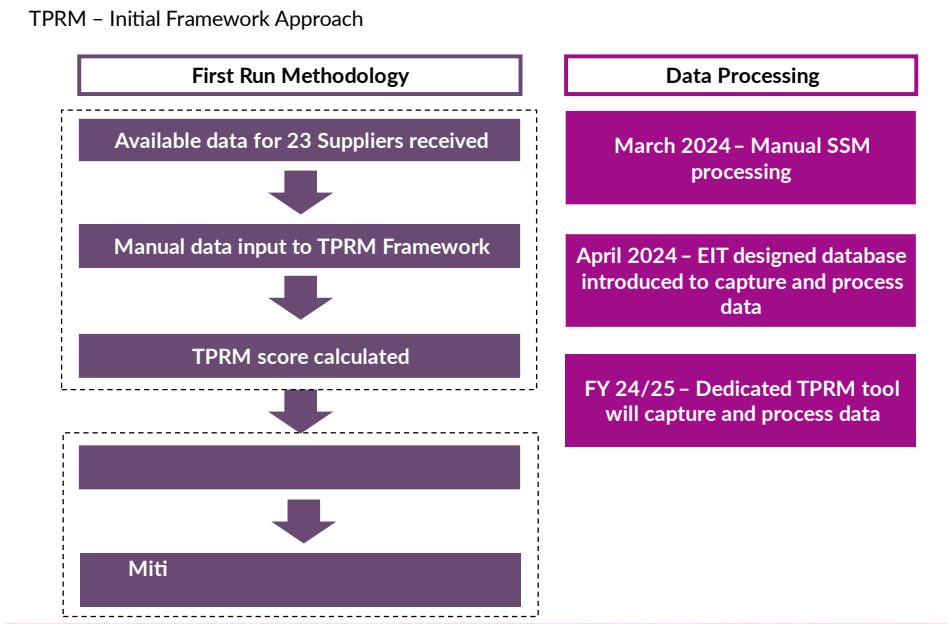


Table 10 – Third Party Risk Framework approach

Data availability and gaps were also reviewed.

Market Engagement and Supplier Selection

An initial RFP for Due Diligence and Business Intelligence providers engaged four suppliers: [redacted] However:

- [redacted] failed to respond.
- [redacted] and [redacted] lacked capability for the required intelligence gathering.
- [redacted] remained the only viable supplier, demonstrating expertise in multi-jurisdictional risk assessment and access to materially non-public information (MNPI).

Given the limited market capability, [redacted] was commissioned for proof-of-concept reports, including targeted risk assessments on [redacted] and [redacted] providing high-quality, actionable intelligence.

Procurement Evaluation of Due Diligence and Business Intelligence Providers

[redacted]

Table 11 – Market Providers

Securing Value for Money

DCC ensured optimal value for money by:

- Benchmarking [redacted] day rates against major consultancies [redacted]).
- Securing discounted rates ([redacted] for year one, [redacted] for proof-of-concept reports).
- Negotiating a fixed price model—providing cost certainty compared to banded pricing used for other customers.
- Reducing standard report costs from an industry average of [redacted]
- Restructuring the framework, reducing initial pricing from £[redacted] to a Best and Final Offer (BAFO) of £[redacted]

A PIF (Procurement Initiation Form) and SSP (Single Source Procurement) approval was secured through the CCO, Procurement Director, and relevant stakeholders, enabling [redacted] to [redacted] to accelerate TPRM data input and risk identification.

Summary of Approach for Procurement of TPRM

SSM Third Party Risk		
Number of Initial invitations to tender	[redacted]	
Number of Bids received	1	
Number of Bids shortlisted / presenting	1	
Strengths of Selected Bidder	[redacted]	
Challenge by DCC	Initial Price	BAFO
	[redacted]	

Table 12 – Strategic supplier management variances

Benefits & Achievements

- TPRM Risk Framework delivered in June 24 achieving our stretch target with all critical suppliers and sub-suppliers having been assessed.
- 2 x Supplier Profile briefs for CEOs.

Future Considerations

With the TPRM framework maturing, continued refinement will focus on:

- Ensuring cross-functional integration, transferring budget management to Commercial.
- Delivering full supplier risk assessments, completing a baseline review of all 22 critical suppliers.
- Expanding intelligence gathering to downstream suppliers and new procurements for enhanced risk visibility.

The TPRM Commercial strategy ensures early risk detection across critical suppliers, safeguarding service stability. By securing [redacted] pricing and leveraging actionable intelligence, DCC has minimised financial exposure while maximising operational resilience.

Data Communications Company

DCC Price Control RY24/25 - Finance and people

Version: 1.0
Date: 31.07.2025

1. Finance and People Cost Centre

Summary

What is this and why is it important?

Our Finance and People cost centre encompasses essential functions including Finance, Enterprise Portfolio Management (EPMO), legal, enterprise IT, and People (HR) services.

The Finance function supports decision making through focusing on business planning (which is increasingly important as we move to an ex ante framework), reporting, risk management, rigorous financial control, and coordinating DCC's Change Portfolio (via EPMO).

The People Team ensures DCC attracts and retains the right talent to deliver our obligations, including high-quality learning and development and driving the capability, culture, and engagement which are essential to delivering our strategic priorities and maintaining operational resilience. As DCC approaches the end of the current Licence, the People Team will play a key role in managing uncertainty for our people and ensuring a smooth transition to DCC2.

Activities and Costs in RY24/25

In RY24/25, our total expenditure was £29.3m, exceeding the regulatory baseline by £7.8m (and the forecast from last year's price control submission by £4.9m). The variance to baseline predominantly relates to resource costs (£5.5m above baseline) reflecting the investment in EPMO & Process Improvement (£3.9m, where the baseline was set to zero by Ofgem), People Team (£0.6m) and Enterprise IT (£0.5m).

The EPMO & Process Improvement teams provide essential functions, common to all mature organisations, ensuring that all change initiatives are strategically prioritised, effectively governed, and consistently delivered to maximise quality and value for money. This is critical in preparing the business to move to ex ante regulation. In RY24/25, we brought these activities fully in house (with a small 'run off cost' of £0.4m in Enterprise Planning external support). Alongside this, we continued to strengthen our wider business planning capability as we scaled up preparation for ex ante regulation.

The Enterprise IT (EIT) team delivers robust, secure, and scalable IT solutions that underpin DCC's strategic goals and regulatory obligations. In RY24/25, EIT supported critical activity in preparation for the separation from Capita ahead of the transition to DCC2.

The People team plays a critical role in ensuring DCC has the capability, culture, and leadership to deliver its strategic priorities. In RY24/25, we saw an increase in Colleague Advocacy score (eNPS) by 7 points to +21, reflecting enhanced employee engagement and organisational pride. Voluntary employee turnover reduced from 9.2% to 3.2%, substantially improving workforce stability and retention of critical expertise.

Procurement of a combined Facilities Management and Workplace Experience activity in June 2024 delivered savings of £0.9m over the contract period through service consolidation.

Future activities and costs

Looking ahead to RY25/26 and RY26/27, we forecast stable overall expenditure. In RY25/26, we will oversee the relocation of the London site and the closure of our Ruddington office. Moving to a two-site model enables streamlined facility management, delivering a facilities saving of £180k per year.

1.1. RY24/25 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			RY24/25	RY25/26	RY26/27
Total Finance and People		**£m**	**21.582**	**20.686**	**-**
Payroll costs	PR	£m	11.862	12.456	-
Non-payroll costs	NP	£m	0.101	0.102	-
Recruitment	RC	£m	0.061	0.051	-
External services	ES	£m	3.781	2.241	-
Internal services	IS	£m	0.466	0.470	-
IT Services	IT	£m	5.248	5.301	-
Office Sundry	OS	£m	0.063	0.065	-
Incurred			**RY24/25**	**RY25/26**	**RY26/27**
Total Finance and People		**£m**	**29.348**	**29.175**	**29.120**
Payroll costs	PR	£m	17.376	17.805	17.713
Non-payroll costs	NP	£m	0.596	0.471	0.490
Recruitment	RC	£m	0.632	0.403	0.377
Accommodation	AC	£m	0.793	0.942	0.965
External services	ES	£m	2.790	2.451	2.393
Internal services	IS	£m	0.488	0.450	0.450
IT Services	IT	£m	6.603	6.579	6.658
Office Sundry	OS	£m	0.071	0.074	0.074
Variance			**RY24/25**	**RY25/26**	**RY26/27**
Total Finance and People		**£m**	**7.766**	**8.489**	**29.120**
Payroll costs	PR	£m	**5.514**	**5.349**	**17.713**
Non-payroll costs	NP	£m	**0.495**	**0.369**	**0.490**
Recruitment	RC	£m	**0.571**	**0.353**	**0.377**
Accommodation	AC	£m	**0.793**	**0.942**	**0.965**
External services	ES	£m	-0.991	**0.210**	**2.393**
Internal services	IS	£m	0.022	-0.020	**0.450**
IT Services	IT	£m	**1.355**	**1.278**	**6.658**
Office Sundry	OS	£m	0.008	0.009	0.074

Table 1 – Cost centre variance by GLs

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

1.2.1. Purpose and Scope

Finance Function

The scope and purpose of the broad team within the Chief Financial Officer (CFO) function developed in RY22/23 has been maintained and further embedded in RY24/25. The CFO function, brought together under a single leadership, aims to better support the organisation to deliver its core objective of maintaining a growing, secure, reliable, and stable network and to transition to a new DCC Licence

The CFO team consist of Finance, Legal, Risk, Assurance and EPMO teams. The CFO team is essential due to three qualities:

- Define – the CFO team define and evolve the DCC Lifecycle Management approach, designed with clear accountabilities, 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.

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.

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 and Internal Communications. In RY24/25, 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.

We are proud to have received external recognition for our progress in culture, engagement, and development in RY24/25, where we were:

- winner of 3 awards at the 2024 UK & Ireland Inspiring Workplaces Awards
- finalist in 2 categories at the BQF People Development Awards.

Structure

The CFO function team make up for RY24/25 is set out in figures 1 and remains the same as in RY23/24. Team roles and responsibilities are outlined by team.

CFO Team Structure

The CFO team as established in 23/24 was embedded in RY 24/25 further strengthening risk management, project planning and legal oversight, ensuring better alignment with financial strategic goals and supporting the business in the delivery of major programmes. The team has also been more actively involved in preparation for relicensing and ex-ante price control.

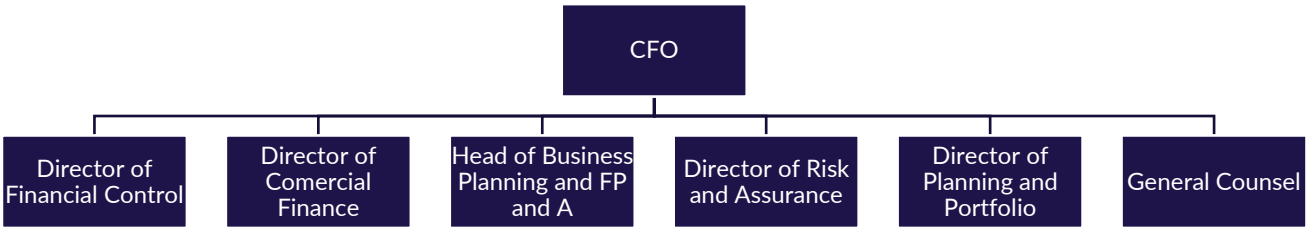


Figure 1. **Finance cost centre organisational structure end of RY24/25**

People function structure

In RY24/25, the People function made some changes to its leadership structure to consolidate functions and enhance its operating model, as shown in Figure 3. Across our teams we have had a:

- **Change leadership transition:** The Transformation Change Director successfully concluded their programme of work looking at flexible resourcing models and the commercial feasibility of outsourcing activity. Following detailed exploration with potential partners, it was found not to be

commercially viable given reducing contractor volumes and Licence Renewal transition. A decision was made by the Board not to proceed; therefore, this role and a supporting manager role left in October 2024.

- **Internal Communications leadership refresh:** A new Director of Internal Communications was appointed to strengthen engagement and support the internal narrative of DCC's strategic direction. As a result of this appointment, the previous Head of Internal Communications left the business following knowledge transfer. This change was driven by a need for greater maturity in colleague engagement specifically through licence transition.
- **Workplace Experience realignment:** The Head of Workplace Experience is an enduring role. The Director also exited the business in 2024 and was replaced with lower-band management to maintain service delivery while reducing cost.

These changes reflect a broader shift towards leaner, more agile management. The People function reduced its senior leadership headcount from six roles to four, as illustrated in the accompanying charts. This restructuring supports our current and future business by maintaining the strategic capability to deliver on People priorities.

People Team structure Apr 24 – Oct 24

Figure 2. **Finance cost centre organisational structure Apr 24 – Oct 24**

People Team structure Nov 24 – Mar 25 onwards

Figure 3. **People cost centre organisational structure end of RY24/25**

The responsibilities of each sub-team are set out in the table below:

Sub-team RY22/23	Sub team RY23/24	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 CBRE (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.

Sub team RY23/24	Sub-team RY24/25	Description
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)	Portfolio and PMO	Responsible for enterprise-wide activity planning and process improvement.
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 external counsel.
Financial Control and Reporting	Financial Control and 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 and People areas

1.3. Drivers for Internal Cost variance – Resource

The overall payroll costs variance is £5.581 million in RY24/25 across a total of 15 teams. This is largely driven by EPMO, People, Business Planning & FP&A and Enterprise EIT teams. 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		RY24/25	RY25/26	RY26/27
Finance and People Payroll Costs	**£m**	**11.862**	**12.456**	**-**
Business Planning & FP&A	£m	0.783	0.832	-

Commercial Finance	£m	1.585	1.684	-
Enterprise IT	£m	2.054	2.163	-
Finance Office	£m	0.565	0.600	-
Finance Transformation	£m	0.617	0.437	-
Financial Reporting	£m	1.047	1.112	-
Internal Communications	£m	0.678	0.704	-
Legal	£m	0.969	1.164	-
People Team	£m	2.059	2.175	-
Regulatory Finance and Pricing	£m	0.158	0.190	-
Risk and Assurance	£m	0.997	1.026	-
Workplace Experience	£m	0.350	0.369	-
Incurred		**RY24/25**	**RY25/26**	**RY26/27**
Finance and People Payroll Costs		**17.376**	**17.805**	**17.713**
Business Planning & FP&A	£m	0.934	1.251	1.102
Commercial Finance	£m	1.781	1.869	1.810
Enterprise IT	£m	2.485	3.006	3.058
EPMO and Process Improvements	£m	3.933	3.550	3.610
Finance Office	£m	0.287	0.416	0.332
Finance Transformation	£m	0.709	0.222	0.230
Financial Reporting	£m	1.184	1.299	1.294
Internal Communications	£m	0.578	0.527	0.535
Legal	£m	1.067	1.149	1.188
People Team	£m	2.711	2.712	2.688
Regulatory Finance and Pricing	£m	0.250	0.342	0.354
Risk and Assurance	£m	1.157	1.205	1.262
Workplace Experience	£m	0.263	0.163	0.165
Business Process Management Tool Project Resource	£m	0.017	-	-
Charging DCC Users Project Resource	£m	0.001	-	-
Time Management Project Resource	£m	0.005	0.001	-
Wi-Fi Tactical Project Resource	£m	0.006	0.094	0.088
Windows 11 Deployment Project Resource	£m	0.007	-	-
Variance		**RY24/25**	**RY25/26**	**RY26/27**
Finance and People Payroll Costs		**5.514**	**5.349**	**17.713**
Business Planning & FP&A	£m	**0.150**	**0.419**	**1.102**
Commercial Finance	£m	**0.196**	**0.185**	**1.810**
Enterprise IT	£m	**0.430**	**0.843**	**3.058**
EPMO and Process Improvements	£m	**3.933**	**3.550**	**3.610**
Finance Office	£m	-0.278	-0.185	**0.332**
Finance Transformation	£m	0.091	-0.215	**0.230**

Financial Reporting	£m	0.138	**0.187**	**1.294**
Internal Communications	£m	-0.100	-0.176	**0.535**
Legal	£m	0.098	-0.016	**1.188**
People Team	£m	**0.652**	**0.537**	**2.688**
Regulatory Finance and Pricing	£m	0.092	**0.152**	**0.354**
Risk and Assurance	£m	**0.161**	**0.179**	**1.262**
Workplace Experience	£m	-0.086	-0.206	**0.165**
Business Process Management Tool Project Resource	£m	0.017	-	-
Charging DCC Users Project Resource	£m	0.001	-	-
Time Management Project Resource	£m	0.005	0.001	-
Wi-Fi Tactical Project Resource	£m	0.006	0.094	0.088
Windows 11 Deployment Project Resource	£m	0.007	-	-

Table 3 – Cost centre variance by sub-team

1.3.1. Business Planning & FP&A

Overview of Variance

The Business Planning and Finance Planning and Analysis (FP&A) team within Smart DCC plays a central role in managing the Annual Business Plan, quarterly forecasting cycles and performance reporting to provide insight and support decision-making.

During RY24/25, the scope of the team expanded as follows:

- Consolidate critical oversight of the DCC Financial Reporting Systems (SAP ERP and SAP Business planning and consolidation (BPC) software) into the Business Planning and FP&A team. This change brings together the Business planning team with the systems that support this activity, ensuring that systems are maintained and modified to meet the needs of the business and any regulatory requirements. It also introduces further analytical capability to better support the delivery of the forecasting cycle.
- Added resource to provide functional input to the licence renewal and Ex-ante workstreams to support the transition of people, systems and processes to DCC2 and the ex-ante regime.

These efforts have been instrumental in driving significantly improved forecasting accuracy and providing the insight which has led to enduring cost and operating efficiencies across the business and are critical in aligning DCC's financial structure with regulatory expectations while managing planning and reporting within statutory and regulatory requirements. The workload has increased in the short term, particularly as we transition to Ex Ante and Licence Renewal requirements and so has resulted in increased costs in 24/25 and 25/26 against the baseline.

Scope of Variance and Key Challenges

The team has grown from 7 FTEs in 2023/24 to 10 in 2024/25, with two finance system roles transferred from Finance Transformation (System accountants) and a new role added for the transition to ex-ante and Licence renewal (Head of Ex-ante finance transformation).

In 25/26, a further 3 roles (Data governance analyst, FP and A Senior analyst and Analyst) are added to further support the transition activity and drive improvements in data and reporting, ensuring fit for purpose for the ex-ante reporting regime. The new roles have been filled with subject matter experts from

within DCC Finance to best utilise their expertise and retain knowledge in the business and were backfilled by contract resources.

In 26/27 the team size drops to 11.92, where the finance lead providing the thought leadership on transition activity from a functional perspective for ex-ante, is no longer needed as we move to the implementation phase for DCC2. In addition, some of the contract resource that was required for ex-ante rolls off.

Securing Value for Money

The expansion of Business Planning and FP&A reflects the increased demands on the team due to the evolution of Business Planning and forecasting disciplines in an increasingly more complex landscape and the transition phase to the ex-ante regulatory regime and Licence renewal. The changes aim at maintaining financial planning and performance reporting stability and to drive enhancements and self-serve reporting.

- Transition role hires were from within the function to utilise existing DCC knowledge and remove the need for more expensive transition/transformation external resource. These roles will assess and be part of decisions on finance systems in DCC2, transitional arrangements for DCC2, including Capita services termination, statutory and regulatory structures and reporting required.
- Moving finance system and analytical resource in the FP&A team will support the reporting automation agenda and the adoption of self-serve reports for performance Management whilst also support the finance transformation team in setting up the Service family reporting structures for ex-ante.

Business Planning and FP&A changes support long-term value delivery by ensuring internal expertise is retained within the organisation to support transitional activity removing the need to source external expertise.

Future Considerations

The team size at 26/27 reflects a more stable operating baseline where further reporting automation and self-serve reporting is embedded and a move to DCC2 is well underway.

1.3.2. Commercial Finance

Overview of Variance

The Commercial Finance team has been central to ensuring financial stability and stewardship across the organisation, driving insights that supported critical programmes and business functions. By aligning business initiatives with strategic objectives, the team strengthened financial governance and optimised expenditure, delivering an estimated £20 million in cost efficiencies.

The variance in costs reflects the strategic decision to introduce more experienced resources to increase financial discipline in delivering major programmes and to further support the Operations Function as it re-aligned accountabilities, renegotiated contracts, and consolidated change activities. In addition, the team provided financial leadership during preparation for the transition to an ex-ante regulatory model.

The higher expenditure compared to the baseline budget represents this deliberate investment in robust financial oversight. Costs increased in RY24/25 and remained elevated through RY25/26 to support ex-ante business plan development before reducing in RY26/27.

Scope of Variance and Key Challenges

Resources increased from 12 FTEs (in 23/24) to 13.42 in RY24/25, remained stable in RY25/26, and reduced slightly to 13 FTEs in RY26/27. This uplift was driven by:

- The introduction of a permanent Senior Finance Business Partner to support operational changes, the re-alignment of responsibilities, and the consolidation of change activity across the Operations Function.
- The addition of a temporary Commercial Finance Director during RY24/25 and RY25/26 to provide senior financial leadership through a period of significant transition, including ex-ante planning, contract renewals, and delivery of the Licence Renewal Programme. This role was not retained in RY26/27.
- Additional specialist resource engaged partly in RY24/25 and partly in RY25/26 to provide expertise in commercial negotiations, ex-ante planning, and initiatives such as the Customer Charging review in line with SEC requirements. This resource was also not maintained in RY26/27.

Over this period, the team comprised:

- Commercial Finance Director (temporary in RY24/25 and RY25/26)
- 3 Senior Finance Business Partners
- 5 Finance Business Partners
- Senior Economic Modelling Manager
- 2 Finance Managers
- Business Data Analyst

Together, they contributed across:

- Financial Optimisation
- Programme and Functional Support
- Strategic Initiatives
- Procurement Excellence
- Business Case Modelling
- Structural and Operational Enhancements

Key Achievements and Contributions

Financial Management and Optimisation

- Implemented rigorous cost management strategies and strengthened financial controls to drive efficiency and reduce risk.
- Provided financial oversight across major programmes to ensure cost-effective delivery and operational stability.
- Delivered robust modelling and guidance to inform strategic decisions.

Procurement and Commercial Delivery

- Led re-procurement exercises, bid evaluations, and contract negotiations to secure improved terms and stronger financial outcomes.
- Supported the Licence Renewal Programme with effective procurement planning and stakeholder engagement.

Strategic Planning and Business Case Development

- Refined financial modelling and risk assessment frameworks to underpin evidence-based decision-making.
- Established the capability to prepare Ex-Ante Business Plans, supporting regulatory compliance and future financial resilience.

Structural and Operational Improvements

- Successfully implemented the Design-Build-Run accountability and reporting structure to improve integration across business functions.

Securing Value for Money

To support the transition to a Design-Build-Run structure, additional key personnel were recruited to provide continuity and strengthen financial oversight.

Business Need and Procurement Considerations

The restructure required experienced financial leadership to manage implementation and mitigate risk. Recruitment decisions were based on proven expertise, cost-effectiveness, and alignment with operational priorities to ensure value for money.

Financial and Non-Financial Benefits

- Mitigated Risk: Supported complex transitions, including ex-ante planning and the licence renewal process, preventing financial instability.
- Optimised Negotiations: Drove favourable commercial agreements, including overage charge management and partner engagement.
- Workload Management: Maintained capacity to manage increased workload without disrupting core financial processes.

Future Considerations

The Commercial Finance team's objectives remain to:

- Sustain long-term financial stability with strong cost controls.
- Reduce regulatory risk and enable a smooth transition to DCC2 and ex-ante price control.
- Drive further efficiency improvements through service line reporting and alignment of costs to strategic goals.

The current resourcing of 13 FTE is expected to remain stable over the planning horizon.

1.3.3. Enterprise IT

Overview of Variance

In RY24/25, the EIT sub-team incurred £2.500m, relative to an Ofgem-set baseline of £2.100m, resulting in a variance of £0.400m. We forecast costs to rise by c£0.500m in RY25/26, driven by an increase in FTE and promotions within the team. We then forecast incurred costs to flatten into RY26/27, with the large variance for this year driven by the zero Ofgem baseline.

We set out further detail on our team's roles and responsibilities in Section 1.2.

Scope of variance and key challenges

At the start of Q3 of RY24/25, a re-structuring of the team was carried out to improve our delivery and align to new processes in readiness for the separation from Capita. As part of the re-structure, three members of the team were promoted into management positions leading to higher incurred costs for the three resources. Previously, we had 20 people all reporting to the Director of EIT, but our staff are now grouped into three sub-teams: Solutions Advisory, EIT operations and Enterprise Architecture & Solutions.

We created two new roles for our SharePoint management. The re-procurement of the Service Desk capability transferred responsibilities for Capita to EXL (new contract is explained in the Switching chapter). Capita managed all the internal and external SharePoint sites in addition to the Service Desk capability. Given the sensitive nature of some of the information held in those SharePoint sites, it was determined that the work should not be managed or undertaken by a third-party. As a result, we created two roles to manage the delivery of internally and externally available SharePoint sites including identity and access management.

In addition, we have been working on converting a number of contracted roles to permanent positions, with some of this recruitment work continuing into RY25/26. It has proven challenging to find and place suitably skilled candidates to fill some positions, resulting in longer recruitment timeframes and therefore extended contractor contributions to the team. Given the flexibility offered by contractors, we allowed for a short overlap period to enable knowledge and role handover.

The following roles have successfully been converted into permanent positions during RY24/25:

- Microsoft Power Platform Developers x 2
- Solution Architect

We note that the permanent resource for the Solution Architect position commenced work after the end of RY24/25 due to time to find a suitable candidate and then also the length of notice period required, which lead to a contract resource being in position for the whole of the year.

In RY25/26, our forecast costs increase reflecting a full 12 month period for the promoted roles with a higher salary. In addition, we are hiring three new roles: Development Ops Engineer, Digital & Technology Solutions Apprentice and Enterprise Architect, and one staff member is returning part way through the year from parental leave. We are converting two further roles from contract to permanent during RY25/26 for the team that supports DCC's AWS infrastructure.

We do not plan any further new roles for RY26/27 but anticipate a small pay award increase across all staff.

Securing value for money

Through RY24/25 we have reduced reliance on contracted resource via the conversion of several roles to permanent in-house positions. This will ensure skills and capacity are retained in the team on an enduring basis and reduce long-term reliance on external resource.

Overall, in the 2024/25 period, a workforce of almost 22 FTEs developed our DCC foundational capabilities. These include the development of secure digital infrastructure, the enhancement of service desk maturity, and improvements in systems availability.

The Enterprise IT team is forecasting significant effort over RY25/26 and RY26/27 to deliver against the business handover plan for separating from Capita. The deliverables that Enterprise IT are directly responsible for cover:

- Secure network provision – include wide & local area networks, internet connectivity, VPN and DNS
- IT Service Management – support for end-user's computing requirements, including the delivery of a solution for incident/ticket management

In addition to these core activities, there is expected to be an impact when Capita-supplied business services & software are replaced including HR and financial services using Workday and SAP.

The DCC property strategy will also lead to an impact on Enterprise IT resources, particularly the re-location of the London office.

Future considerations

Looking ahead to 2025/26, an additional 2.67 FTEs will be allocated to meet anticipated increases in demand. This growth is expected in areas such as technical support volumes, cybersecurity requirements, and architectural capacity.

By 2026/27, we forecast the total FTE count will be maintained at 24. This stability reflects a strategic focus on embedding best practices, and our assumptions on where we can reduce reliance on contractors and effectively manage any fluctuations in internal demand. We note that this year, we will be managing our BAU IT as well as transition during the business handover. We are preparing our systems in advance and will continue to monitor and revise our plan for executing the remaining IT transitions.

1.3.4. EPMO and Process Improvement

The RY24/25 variance is driven fully by payroll costs for the EPMO and Process Improvement teams, which consisted of a mix of in-house and contracted resource in RY24/25.

The Process Improvement team relied relatively more on contracted resources given its earlier stage of development as a team, and the greater need for more targeted and specialised knowledge to establish the strategic vision and governance arrangements from the team's outset.

During RY24/25, the EPMO team required 18 Full-Time Equivalents (FTE), while the Process Improvement team required 6 FTE, resulting in a total need of 24 FTE. This structure initially comprised of 17 in-house staff and 7 contractors. Over the course of the year, efforts were made to reduce reliance on contractors by bringing resources in-house. This transition led to an annualised FTE headcount of 14 in-house for the EPMO team and 3 in-house for the Process Improvement team. By the end of RY24/25, all team members in Process Improvement, were employed on a full-time basis, alongside 16 out of the 18 required EPMO FTEs, leaving two vacancies yet to be filled.

Looking ahead, we plan to achieve a fully in-house team of 24 FTE by next year, thereby aligning with our resource optimisation strategy.

Securing value for money

The EPMO and Process Improvement team significantly reduced its reliance on contracted capacity throughout RY24/25. 19 separate individuals contributed to both teams on a contracted basis at some stage during the first six months of RY24/25, which fell to 3 for the last three months of RY24/25. This in part reflects a concerted effort to bring contracted capacity in house to permanently secure project management skills and experience for the organisation.

3 individuals who began RY24/25 in the EPMO and Process Improvement team on a contracted basis were brought in-house during the course of the RY, making them permanent members of the team. A total of 13 individuals prorated to 4 annualised FTE contracted to the EPMO team, rolled off during RY24/25.

The EPMO team remained agile in its use of contracted resource, and ensured it was only used in instances where specific experience or capacity was needed over a short period of time.

As mentioned above, the variance of the EPMO and Process Improvement team is relative to a zero Ofgem baseline. The full variance can be explained in terms of the team's ongoing operations and the business-wide value it brings. The following sections describe this value for both the EPMO and Process Improvement sub-teams in more detail.

EPMO

The transition to an EPMO represents a significant evolution in how an organisation aligns its strategic vision with its executional capacity. At its core, the EPMO serves as an important connection between business-wide priorities and the wide range of projects and programmes undertaken to achieve them. This function not only strengthens internal coherence and coordination but also enhances service quality and ultimately delivers measurable value to our customers and energy consumers.

The EPMO team includes one director role overseeing the whole team and 15 roles contributing to the 4 sub-teams detailed below:

- **The Enterprise Resource Management sub-team** provides resource allocation support across the breadth of DCC's projects and programmes. The team ensures that programmes are staffed with the appropriate level of support at the right time, and that they are provided with sufficient expertise and experience according to the demands of the programme. 3 dedicated FTE support on the Enterprise Resource Management team. The team leverages time recording software to monitor and manage resource allocation across DCC, improving auditability and transparency and forecast quality.
- Through its **Enterprise Planning sub-team**, the EPMO ensures that DCC's strategic priorities are closely aligned with the projects and programmes initiated to support them. This alignment is critical in preventing the misallocation of resources, avoiding overlapping or conflicting initiatives, and ensuring that work is sequenced in a manner that optimises organisational impact. The Enterprise Planning sub-team supports programme kick-off and ensures they commence with a clear view of milestones and outcomes, and that governance best practice is being followed. 4 dedicated FTE sit within the Enterprise Planning sub-team, and work to support Programme Directors forming fit-for-purpose plans on all new DCC programmes, which in RY24/25 related predominantly to licence renewal and DCC's transition to ex ante price control.
- **Portfolio Delivery Framework sub-team:** Beyond strategic alignment, the EPMO standardises how projects and programmes are managed across the business. By maintaining a centralised view of workforce deployment, enabled through a time-recording tool, the EPMO helps ensure that the right people are assigned to the right roles at the right time. This proactive resourcing capability reduces inefficiencies, minimises unnecessary hiring or reliance on contractors.

Supporting this effort is the Portfolio Delivery Framework sub-team, which governs the consistent application of PRINCE2 and Managing Successful Programmes (MSP) methodologies. This structured approach brings a level of discipline and repeatability to delivery that is particularly valuable in complex or multi-stakeholder environments. The Portfolio Delivery Framework sub-team consists of 4 FTE who are responsible for setting a consistent project delivery approach across DCC's broad range of projects and programmes. The sub-team consists of:

- Team lead
- Full-time trainer: responsibility is to upskill and educate Programme Directors in agreed project management best practices
- Assurance support: key responsibilities include monitoring and managing project management practices across the business
- Cost and benefit management: Key responsibilities include tracking and reporting programme outcomes for the purpose of iteration of agreed best practices.

Overall, the Portfolio Delivery Framework team increases consistency of approach across DCC's breadth of projects and programmes, ultimately improving certainty of outcome.

- Complementing this, the **Portfolio Performance Reporting sub-team** enables data-driven portfolio oversight through a robust project portfolio management (PPM) tool. This tool acts as a single source of truth, providing monthly reporting that is both standardised and transparent. By tracking performance metrics, the EPMO ensures that senior leaders have the visibility they need to make informed decisions. Without this centralised function, risk reporting becomes fragmented, increasing the likelihood of blind spots in executive decision-making and ultimately threatening the integrity of the portfolio.
- Clarity software is now being utilised for portfolio performance reporting, which will provide the dual benefit of automating what was once a manual process on one hand, and on the other embedding consistency across the business in the practice of reporting on the progress and outcomes of processes. All 4 FTE that sit within the Portfolio Performance Reporting team are trained in this software.

Process Improvement

The process improvement team at Smart DCC has been dedicated to supporting an increase in the maturity of the organisation's process landscape to a standardised and efficient model. Similar to teams at organisations like National Grid, BT Group, and Barclays, the team's role is to drive operational efficiency, reduce risks, and create value by addressing fragmented operations and inconsistent workflows.

Process improvement teams are necessary in large organisations to introduce standardised frameworks, improve cross-functional visibility, and implement automation, all of which reduce inefficiencies and operational risks. At Smart DCC, this approach has enhanced accountability and consistency by centralising process management, use of advanced tooling, defining clear governance roles, and aligning workflows with strategic goals. These efforts unlock benefits such as cost reductions, improved performance tracking, and better scalability, fostering long-term resilience and adaptability

In RY24/25 the Process Improvement team consisted of 6 FTE, detailed below:

- Director (1)
- Process Architect (1)
- Operational support (4)

All team members are lean six-sigma process specialists and have the formal qualifications to be able to identify and address process improvement opportunities within DCC's core processes and value chains.

From an initial total of 6 contractors and one permanent FTE in the first half of RY24/25, 4 contractors rolled off and 2 contractors with specialist knowledge transitioned to be in-house in the second half of the RY to retain expertise on an enduring basis. Additionally, with one existing member, 3 individuals were recruited to complement a fully in-house team of 6.

Future Considerations

Over the next two RYs, costs incurred by the EPMO and Process Improvement teams are forecast to remain broadly at RY24/25 levels, consistent with our forecasted headcount for each sub-team.

We do anticipate rolling off contracted capacity. Our forecast sees a total size of 24 FTE (17 permanent and 7 contractors) in RY24/25 through to 24 (18 in EPMO and 6 in Process Improvement) permanent roles in RY26/27. This forecast includes two current vacancies in the team.

Between now and the start of the ex-ante period (November 2026), the Process Improvement team's activities will centre around the formalisation and implementation of standardised process architecture, defined role and governance structures (e.g., Process Owners) and central business process management (BPM) platform for process mapping and performance tracking. The team will also lead on the initial automation of high-volume, low-complexity processes to free up resource for more complex activities.

As we transition towards DCC 2.0 the EPMO and Process Improvement structure will be reviewed against the maturity of organisation processes and further automation to assess the optimal size and structure of the team and further opportunities to make efficiencies will be identified and actioned where appropriate.

1.3.5. Financial Reporting

Overview of Variance

The team is responsible for Governance and Control across Financial Reporting. The variance in RY25/26 is driven primarily by the addition of a role to enhance the Treasury capabilities of the team. The costs also reflect a short-term role introduced late in 24/25 to review and improve DCC billing, Credit Control and compliance that drops off in 25/26. The RY26/27 variance is due to a zero baseline and is in line with forecast spend for RY25/26.

Scope of Variance and Key Challenges

Team FTE rose from 6.92 in 23/24 to 7 in 24/25 reflecting a role moving to Business planning and FP&A to support with transitional arrangements for Licence renewal and ex-ante - the role was replaced with contract resource joining halfway through the year. In addition, a short-term Credit Control resource has been recruited in 24/25 to review and improve the DCC billing, credit control and compliance.

In 25/26, the FTE moves to 8.17 with the short-term resource dropping off early in the year and a new specialist Treasury analyst role added, to support with financing arrangements for 4G Communication Hubs and the DSP financing.

In 26/27 FTE remains at 8 following the removal of the short-term Credit control resource. The Treasury analyst role remains a vacancy as we reassess the need for this extra resource, following the implementation of treasury controls and processes by the Treasury Manager.

Securing Value for Money

The team has continued to have a clear focus on efficiency; risk reduction and compliance as follows:

- Gain Share Mechanism: Delivered significant savings through renegotiated financing terms.
- Credit Risk Management: Proactive monitoring and escalation of credit cover requirements reduces exposure to bad debt and supports financial resilience.
- Audit Readiness: Strengthened internal controls and data reconciliation processes reduce the risk of audit findings. Audit complexities are effectively managed, and system modifications keep pace with regulatory requirements.
- System Efficiency: Targeted SAP and BPC enhancements reduce manual effort and future-proof processes, driving operational value.
- ESG metric integration: ESG data was integrated into financial reporting that meets emerging expectations and remains proportionate.

Future Considerations

Looking forward, the team will continue to evolve in response to internal strategic priorities and external regulatory pressures. FTE as established in 26/27 is not expected to change, delivering as follows:

- Automation: Continued digitisation of reconciliations and reporting to streamline workloads and reduce error risk.
- ESG Metrics Integration: Scaling ESG financial disclosures in line with developing best practice and regulatory expectations.
- Strengthening Governance: Embedding enhanced financial control frameworks and aligning systems with future RIGs changes.
- Credit Cover Evolution: Maintaining high standards of customer engagement and compliance, with agile escalation processes.
- Talent Development: Ensuring new roles are fully embedded and future capability gaps identified early to support sustained excellence in financial governance.

1.3.6. People Team

Overview of Variance

The additional spend in FY2024/25 reflects targeted, strategic decisions made in response to the scale of organisational change, including the re-licensing process and a heightened focus on colleague engagement, stability, and capability. Key drivers include the creation of critical new roles where skills did not exist in-house, unplanned severance costs linked to evolving business needs, and short-term project support that was effectively redeployed.

Scope of Variance and Key Challenges

In RY24/25, 20.5 FTE were utilised within People team. The variance for the People team is a result of staff movements between sub-teams and general in-house changes in-year, comprising:

Variance	Costs	Description
+£0.650m		People Team variance
	-£0.410m	Headcount movement of 2 roles from Internal Communications from RY23/24, new roles in 24/25
	-£0.100m	Severance/redundancy pay
	-£0.140m	Annual Pay Review/ Benchmarking Governance
£0m		Net variance = £0m

Table 4 – Variance and costs of people team

Headcount Movement compared to last year

Internal Communications Team changes

In RY23/24, it was reported that two workers were allocated to the Internal Communications team in error and should instead have been allocated to the People Team. This change has now been put into effect, therefore increasing the total internal costs against this function.

We also replaced the Head of Internal Communications with a newly created Director-level role to strengthen capacity during a period of significant change, including re-licensing. This enhanced capability was critical to sustaining employee engagement and supporting clear, confident messaging through uncertainty. As the required skills did not exist in-house, we initially appointed a contractor within benchmark rates, with a clear plan to transition to a permanent role — which has since been completed as intended.

Project Emerald Support and Internal Re-deployment

A temporary role was brought in to support Project Emerald. When the project closed earlier than expected, the individual was successfully redeployed into an existing HR vacancy within the Licence Renewal team. This ensured continuity of capability and avoided additional recruitment costs.

Investment in Employee Engagement Capability

As we navigate re-licensing and significant organisational change, retaining, attracting, and engaging our people has become business critical. To meet this challenge, we created a dedicated Employee Engagement Manager role — a strategic investment to lead the Employee Champion Network (ECN) and embed the 'Insight to Action' process. While elements of this work were previously dispersed across the People team, feedback and resourcing pressures made clear that a focused, specialist role was needed. Since its introduction, engagement scores have risen from 62% (Aug 2023) to 67% (Jan 2025), surpassing the RY24/25 target. Attrition remains low at 13.2%, reflecting a more connected, stable workforce at a pivotal time.

Talent Function Re-alignment

The Head of Talent Acquisition role was replaced with a Head of Talent role. While the title changed to reflect current market norms, the role's content remains consistent. The position was filled externally following benchmarking, with the offer aligned to market rates.

Unplanned Severance Costs

We incurred two severance costs during the year that were not included in the original Annual Business Plan. These decisions were made in response to evolving organisational needs and were necessary to support effective team structure and future delivery. While not forecast, they reflect conscious choices aligned to our broader objectives.

Annual Pay Review/ Benchmarking Governance

All recruited roles undergo external benchmarking to determine the appropriate job level and compensation. This same benchmarking data is used during the annual pay review to promote fairness and consistency across the organisation.

As part of this process, changes to individual compensation are made where appropriate. These adjustments are a direct outcome of the annual pay review, in line with internal guidelines.

In summary, the increase in resource costs is driven by pay changes implemented through the annual review process.

Securing Value for Money

Role changes and new appointments were made with consideration business need for skills and timing. As a result:

- Contractor usage was reduced to zero, in line with cost efficiency goals, while some additional permanent roles were required for business-critical delivery. We converted one contractor to a permanent role. Across the business, contractor-to-FTE transitions were assessed on a case-by-case basis.
- People team FTEs were increased where existing capacity or expertise was insufficient to meet regulatory or strategic requirements.
- Each additional FTE was reviewed against business need, with roles aligned to priority areas such as talent planning, organisational change, employee engagement, and communications. Our FTE profile saw a surge middle of the year as we onboarded the new capabilities and rolled off roles no longer required. However, we the finished year within our planned headcount envelope.
- Engagement Workplace strategy evolved to better reflect future operating models and cost optimisation across the estate.
- Leadership recruitment was phased in response to market availability and timing challenges.
- Improves in several metrics critical for our new and existing roles:

Colleague experience & engagement	• Engagement Index (YourVoice survey): 72% – a 7-point increase and now above the UK benchmark for comparable organisations, indicating sustained progress in colleague sentiment. • Colleague Advocacy (employee Net Promoter Score - eNPS): +21 – up 7 points, reflecting greater pride in the organisation and willingness to recommend DCC as an employer. • Action on Feedback: 74% of colleagues agree the business takes action based on feedback (up from 49% in 2021), showing growing trust and responsiveness. • Wider Leadership Team Engagement: Improved from 62% to 81% in just 12 months, following targeted development and greater involvement in shaping priorities. • Wellbeing: Positive views of wellbeing rose from 60% to 80% in 18 months, supported by enhanced support, flexibility, and health initiatives.
Retention & inclusion	• Voluntary Turnover: Decreased from 13.2% to 9.2%, aligning with industry benchmarks and helping retain key skills and knowledge. • Minority Ethnic Representation: Increased to 38%, up 3.9 percentage points—reinforcing our commitment to building a more diverse and representative workforce.

Table 5 – Colleague experience and engagement and retention and inclusions

Future Considerations

Looking ahead to RY25/26 and RY26/27, we forecast our team costs to remain flat at £2.600m, consistent with RY24/25.

As mentioned above, the new roles will continue to support our team to drive further improvements across colleague experience, retention and inclusion over the coming years. Our existing team members will support the business with recruitment, reward and recognition, learning and development, and other HR activities. We note a couple of events for RY25/26, our People team will be supporting our in-house Workplace Experience lead to transition our staff from Ibex House to a new London office and the closure of our Ruddington office. We will continue to operate from Brabazon House and Discovery House.

- Our People team will lead on the HR consultation, potential legal obligations, and logistical arrangements tied to workforce transitions that we expected to lead to the redundancy provision in section 1.3.9. We will support across:
- Managing employee relations and supporting affected staff through the change process.

- Maintaining operational continuity during the transition period, particularly in teams based at Ruddington.
- Ensuring compliance with employment law and internal governance requirements throughout the redundancy process.
- Addressing any productivity or morale impacts on the wider workforce during the site closure.

1.3.7. Regulatory Finance and Pricing

Overview of Variance

The internal cost variance in RY24/25 and 25/26 is primarily due to the full-year return of a Pricing Analyst from maternity leave. This uplift in resource represents a return to capacity rather than an expansion of headcount. It has enabled timely delivery of charging publications, deeper cost analysis, and improved engagement with customers and regulators. These outcomes are central to DCC's compliance with Licence Condition 36 and its obligations under the Smart Energy Code (SEC). RY 26/27 is a variance due to a zero baseline comparison and is in line with previous year expenditure.

Scope of Variance and Key Challenges

FTE increased from 1.67 to 2.92 in 24/25 following the return of the pricing analyst from maternity leave and the filling the vacancy for the Regulatory Finance manager which was vacant for several months in 23/24. The team returns to full capacity of 3 FTE in 25/26 and remains at this level for 26/27. The following FTE movements took place in 24/25.

- Reinstatement of a full-time Pricing Analyst role, who had only briefly commenced in 23/24 before taking maternity leave.
- Filling the vacancy for the Regulatory Finance Manager in 24/25, role that became vacant in 23/24 to lead and oversea charging statement development, price control submissions, and forecast modelling.

The key challenges faced by the team were:

- Maintaining up-to-date, accurate cost allocations through master data management.
- Ensuring compliance with SEC Section K in charging methodology.
- Producing complex forecasts under increased regulatory and customer scrutiny.
- Balancing tight delivery timelines for publications such as the Indicative Budget and Charging Statement. Managing multiple stakeholders across finance, commercial, and regulatory domains, all with varying expectations.

Securing Value for Money

The recruitment of a Regulatory Finance Manager to fill the vacancy created in 23/24 and the return of a full-time Pricing Analyst from maternity leave, supports team deliverables and ensures the team delivers tangible value across the following areas:

- Enhanced analytical capability enables clearer, evidence-based charge setting and forecasting.
- Improved modelling accuracy reduces the risk of under- or over-recovery of Allowed Revenue.
- Strengthened internal governance supports robust audit trails and reduces compliance risk.
- Efficient end-to-end delivery of pricing publications minimises delays and increases transparency for SEC parties.
- Greater team stability reduces reliance on temporary resource and external support, improving cost efficiency over time.

Future Considerations

Looking ahead, the Regulatory Finance and Pricing team will continue to evolve its capability to meet growing demands:

- Enhancing modelling tools and processes to support greater accuracy, scalability, and scenario analysis.
- Strengthening collaboration across commercial and programme teams to align costs with charging implications earlier in the lifecycle.
- Embedding continuous improvement in the production of regulatory publications to meet Ofgem expectations.
- Supporting the development of new pricing approaches for emerging services, ensuring fairness, clarity, and consistency.
- Building resilience and succession planning within the team to ensure continuity of critical regulatory functions.

The size of the team is expected to remain to the same levels of 25/26 onwards.

1.3.8. Risk and Assurance

Overview of Variance

During RY24/25, headcount adjustments were made in response to retirements, internal promotions, and the need to strengthen audit and compliance capabilities. While overall staffing levels remained broadly stable, these changes aligned roles more closely with evolving business needs and ensured strategic oversight in key areas.

Specifically, a Business Assurance Manager (0.6 FTE) retired, and a Senior Internal Audit Manager (1 FTE) was recruited, alongside an internal uplift to restructure compliance responsibilities. The objective was to maintain audit efficiency and policy oversight, while optimising existing resources.

For RY25/26 and RY26/27, these changes continue, resulting in comparable total costs (with RY26/27 benchmarked against a zero baseline).

Scope of Variance and Key Challenges

The team began RY24/25 with 8.6 FTE and averaged 9.13 FTE over the year, including a vacancy for the Senior Internal Audit Manager position.

Key adjustments included:

- The retirement of a Business Assurance Manager in June 2024, leading to a reduction of 0.6 FTE.
- The recruitment of a Senior Internal Audit Manager in May 2024 to fill a long-standing vacancy, reflecting the increased complexity and scale of the audit plan.
- An uplift of the Risk and Compliance Officer role to a Business Compliance Manager, strengthening cross-functional capability in compliance management and audit action tracking.
- The Director of Risk and Assurance role combined with another function following the promotion of the incumbent Director to CFO.

The team comprises three sub-teams—Audit and Compliance, Risk, and Health and Safety—reporting to the Director of Risk and Assurance, who provides overall leadership and acts as the primary interface with the Audit and Risk Committee (ARC) and the Executive Committee.

Team Structure:

Director of Risk and Assurance: Oversees the programme of work, engages with the ARC, and ensures alignment with strategic priorities.

Audit and Compliance Sub-Team:

- Head of Audit and Compliance: Leads delivery of the internal audit and compliance workplan, manages four FTE, and undertakes operational and financial audits.
- Senior Internal Audit Manager: Conducts audits across operational and financial areas to assess the effectiveness of internal controls and compliance with regulatory obligations.
- Business Compliance Managers (3 FTE): Track and validate compliance with the Licence, Smart Energy Code, and Retail Energy Code, and manage remediation where required.

Risk Sub-Team:

- Head of Risk: Manages DCC's strategic and operational risks, supported by a Risk Manager to deliver the risk management programme.

Health and Safety:

- SHE Manager: Ensures compliance with statutory health and safety requirements and advises on HSE elements within service provider contracts.

The key drivers behind these adjustments were:

- Retirement of the Business Assurance Manager, requiring redistribution of responsibilities.
- Recruitment of a Senior Internal Audit Manager to fill a critical vacancy and provide enhanced capability in complex audit areas.
- Internal restructuring to strengthen compliance oversight and improve efficiency.

Business Need and Decision-Making Process

To maintain continuity and effectiveness, several options were considered:

- Replacing the retiring Business Assurance Manager directly or reconfiguring existing roles; an internal uplift was chosen to maintain capability without increasing headcount.
- Filling the long-vacant audit role with a higher-grade Senior Internal Audit Manager to reflect the complexity of audit requirements.
- Combining compliance and audit skillsets to streamline processes and support consistent policy oversight.

Securing Value for Money

The revised structure was designed to balance capability and cost-effectiveness:

- Enhanced internal audit capacity reduced reliance on external providers.
- Strengthened policy and compliance management aligned to business needs.
- Optimised resourcing through targeted recruitment and internal reallocation rather than net headcount increases.

Future Considerations

The resourcing changes implemented in RY24/25 represent a strategic approach to maintaining stability, improving audit capability, and strengthening compliance oversight. As RY26/27 approaches, the effectiveness of the current structure will be reviewed to ensure it continues to meet business requirements and regulatory expectations while supporting efficient delivery.

1.3.9. Redundancy Provision RY25/26

Overview of Variance

The RY25/26 forecast includes a redundancy provision of £0.300 million. This planned cost aligns with DCC's property strategy to consolidate its operational footprint from three sites to two. The provision covers anticipated redundancy payments for staff affected by the closure of the Ruddington office, particularly those unable or unwilling to relocate to the remaining locations. This is a one-off cost aimed at supporting an efficient and equitable transition process.

Scope of Variance and Key Challenges

The provision reflects estimated redundancy costs linked to the planned closure of the Ruddington site.

Securing Value for Money

The inclusion of a targeted redundancy provision supports value for money by:

- Reducing long-term estate costs through consolidation, freeing up resources for other business activities.
- Minimising risk of unplanned exits or disruption by proactively managing workforce changes.
- Reflecting all the costs accounted for in our planned property transition.

Future Considerations

We do not forecast a similar provision for RY26/27 as all activities should take place within RY24/25. We will monitor for any emerging resourcing gaps to ensure business-as-usual performance is maintained.

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

1.4.1. Finance Office

The variance in the Finance Office relates to the zero baseline for RY26/27 and the continuing role of a Chief Financial Officer from RY25/26. This approach supported leadership continuity and avoided duplication of senior roles during a transitional period.

In 2025/26, a permanent CFO was appointed following the period of our interim CFO. The transition included a short-term overlap to ensure effective onboarding, without recruiting a separate FD. By 2026/27, the structure stabilises with no further variance expected.

Prior to this, resourcing was reduced from 2 to 0.92 FTEs in 2024/25 as a result of process consolidation. The subsequent increase to 1.33 FTEs was planned in 26/27. This has delivered a lean but effective finance support model, aligned with the long-term leadership structure.

In summary:

- 2024/25 – Finance Director promoted to Interim CFO; no backfill for the FD to retain internal leadership and manage cost. This approach supported leadership continuity and avoided duplication of senior roles during a transitional period.
- 2025/26 – Permanent CFO appointed (internal promotion); short skills gap managed with handover from interim CFO and FD position removed.
- 2026/27 – Structure embedded; BAU resumed. Accordingly lower costs forecasted for this year.

1.4.2. Finance Transformation

The Finance Transformation Team deliver improvements to financial data quality and reporting through the implementation of automated data processing and reporting utilising the Data Integration Platform. This has resulted in streamlined processes and improved financial reporting as recognised by Ofgem in last year's Price Control submission.

The variance reflects the cost of the remaining 2 FTEs in the sub-team following the attrition and shift of resources in RY24/25. The RY26/27 financial year has a zero baseline for DCC, resulting in a variance despite equivalent expenditure as RY25/26.

During RY24/25 and RY25/26 the team designed and built the new reporting functionality to enable the automated reporting of costs by Service Family which form the basis of the first Ex-Ante Price Control submission.

In RY25/26 and RY26/27 the team's (finance transformation manager and management reporting and data manager) priority will be to focus on Licence Renewal/Business handover to ensure the seamless transition/migration from Capita systems to the new tools and systems to be used by DCC2. This is to ensure consistency in data quality and all other elements of financial reporting including for Ex-Ante Price Control submissions.

1.4.3. Internal Communications

DCC's Internal Communications team helps DCC colleagues understand and engage with the company's strategy and how their roles contribute to its objectives and performance. Through channels and events which the Internal Communications team leads, they help build connection and collaboration across DCC, to maximise our collective efficiency and success in serving our customers and delivering our mandate.

We forecast that our Internal Communications team remains at a steady headcount across RY25/26 and RY26/27, with some pay increase. The roles and responsibilities of this team in RY24/25 will continue through to RY26/27, which shows as a variance due to the zero baseline in the final year.

1.4.4. Legal

Our RY26/27 forecast for our Legal team is £1.188m, which shows as a variance against a zero baseline. The forecast reflects the full-year impact of maintaining a complete legal function to support sustained demand across regulatory compliance, strategic contracting, and governance activities.

While this cost appears higher compared to a zero baseline, it is broadly consistent with the pattern in earlier years for £1m-£1.2m. In RY24/25 and RY25/26, legal expenditure increased as vacant positions were progressively filled and as workload intensified. At present, the Legal team comprises: the General Counsel, two Senior Legal Counsels, and a Legal Counsel, with an additional two Senior Legal Counsel being recruited for part of the period. These vacancies are part of the headcount to backfill departures, however in 25/26 we plan to consolidate the General Counsel and Deputy General Counsel roles.

By RY26/27, all four Senior Legal Counsel positions are assumed to be filled, establishing the steady-state capacity needed to manage the increasing complexity of the legal environment. This fully resourced structure ensures the team can provide proactive support across areas such as Licence Renewal, Programme support, for example Communications Hub and Network procurement, and evolving regulatory obligations.

1.4.5. Workplace experience

The Workplace Experience team's purpose is to manage our property and facilities, ensuring our workplace is secure and is equipped with the furniture, IT equipment and other materials that our staff need.

No baseline has been set for RY26/27 for this item, therefore a £0.165m variance for this year is showing. We forecast equivalent costs for RY25/26 and RY26/27 for our one enduring role.

In RY24/25, we streamlined the in-house team to reduce costs by outsourcing several roles, retaining one in-house position to manage workplace planning, property strategy, and office contracts.

The Head of Workplace Experience oversees all property and facilities services, including:

- Rent, rates, utilities, insurance, and lease management
- Asset management of critical infrastructure
- Management of the [redacted] contract, covering security, cleaning, maintenance, catering, couriers, licences, and contractor services.

All building related projects including fit-outs, events, construction work, internal improvements.

Refer to section 1.5.3 for an explanation of the new external services provider for facilities management services from RY24/25.

1.5. Drivers for Internal Cost Variance – Non Resource

Variance	GL		RY24/25	RY25/26	RY26/27
Travel, subsistence and expenses	NP	£m	**0.468**	**0.267**	**0.376**
Recruitment cost	RC	£m	**0.571**	**0.353**	**0.377**
Outsourced Workplace Experience	AC	£m	**0.793**	**0.942**	**0.965**
Conferences, forums, events	ES	£m	-0.113	**0.167**	**0.164**
Enterprise Planning – [redacted]	ES	£m	**0.447**	0.004	0.004
EXL Onedata Support	ES	£m	**0.441**	**0.300**	**0.300**
Legal Advice	ES	£m	-0.293	**0.400**	**0.500**
AWS Hosting costs	IT	£m	**0.864**	**1.164**	**2.400**
Clarity Software Development	IT	£m	**0.289**	-	-
Finance systems	IT	£m	**0.191**	0.131	**0.220**

Table 6 – Internal Cost Variance – Non Resource

1.5.1. Travel, subsistence and expenses

Overview of Variance

Following the lifting of COVID-related restrictions, DCC has returned to a more normalised level of business travel. This is managed closely, with clear expectations for colleagues to work from the office at least two days per week. To enhance team collaboration and support operational improvements, teams are required to travel between sites more frequently. As a result, travel costs (principally train fares and hotel stays) have increased compared to pandemic levels.

With a return to normalised levels of travel, teams have enhanced collaboration, strengthened stakeholder relationships, and improved the effectiveness of in-person engagements. However, these benefits have led to a rise in overall travel expenditures, reflecting the increased frequency of site visits and extended stays for multi-day engagements.

Scope of Variance and Key Challenges

The key factors driving increased travel costs:

- In-person meetings, workshops, and strategy sessions that require travel between sites. (Travel from Manchester to London and vice versa)
- Increased travel requirements for employees providing on-site support, inspections, and operational oversight.

- The necessity of extended stays for project-critical activities, where remote participation is insufficient.
- Function strategy days as part of our annual business planning cycle.
- Attendance at customer engagement forums, such as the Quarterly Finance Forum
- Delivering training programmes and EDI events
- Leadership event and DCC annual conference that require travel and overnight accommodation

Securing Value for Money

To ensure travel expenditures remain cost-effective while preserving the benefits of increased site visits, and ensure employees use the travel policy.

- Optimising travel schedules to reduce unnecessary trips while maintaining operational efficiency.
- Leveraging corporate partnerships for more cost-efficient venue arrangements.
- Exploring alternative travel options, such as advanced booking for discounted fares and grouped travel where feasible.
- Adopting a hybrid approach where virtual meetings complement necessary in-person engagements.
- Ensure greater onsite collaboration that drives better innovation and employee well being
- The enforcement of standardised travel rates via controls in the Click Travel system, which required senior management approval if standard rates are breached.

Future Considerations

Historically we have forecast low costs for our travel and other expenses, based on what is known to be committed for price control purposes. Our forecasts are higher than normal this year as we have included our full provisions as per our Annual Business Plan (ABP).

Looking ahead, we forecast travel costs to reduce from the level in RY24/25. There will be continued emphasis on balancing the advantages of in-person collaboration with the associated costs and aligning these meetings with team office days.

Our RY24/25 costs include some workplace experience subsistence supplies for our office locations; these will move to our new facilities management provider.

1.5.2. Recruitment cost

Overview of Variance

During RY24/25, recruitment efforts were focused on building organisational capability across multiple teams, including the Process Improvement Team, EPMO, and various other functions. These strategic hires were necessary to enhance efficiency, governance, and operational effectiveness, ensuring long-term workforce stability.

Scope of Variance and Key Challenges

Our RY24/25 recruitment costs cover a range of roles and steps in the recruitment process:

- Process Improvement Team: Six specialists onboarded to in-house the existing team.
- EPMO team: 12 roles recruited across our EPMO sub-teams to in-house expertise from contractors (explained further in section 1.4.4).
- Specialist recruitment for the People team to find a Talent & Performance Manager
- General workforce recruitment: Targeted hiring across multiple sub-teams to fill vacancies for staff attrition as well as new capacity and capability.
- Security and Vetting checks for relevant staff positions
- Recruitment reference checks for all positions
- People team access for recruitment portals

Securing Value for Money

To ensure cost efficiency while achieving the required team objectives and outputs:

- Our recruitment partners were selected through [redacted] procurement, ensuring access to specialised talent for process improvement.
- Competitive recruitment – All hires were made through a structured selection process, ensuring roles were open to wide pool of applicants that were then shortlisted based on key capabilities required for DCC.

Future Considerations

We forecast a reduction in recruitment costs across RY25/26 and RY26/27. As mentioned in section 1.3, we have some planned vacancies to recruit for, but we must also anticipate a level of staff attrition

1.5.3. Outsourced Workplace Experience

Overview of variance

In 2019 DCC awarded a contract to [redacted] for Total Facilities Management (TFM) services for Brabazon House, its Northern centre of operations. DCC is required to perform the TFM services as part of Relevant Service Capability (RSC) in order to provide Mandatory Business Services in accordance with the REC or SEC.

This [redacted] contract expired on [redacted] therefore DCC began [redacted] procuring market proposals to secure a new [redacted] contract to commence from this date. As part of the driver to seek out more efficient ways to deliver DCC services, DCC asked the bidders to explore combining the outsourced FM service with our in-house Workplace Experience team, as this may provide an improved and more cost-effective solution for DCC.

DCC undertook market engagement with [redacted] prospective bidders. Following an extensive and detailed review of proposals from [redacted] bidders, DCC appointed [redacted] as its new FM supplier. This appointment involved the award of a [redacted]-year contract, composed of an initial [redacted] years which is extendable for a further [redacted] years.

This contract is expected to incur costs of [redacted] m over a [redacted]-year period. This expenditure offers savings of £0.900m relative to the budget forecasted for a fully in-house Facilities Management service for Brabazon house (£5.900m).

Scope of variance and key challenges

These costs are relative to a zero Ofgem baseline because this is a new contract. The RY24/25 variance represents the total incurred cost, and higher variances in RY25/26 and RY26/27 represent our total forecasts for a 12-month contract period.

[redacted] provides us with the following services:

- 24 x 7 service to support TOC/SOC and lab services, including a helpdesk service.
- Front of House Security team in both BH and Discovery House (DH). 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 BH 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 redundancies.

Securing value for money

Retaining a fully in-house Facilities Management service was deemed financially unsustainable, and that a hybrid model of in-house and outsourced resources could provide the flexibility to ensure continuity of service while unlocking cost savings. The specific solution opted for was outsourcing the Workplace Experience function to the successful bidder. This option delivered DCC potential project savings of £0.900m (£0.180m per year) relative to the prior in-house Brabazon House Facilities Management budget (£5.900m). Refer to section 4.2.5 where we explain our in-house team, which we reduced from 5.8 FTE to [redacted] FTE as result of this new [redacted] contract.

In line with Licence Condition 16, DCC carried out an [redacted] and [redacted] selection process which began in October 2023.

Request for Proposal was issued to three suppliers in which has expressed interest in participating via our market engagement exercise. Presentations were held with all three suppliers on 6 December and a moderation session for technical scoring took place on 7th December.

On 31st January 2024 the scope of the [redacted] Procurement was changed in line with the DCC Property Strategy to encompass an outsource of the DCC Workplace Experience team encompassing services for Ibex House and Discovery House. This resourcing approach strikes an important balance between ensuring business continuity by utilising existing in-house resources and unlocking cost savings presented by outsourced options.

Revised submissions encompassing the new scope were received on 7 March 2024 and bidders were scored. Scoring was carried out against the following criteria: Service and Technical, Health and Safety, Business Continuity & Disaster Recovery, ESG (Environmental, Social and Governance), Security, and Commercial.

[redacted] demonstrated excellent understanding of the requirement and demonstrated its strong ability to via reference to previous work. [redacted] also gave strong detail on how they would manage and mitigate any risks that may arise during this mobilisation including management of the associated TUPE process.

[redacted] were awarded the highest Service & Technical (24/30) and Commercial score (24/30), demonstrating a dual benefit of capability and value for money in its service proposal.

Future considerations

The FM contract is expected to run throughout the forecasted period of RY25/26 and RY26/27, during which annual costs of c.£1m will be incurred. This value reflects the agreed [redacted]m contract spread over [redacted] years.

Due to the zero Ofgem baseline for this cost item, the entirety of these forecasted costs (£0.942m in RY25/26 and £0.965m in RY26/27) display as variances in our forecast.

The increase in incurred costs from RY24/25 (£0.793m) to RY25/26 (£0.942m) is primarily due to the fact that the contract term commenced mid-year in August 2024 and therefore a full 12 month period of cost was not incurred in the first year.

[redacted] will be assess on performance, fitness for purpose of the requirements and solution, and whether the costs offer value for money prior to any decision on the possible [redacted]-year extension.

1.5.4. Conferences, forums, events

Overview of Variance

The RY25/26 and RY26/27 variance reflects forecast for attendance at key industry conferences, regulatory forums, and stakeholder events, and hiring event spaces where our office facilities cannot

appropriately accommodate a full team (function or programme). These activities remain essential for maintaining regular insight, sector engagement, and knowledge-sharing.

Scope of Variance and key challenges

We have a baseline for both RY25/26 and RY26/27.

We have included our provisions for relevant costs in our forecasts, based on our estimates of what may be taken up by the business in the future.

Value for Money

Attendance at external events or running internal events at offsites is carefully prioritised to ensure alignment with business and team objectives. We review multiple venues, locations and their associated costs before we make any bookings.

Future Considerations

Spend will be reviewed annually to ensure ongoing relevance and effectiveness. Any opportunities to consolidate or share attendance across teams will be explored to further drive efficiency.

1.5.5. Enterprise Planning - [redacted]

Overview of Variance

During RY24/25, two EPMO mobilisation Office specialists were engaged through [redacted] ([redacted], operating outside IR35 and classified as consultants. These specialists were onboarded to provide critical expertise in mobilising the EPMO and ensure the successful implementation of its five core services, including enterprise planning and resource management.

This procurement was driven by the urgent need for highly skilled and experienced experts to establish an EPMO framework effectively and avoid delays in project execution. While external expertise was required to provide this in the short term, a long-term resourcing strategy was developed to reduce future dependency on consultancy and contractors.

Scope of variance and key challenges

The costs reflect time spent by the [redacted] specialists from April to December 2024, which all show as a variance compared to a zero Ofgem baseline. By March 2025, both consultants had rolled off, replaced by a permanent team with the necessary expertise. We described the EPMO team in section 1.3.4 of this chapter.

The decision to onboard EPMO specialists was based on the following key factors:

- Expansion of enterprise planning activities, increasing complexity in project management.

Immediate requirement for specialist expertise to structure and mobilise EPMO operations. This includes establishing initial operating capability, providing standard operating processes, supporting staff training and establishing systems required for delivery of EPMO objectives.

- Risk of inefficiencies and financial penalties if mobilisation was delayed.

Securing Value for Money

We were not able fulfil the skill and capacity gap with in-house staff, and the lead time to recruit new permanent staff would mean DCC would not be able to complete its EPMO activities. In the interim, DCC embarked on its permanent hiring strategy.

We issued a [redacted] tender to [redacted] consultancies that would be able to provide the requisite skills. As part of our bid evaluation, we undertook extensive benchmarking against true consultancies and

contractors was undertaken. This included a comparison of day rates, demonstrating that these specialists provided value for money. Our analysis showed that a contractor operating outside IR35 has been cheaper than using either a contractor inside IR35 or a consultancy firm – demonstrating economic efficiency.

We benchmarked the proposed day rates against [redacted]s rates inside IR35 day rates and other consultants, which found that the proposed rates were overall lower for equivalent experience levels.

[redacted]

Note: to help us compare total costs to DCC, we have included the agency margin for [redacted]in the day rate comparators.

Table 7 – Summary of benchmarking exercise

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

Table 8 – Summary of procurement approach

Future Considerations

Looking ahead, the focus will be on transitioning from external consultancy to a fully permanent EPMO team, planned for completion by September 2025. Therefore, a reduction in cost is forecast for 25/26 and 26/27.

1.5.6. [redacted] OneData Support

Overview of Variance

These costs are for[redacted] Support and Maintenance Services. No baselines have been set for this item; therefore, all years are showing as variant.

In RY23/24, DCC developed OneData with support from Capita (due to dependencies on Capita-owned systems) – this was explained in our prior year submission. The purpose of this initial platform was to provide the DCC's Executive Committee, the DCC Board, and wider DCC Senior Leadership Team with reporting across a range of different KPIs and metrics which are being defined and agreed with these internal stakeholders.

Over RY24/25, we have focused on the next step to move to a portable data management approach. So that we can transition from our existing Capita systems to new solutions, and more easily incorporate new data services as and when needed.

A new Integration Platform, in its optimised form, will provide the interfacing and process flow capabilities. These will assist with, and ensure, good technical integration with the new corporate services required as the DCC's transitions away from Capita in 2026. This investment is therefore being maximised for its longer-term benefit to support a standalone DCC business with inbuilt flexibility to integrate with a range of potential new licensee organisations.

Scope of variance and key challenges

To complete the development functionality to incorporate OneData and Power BI across all our key data sources, we [redacted] procured [redacted] services for a two year term.

During RY24/25, DCC developed the DCC Integration Platform (DIP) in collaboration with EXL, leveraging Microsoft Azure technologies to create a scalable and efficient integration platform. The DIP was designed to streamline internal and third-party system interactions, reducing complexity and enhancing reporting capabilities. The DIP eliminates reliance on manual data entry and enables reusable integrations, providing long-term scalability and enhanced cost-efficiency.

The figure below provides an indicative visual on how the DIP solution helps us connect the different data sources and applications across the DCC:

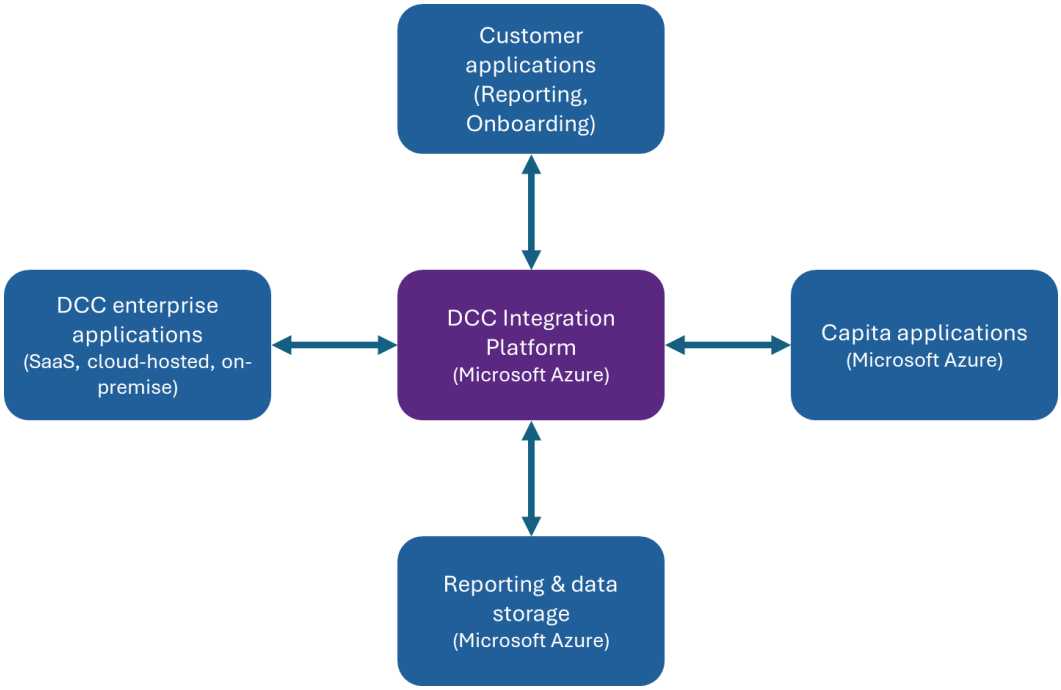


Figure 4. DIP connections to different data sources and applications across DCC

We have grouped our systems into four categories:

- **DCC enterprise applications** include Clarity Portfolio and Programme Management, iValua, the Colleague Data System, ProWatch (access control)
- **Capita applications** include Workday, SAP and SAP FPT
- **Customer applications** supported by the integration platform are those being delivered by the Other User Onboarding project and SecMods 176 & 242
- **Reporting & data storage** are presented to DCC users through PowerBI and Azure Analysis Services

There were several key factors that shaped the development and procurement decisions for DIP:

- Scalability: The platform allows reusable integrations, reducing the complexity and cost of replacing source systems.
- Operational efficiency: Manual processes are replaced with automated data transfers, improving accuracy and reducing administrative workload.
- Compliance with regulatory reporting: The DIP facilitates controlled data access, supporting compliance requirements.
- Enterprise-wide data reporting: The integration of OneData, a centralised data warehouse, enhances business-critical reporting across multiple sources.

Securing Value for Money

Our costs for RY24/25 reflect the costs incurred under our two year contract with [redacted]. Our forecast costs for RY25/26 and RY26/27 reflect the ongoing annual support and maintenance fees.

For our work in RY24/25 and continuing into RY26/27, the DIP supports how we extract data across our operations and feeds this into our customer portal for reporting and analysis. As shown in [Figure 3], we have been working across our range of corporate as well as service systems. Refer to section [1.5.8] on our AWS hosting costs, where we are working on the DIP as part of our overall Enterprise IT portfolio to transition away from Capita services in preparation for licence renewal.

For the development of DIP, we considered:

- Building bespoke integrations for each system: This approach was deemed inefficient due to high costs and scalability limitations.
- Developing a reusable platform: DIP enables standardised data integration, ensuring future adaptability as systems evolve.
- [redacted] procurement of external expertise: Given the business-critical nature of the platform, [redacted] was selected to develop and support DIP, ensuring the necessary expertise was available.
- Optimising resource allocation: A dedicated support and development team was procured to maintain OneData as an enterprise-wide reporting solution, avoiding disruption to day-to-day IT support activities.

In RY23/24, a [redacted] procurement process was followed to identify a supplier who could provide skills and knowledge that the DCC does not have. Vendors were identified through a combination of web-based research and existing knowledge. The selected list was a combination of small, medium, and large companies to understand the best way to obtain value-for-money.

Procurement decisions were guided by a structured cost-benefit analysis:

- [redacted] was selected through [redacted] procurement, ensuring alignment with DCC's requirements and expertise.
- Supplier evaluations included cost comparisons against system integrators offering direct integration solutions.
- Blended day rate of [redacted] from [redacted] offers significant cost savings compared to alternative providers:
- Clarity integration via Ignite: £[redacted] per day
- iValua integration via Touchstone: [redacted] per day
- Additional Capita resources:
- Data Architect: £[redacted] per day
- Solution Architect: £[redacted] per day
- DevOps Engineer: £[redacted] per day

Supplier submissions were evaluated on both commercial and technical grounds. Our contract also includes a call-off for additional development needs.

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

Table 9 – Summary of procurement approach

Future Considerations

The contract with [redacted] is due to end in RY25/26 and a [redacted] procurement to identify a future supplier has been commenced. Forecasted costs will be adjusted once a successful bidder has been identified. At the moment, we forecast these annual costs to be £0.300m based on the second year cost of the current contract.

Future changes in DIP will be driven by requirements from other parts of the DCC. We anticipate significant changes may be needed for Licence Renewal when services supplied by Capita begin to migrate to new suppliers, including ERP, financial planning and HR systems.

1.5.7. Legal Advice

Overview of Variance

We forecast external legal support will be required for RY25/26 and RY26/27. No baseline has been set for RY25/26 and RY26/27 for this item, therefore all forecast costs are showing a variance to the zero baseline.

The areas where DCC require external legal support includes:

- Employment law - DCC does not have internal Employment Law specialists.
- Property related matters – DCC does not have Property Law experts.
- Project and Programme support where the internal Legal Team does not have the capacity.
- Some regulatory or policy changes.
- Fiduciary Duties.
- Financial instruments.

DCC has two law firms on its panel. The General Counsel approves and coordinates external legal support for all business needs. In line with the approach taken in RY24/25, legal advice costs will be allocated to relevant programme budgets when applicable, rather remaining solely within the Finance cost centre. This ensures that expenditure is transparently recorded against the activities that drive demand for such legal support.

DCC's requirement for Legal expertise can be varied and wide ranging given the complexity of DCC's business and the volume of activity we manage. The cost of that expertise can also vary significantly and so our approach is deal with matters in house and only require external support in limited circumstances, where: we do not have the expertise; or there are temporary workload capacity issues. We will not create very expensive permanent roles but will seek external advice as and where required. The engagement of external expertise is managed via our General Counsel, who will evaluate all requests and prioritise based on the areas outlined above.

1.5.8. AWS Hosting costs

Overview of Variance

During RY24/25, AWS usage stabilised, with the latest monthly cost recorded at £0.179m. This reflects key cost factors such as actual service usage fluctuations, dual-running costs associated with CEDAR migration, and increased security measures.

Neither EDAM nor CEDAR are part of the Smart Meter network but consume data from it to provide mandatory reporting for our regulators and customers. EDAM was originally specified to manage the volume of data from only 1-5 million smart meters; however, the number has grown of devices has grown to 30m+. Whilst we have managed to maintain the performance of EDAM, we recognised the need to meet future demand and have therefore specified a new platform (CEDAR) that provides the same reporting services but is capable of managing 50m+ devices securely and with built-in resilience. EDAM and now CEDAR help DCC meets its obligations for mandatory and regulatory reporting.

The transition from EDAM to Redshift for the CEDAR platform has contributed to temporary cost increases, as both solutions remain operational to support reporting requirements during the migration period. Security log enhancements and infrastructure investments for ECoS have also influenced expenditure.

Service Name	Area	Criticality	Key Changes for 2025
Security Operation Centre Tooling	DCC Enterprise, Total System, Switching	Critical	Infrastructure design under review. Potential expansion to cover more areas.
Data Science and Analytics (DS&A) **(EDAM (Enterprise Data Analytic Model)/CEDAR** **Receipt of Total System Data, Omniscope Reporting** **Technology Operations Centre Tooling**	Total System Reporting	Critical	EDAM is in the process of being replaced with CEDAR. Data lake architectures under review.
Interoperability Checker	Total System	High	
Proof of Concept	Total System	Medium	
ECoS (Enduring Change of Supplier) Device Candidate Selection Engine (DCSE)	Total System	Critical	Retired during RY
FTP	Total System	Critical	Solution application and infrastructure are under review

Table 10 – AWS hosting cots table

Scope of Variance and Key Challenges

Several factors drove cost fluctuations throughout RY24/25:

- Actual service usage: Monthly costs varied based on differences between forecasted and actual data volumes, impacting computing resource allocation.

- CEDAR migration: Running EDAM and CEDAR concurrently increased operational costs until full transition is complete.
- Security enhancements: Additional security log capture by the DCC SOC strengthened system monitoring and threat identification.
- ECoS requirements: Cost-efficient internal development of a device candidate selection engine (DCSE) to avoid excessive external supplier expenses.

Significant effort has been put into accurately apportioning costs to the right services, and ensuring costs are well controlled in RY 24/25. The work completed includes:

- Standardised tagging of workloads to the correct DCC function, team and service
- Delivery of a comprehensive billing analytics solution
- Implementation of AWS budgets for each area including alerts when costs approach/exceed to expected budget
- Rightsizing, optimisation and removal across the AWS estate to ensure the DCC are only using what is required
- Application of commercial credit against development work carried out by the Data Science and Analytics team

Securing Value for Money

To ensure Smart DCC's reporting obligations and critical business activities remained uninterrupted, several procurement decisions were made:

- CEDAR transition strategy – Dual running of EDAM and CEDAR allowed continued regulatory reporting while ensuring minimal disruption to BAU.
- Security improvements – Increased log capture was justified by enhanced monitoring and compliance needs.

We note that EDAM was a reporting platform designed to support in the region of 1m meters, which has long since been exceeded. The operational stability of the EDAM architecture was no longer fit-for-purpose, so a more scalable solution was required. CEDAR has been delivered using AWS-native big data solutions, including Redshift, providing the DCC with a platform capable of handling the significantly increased data storage and compute requirements.

As mentioned above, the development of CEDAR is one of our critical non-smart metering systems. As new datasets are created, these are stored within CEDAR and will require additional AWS hosting support. This system is more than just a database; we are able to tag and categorise our data and use the computational ability within CEDAR to facilitate our data analytics and hence support our reporting. This system will be ready to support reporting for Market Half-Hourly Settlement (MHHS) and has capacity to continue to expand to our data needs. Accordingly, we anticipate ongoing growth in the hosting support we need from AWS even once this new platform becomes established.

Similarly, AWS and CEDAR supports our work towards the OpenData initiative in RY25/26, where we are findings ways to summarise and anonymise our data, which would not have been possible under our old systems.

Across all our services, our teams use the data for managing and monitoring our services. For example, we can run customer-specific queries on their data and identify any issues. We then work with the business and if needed, FSPs, to find a solution and then recheck the data to see if the issue is now resolved. This is essential for our production and customer relationship management teams. Alternatively, our DBT teams may request data to inform use cases for future service capability. For example, using current DSP data to inform the design of the new DSP system and contracts by forecasting system volumes.

Future Considerations

Looking ahead, AWS expenditure is expected to stabilise for RY25/26 and RY26/27 as platform optimisations are implemented:

- Continued refinement of the cost management controls
- Decommissioning of EDAM as the final reports are migrated to CEDAR, expected to offset costs incurred through rising data volumes
- Delivery of a new commercial arrangement with AWS, allowing for improved discounts

The design and implementation of the CEDAR reporting platform is under continuous review to ensure that it remains capable of scaling to support increasing requirements across all our services and programmes.

We are currently negotiating our future AWS contracts following the platform migration, therefore will provide an update once these are concluded in our RY25/26 price control submission.

1.5.9. Finance Systems

Overview of Variance

Finance system costs in the period comprise four main components:

- **Capita – SAP Hosting and Support** - Capita provides hosting, maintenance, and system administration for the SAP-based Financial Planning Tool (BPC). This is a core platform underpinning business planning, forecasting, and financial analysis. Costs cover:
- Monthly service fees to maintain secure system operation
- Ongoing technical support to address incidents and performance issues
- Provision for updates to sustain compliance and performance
- [redacted] - This is a reconciliation platform used to streamline account reconciliations and strengthen control frameworks. The expenditure covers annual licencing costs.
- [redacted] - [redacted] provides critical credit and risk analytics services for both customers (within the credit cover process) and Suppliers (for initial supplier vetting and ongoing monitoring). The costs represent [redacted] annual renewal of fees to gain access to risk analytics platform, supplier/customer credit reports.
- [redacted]. - [redacted]. delivered technical advice and support for incremental improvement to the DCC Financial Planning Tool. It also provided support to resolve technical issues impacting usability.

Cost Comparison to Prior Year

Scope of variance and key challenges

Incurred spend for RY24/25 was £0.276m, broadly consistent with RY23/24 (£0.242m). This compares to a baseline forecast of £0.085m, which excluded the majority of hosting and licensing costs pending final approvals.

Securing Value for Money

Finance system costs reflect a combination of committed contractual arrangements and targeted improvements. Specific measures to secure value for money include:

- Capita services procured under a [redacted] [redacted] build-and-support contract agreed in 2022
- [redacted] renewals benchmarked against market rates
- Use of a [redacted] pre-approved call-off budget with [redacted]. for ad hoc consultancy
- Investment in training to reduce future reliance on external support

Future Considerations

Finance will continue to review these services to optimise cost and performance. Key considerations include:

- Transitioning away from Capita-hosted licence renewal arrangements to secure efficiencies
- Ensuring [redacted] services remain appropriately scaled to business requirements
- Maintaining internal capability to contain support costs over time

Forecast costs for RY26/27 are expected to remain broadly in line with the current run-rate, subject to inflation and renewal schedules.

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

Variance	GL		RY24/25	RY25/26	RY26/27
Audit/assurance	ES	£m	-0.061	-0.118	**0.228**
Pay and Reward	ES	£m	-0.032	-0.074	**0.176**
Staff Training	ES	£m	-0.227	0.005	**0.589**
Financial security & stability	IS	£m	0.022	0.012	**0.450**
BAU	IT	£m	0.113	0.042	**0.206**
BAU - ITES – Laptops	IT	£m	-0.076	-0.009	**0.309**
BAU - ITES – WIFI	IT	£m	-0.076	-0.000	**0.263**
Enterprise IT	IT	£m	-0.095	-0.363	**1.648**
FTP	IT	£m	0.064	0.095	**0.282**
Office 365	IT	£m	-0.086	-0.059	**0.773**

Table 11 – Cost Variance Non-Resource RY26/27 only

1.6.1. Audit/assurance

Overview of Variance - The 2026/27 forecast includes £0.230m of costs to deliver the statutory external audit of the company's financial accounts. The variance arises because no budget was allocated in the baseline for 26/27, resulting in a zero baseline position despite the recurring nature of statutory audit obligations.

Scope of Variance and key challenges - These costs reflect professional fees for the annual statutory audit and associated year-end financial reporting, covering:

- Audit of the financial statements in accordance with statutory requirements
- Year-end financial close assurance
- Any necessary incremental work to address evolving audit standards or changes in accounting treatment

This expenditure is mandatory under the Companies Act and relevant auditing standards. It is not discretionary and recurs annually.

Securing Value for Money - Audit services are procured through established professional providers under competitive arrangements. During FY23/24, the company ran a comprehensive audit re-tender process following external audit best practice. This exercise ensured both the suitability of the appointed auditor and that fees reflected competitive market rates. The costs have remained broadly stable year on year and represent proportionate spend to comply with regulatory obligations and maintain appropriate standards of assurance over financial reporting.

Future Considerations - Audit/assurance is a statutory audit requirement and will continue throughout the planning period. No material cost increase (after indexation of costs) is anticipated unless audit scope expands due to regulatory change or additional assurance is required for exceptional transactions. Any adjustments to scope or fee levels will be reviewed to ensure they remain cost-effective and proportionate.

1.6.2. Pay and Reward

Overview of Variance

The external services providers for Pay & Reward consists of two key components:

1. **Hosting & Maintenance -** This covers the ongoing support for [redacted] - our provider for the Reward, Recognition, and Employee Discounts platform.

2. **Benchmarking**
   This includes:

   a. [redacted] - for permanent colleagues, benchmarking permanent roles against our specific industry sectors to ensure parity with the external market.
   b. Contractor benchmarking across three suppliers.
   c. Ad hoc pay range data sourced from two additional suppliers.

No baseline has been set for RY26/27 for this item, therefore the total costs for these providers are showing a variant compared to the zero baseline. We forecast equivalent costs for RY25/26 and RY26/27 using our expectation of fee increases and usage.

1.6.3. Staff Training

Overview of Variance

DCC Training costs are held centrally and cover core learning needs, which includes online learning portal, soft skills training, team building, leadership development and mandatory learning.

In 2025/2026 DCC will create a centralised learning function which will amalgamate both the core learning activities with currently owed business training activities and a centralised budget will be created.

1.6.4. Financial Security and stability

Overview of Variance

These costs relate to the Parent Company Guarantee and the Keepwell Bond, both of which are mandated by licence conditions to ensure the business maintains access to additional liquidity if required.

No baseline was set for Regulatory Year 2026/27, resulting in a variance when compared to the zero baseline position. The forecast is in line with previous years, reflecting the ongoing nature of these financial arrangements. We do not anticipate significant changes to the underlying cost drivers, aside from expected uplifts linked to services that scale with headcount and the transition of certain roles from contractor to permanent employment, which may marginally impact associated fees.

1.6.5. BAU - IT, Laptops and WIFI

Overview of Variance

Our forecast costs for RY26/27 are in line with previous years spend. Historically we have leased laptops from Capita with a three-year warranty, which entrenched DCC in a rolling cycle of four-year commitments to new devices. To ensure DCC was able to improve the warranty of devices we acquired (but also reduced our lease commitment) that extended past Capita's licence to operate DCC, we opted to start procuring devices from 2022.

A [redacted] procurement was carried out to identify a new Wi-Fi provider during RY24/25. A preferred supplier, VMO2, was identified but the work was put on hold whilst the relocation of the DCC's London office is finalised. The contract for implementation and delivery of services will be finalised once a new office lease is in place during RY25/26 and ongoing costs will continue for the duration of the 3-year contract.

1.6.6. Enterprise IT

Overview of Variance

Our "Enterprise IT" pool are licence costs for applications the business uses to perform its duties. No baseline has been set for RY26/27 across this cost item, therefore all RY26/27 costs for these are showing a variant compared to the zero baseline. We forecast equivalent costs for RY25/26 and RY26/27, which are small decrease on our incurred costs for RY24/25.

As you can see in the table below, each application has a defined purpose and will have been through a procurement process to acquire the service. In terms of value-for-money, there are two examples below where a service has been re-sourced to either improve the service or reduce cost:

- [redacted] has implemented much of our video conferencing systems. Post an RFP, conducted to ensure that DCC gets the best service and price, [redacted] will provide ongoing support.
- [redacted] are being replace by [redacted] following an RFP to find a tool that increases integration with other DCC platforms (ensuring we get increased value from our Microsoft licenses), improved control of content, value for money, and better control over where DCC's data is stored.

Please note that the Amazon costs are discussed in section 1.4.2 and that the [redacted] service costs are covered in Section 1.4.1.

There are always new business initiatives around software, either to invest in new products or services, retire applications, or to develop the use of existing ones. As we continually revisit the licence volumes this can also introduce some degree of variability. Enterprise IT usually contain the budget for ongoing licenses, hosting costs and support costs for implemented systems, so the costs in this area will be influenced by the volume of change in the business. As an example, strategic platforms such as OneData will need to continually evolve to integrate with new data sources and provide new reporting functionality depending on business needs.

Supplier	Service description
[redacted]	

Table 12 – Summary of Enterprise IT services

1.6.7. FTP

Overview of Variance

No baseline has been set for RY26/27 across this cost item, therefore all costs for these are showing a variant compared to the zero baseline. We forecast equivalent costs for RY24/25 and RY25/26 and are not proposing significant variations. The existing FTP service is due to be replaced, with design work under way. Once the design has been completed, a plan to deliver will be finalised and the forecast will be adjusted accordingly. The design centres on using AWS-native technology to replace the third-party solution from Pro:Atria, which is expected to lead to reduced run costs.

During RY24/25, we extended our current contract with Capita and we explain our procurement approach and outcomes below.

Capita Networks & FTP – contract extension

Drivers for Change

The requirement for this Change was wholly driven by consultations with industry, which dictate the timeline for the Test and Migration Approach Document (TMAD). On several occasions, DESNZ have mandated a change to the expiry date for SMETS1 meters to be enrolled into the DCC eco-system. Most recently, the expiry date was extended until 31st December 2025, as set out in the current TMAD. The extension of the TMAD is a formal direction from DESNZ and not a unilateral decision from DCC.

The 'Networks & FTP' Contract provisions a secure file server to facilitate transfer of files from the DSP to two Contractor destinations, and from the DCC BI environments back to the DSP. A significant proportion of the file transfers are related to SMETS1 migration activity.

The enduring agreement was due to expire on 31st January 2024, but industry consultation (TMAD) has dictated that SMETS1 migration activity would continue through to the end of 2025. The final close-down of this Project was expected to complete by 31st March 2024. As a result, CAN071 was required to extend the term of the agreement; this extension would be for the guaranteed term of 2 months and then would continue rolling month-on-month, whilst DCC sought Board Approval to secure budget to extend until 30th September 2024. Following this, CAN072 extended the Term until 30th September 2024. However, it became apparent that the SMETS1 Migration Programme would not complete prior to expiry.

Board Spend Approval of £[redacted] for the SMETS1 Enrolment/Commissioning/Migration Support Service covered service support for the period, including an amount of contingency factored in. Given the requirement to extend these services, as well as other SMETS1 service components, DCC did not have the

required budget to invoke an enduring extension. As a result, DCC sought an 'interim' extension until 31st December 2024 – CAN074; this would allow DCC to ensure the appropriate governance and ExCo approvals have been achieved. This was gained on 17th December 2024.

Given that this service is integral to the SMETS1 Migration Programme and mandated by the stipulations of the TMAD. The most recent consultation with DESNZ on the TMAD proposed an extension to the SMETS1 Migration Programme, proposing to extend the expiry date to 31st December 2025. This received the approval of 9/12 respondents, with 2 respondents being neutral and 1 respondent not in support of the extension. Therefore, DCC extended the Agreement for the period until 30th September 2025 (CAN076). This made certain that the quality and availability of the service continued throughout 2025.

Scope of Change

The Service Scope and T&Cs were sustained throughout the period and did not differ materially from the enduring Contract. As previously mentioned, the 'Networks & FTP' Contract provisions a secure file server to facilitate transfer of files from the DSP to two Contractor destinations, and from the DCC BI environments back to the DSP. The Scope was merely to extend this Service and deliver upon DCC's obligation to continue to provide it.

Securing Value for Money

The Contract Management Team, along with the wider Design, Build, Run (DBR) business functions have sought to maximise the value for money DCC receives for the enrolment/migrations services received through all respective Service Providers. DCC has avoided the potential for cost increases and secured the continuation of the FTP Service as dictated by the stipulations of the TMAD. Given the criticality of this Service to the ongoing SMETS1 Migration Programme, it was of paramount importance that DCC ensured the availability and quality of the Solution; it is a success that DCC has been able to negotiate an extension on the same terms from this bargaining position.

Future Considerations

As discussed in the previous sections of this submission, the requirement for this Service is wholly driven by consultations with industry, which dictate the timeline for the Test and Migration Approach Document (TMAD). The Contract Term is strategically and fundamentally aligned with the roadmap for the SMETS1 Migration Programme; therefore the FTP Service will no longer be needed once that workstream completes.

DCC shall continue to work collaboratively with industry to monitor the progress of SMETS1 Migrations and consult key stakeholders as appropriate. There is no future approval anticipated for this Service.

1.6.8. Office 365

Overview of Variance

The category of Office 365 covers several applications that are utilised to enable a secure, efficient, and effective computing experience for our employees, which is critical for us to produce a secure, stable, and reliable service. This includes, but is not limited to:

- Windows E5 licenses for the Windows and Microsoft Office applications for circa 1,000 DCC employees, contractors, consultants, and Service Desk
- Azure Directory licenses for more than 5,000 third party user accounts (customers, suppliers, regulators etc.) to access secure file storage in SharePoint
- Microsoft Visio and Project licenses for role-specific requirements
- Azure consumption costs for business applications such as the Finance Server, the corporate data lake and reporting services

The high volume of specific line items invoiced is caused by DCC continuously adapting our licence volumes throughout each month to reflect the current requirements. We try to keep the number of licenses available to a minimum, ensuring cost control related to requirement. Enterprise IT also monitor usage of applications and encourage the release of licenses that are unused to minimise cost.

The use of E5 licenses was justified during the Enterprise IT Program of 2020, where we migrated away from Capita to improve our security posture as there are a significant number of security tools available at this licence level that are not part of lower-level licence options.

DCC purchases Microsoft licenses through a Trustmarque and Capita arrangement that exploits Capita discounts. A [redacted] procurement is in progress to ensure the DCC is chieving the best value-for-money possible when purchasing Office 365 licenses. The successful bid was delivered by Capita, supported by the software reseller, [redacted] with the total cost being significantly lower than all other bids received. The procurement is close to completion with contract signature expected in Q1 RY 25/26 with costs expected to remain at a similar level despite annual price increases from Microsoft.

The procurement was carried out with the understanding that separation from Capita will lead to the agreed discounts no longer being available. A [redacted] contract with two optional [redacted] extensions has been agreed as the best approach to maintain the best price possible until separation occurs, whilst retaining flexibility.

No baseline has been set for RY26/27 across this cost item, therefore all costs for these are showing a variant compared to the zero baseline. We forecast similar costs for RY24/25 and RY25/26.

Data Communications Company

DCC Price Control RY24/25 – Design and Assurance (Technology Office)

Version: 1.0
Date: 31.07.2025

1. Design and Assurance (Technology Office)

Summary

What is this and why is it important?

The Technology Office function is responsible for setting DCC's technology strategy, design assurance, system integration and change assessment. It has a key role in the delivery of DCC's programmes, from developing the solution requirements for re-procurement of the Data Services Provider (DSP), to moving programmes through our various testing stages, and will continue to have a critical role as we set out our technology roadmap in future years.

The Function provides technical expertise in complex areas such as 2G / 3G sunsetting, scaling capacity in the north region and No WAN. It is also responsible for delivering significant core industry obligations to test all modifications, releases and change, and any new capabilities under SECMODs or approved programme activity.

RY24/25 activities and costs

RY24/25 incurred costs were £13.7m, £3.0m above the regulatory baseline, but closely in line with the £13.0m forecast DCC provided in last years' price control submission. The variance to the baseline is predominantly made up of resource costs (£1.0m) and external services (£1.7m).

The resource cost variance was due to the Business Analyst team having a zero-baseline set by Ofgem in the prior year price control process. This team is essential in the early phase of all programmes, projects and SEC or contract changes in building high quality requirements. The RY24/25 cost (£1.0m) was below the forecast provided by DCC last year, reflecting strong cost management.

During RY24/25, a high volume of technology change (e.g. 4G CH&N and DSP) placed significant demand on Technology capabilities. Due to the short temporary nature of these requests, some targeted external services were employed to ensure efficient, effective delivery against our obligations. Where possible, we have brought these activities in house (e.g. Networkology and Qualitest, with a small 'run-off cost' incurred in the year). More detailed information on these is provided within the Design and Assurance chapter.

Despite the continued high levels of activity required, we significantly decreased spend in RY24/25 vs. RY23/24 (by £1.8m) and kept headcount stable through the year. Cost efficiencies were achieved through internal process improvements and increased automation.

Future activities and costs

We are forecasting a reduction in cost from £13.7m in RY24/25 to £13.0m in RY25/26.

As part of our focus on delivering cost efficiency, we will continue to build our in-house resource management expertise, ensuring suitable flexibility to meet peak periods of demand and reduce reliance on consultancy and contractor services.

1.1. RY24/25 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's purpose and the associated resource and non-resource costs.

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

Cost Centre variance by GL

Baseline			RY24/25	RY25/26	RY26/27
Total Design & Assurance (CTO)		**£m**	**10.685**	**10.575**	**-**
Payroll costs	PR	£m	7.338	7.446	-
Non-payroll costs	NP	£m	0.242	0.245	-
Recruitment	RC	£m	0.006	-	-
Accommodation	AC	£m	0.159	0.160	-
External services	ES	£m	2.827	2.611	-
IT Services	IT	£m	0.112	0.113	-
Incurred			**RY24/25**	**RY25/26**	**RY26/27**
Total Design & Assurance (CTO)		**£m**	**13.657**	**12.985**	**15.262**
Payroll costs	PR	£m	8.373	7.097	9.607
Non-payroll costs	NP	£m	0.415	0.713	0.713
Recruitment	RC	£m	0.134	0.043	0.034
External services	ES	£m	4.611	4.661	4.437
Internal services	IS	£m	0.005	-	-
IT Services	IT	£m	0.119	0.470	0.470
Variance			**RY24/25**	**RY25/26**	**RY26/27**
Total Design & Assurance (CTO)		**£m**	**2.972**	**2.410**	**15.262**
Payroll costs	PR	£m	**1.035**	-0.349	**9.607**
Non-payroll costs	NP	£m	**0.173**	**0.469**	**0.713**
Recruitment	RC	£m	0.128	0.043	0.034
Accommodation	AC	£m	-0.159	-0.160	-
External services	ES	£m	**1.784**	**2.050**	**4.437**
Internal services	IS	£m	0.005	-	-
IT Services	IT	£m	0.006	**0.357**	**0.470**

Table 1 – Design and Assurance variance by GL

1.1.2. External Costs overview

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

1.2. Purpose, Scope, and Structure

Purpose

The Design and Assurance (Technology Office) 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 with our licence obligations. It has continued to mature in RY24/25 under the leadership of the permanent Chief Technology Officer. The function's aim is to become an open and transparent transformation partner and ensure the Smart Meter infrastructure remains fit for its intended and evolving purpose.

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

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 RY24/25	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 and 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.
Implementation of a Systems Engineering framework (INCOSE 15288) to ensure quality of delivery.	Systems Engineering is a methodology to implement standardised, repeatable, and quality technical change within systems. The technology function is implementing this methodology into the change processes to gain efficiencies and increase quality to reduce incidents in the live systems and drive efficiency across resources utilization in various programs.
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 2 – Design and Assurance accountabilities

The Design and Assurance function operates with a flexible resource model, where we allocate colleagues with domain expertise out to DCC programmes. Our expertise includes IT architects, subject matter and service domain expert, testing and business analysts. These subject matter experts 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 exited the Pre-Integration Testing (PIT) phase in January 2024 and is progressing through Systems Integration Testing (SIT) and remains on track to deliver a pilot in RY24/25.
- We have assured the low-level designs for the CH&N programme, completed design assurance and conducted testing to ensure the design is aligned with our requirements. This resulted in moving the program from Gate 2 (low level design) into Gate 3 (built completion) by end RY23/24.
- Supported 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 strategic, outline and full business cases. 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 due to be awarded in RY2024/25. DCC have 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 Arqiva network.
- Implemented new SMS retry solution in terms of SMETS1 messaging saving 60% of cost on SMS over usage.

More broadly, the Design and Assurance function provides critical resource and expertise at all process stages involved in implementing new initiatives and programmes, from initial inception and scoping through to enduring operations and maintenance. The schematic below details these activities at specific stages of process lifecycles.

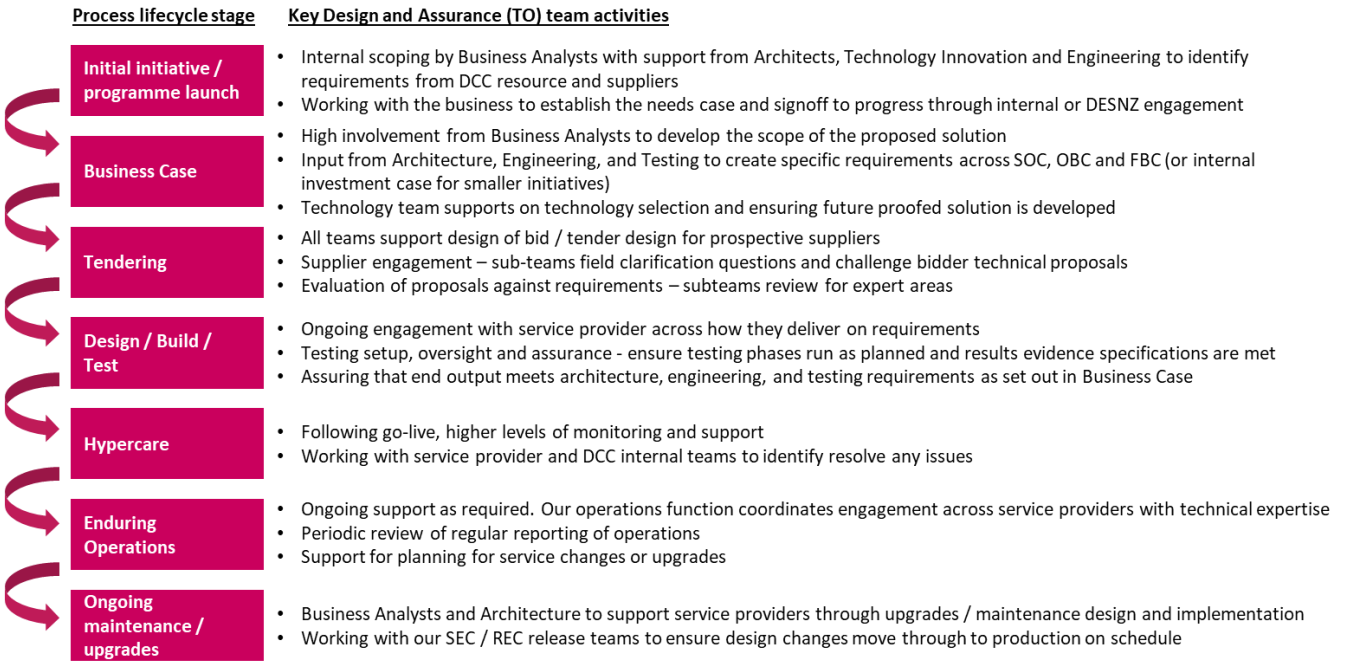


Figure 1. Key Design and Assurance team activities

Structure

The structure has been retained for RY24/25 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. Several internal changes took place within the Design and Assurance function these included:

- Testing Services (which includes test assurance) moved from 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.
- Business Analysts moved from the Service Delivery function to gain alignment across requirements and design using the INCOSE standard.
- Introduction of a new post: 'Head of In-Life change' that focused on production environment change activity from a technology perspective, with the intention of driving process efficiencies.

Creation of a dedicated Cloud team providing capability of building efficient, effective, and scalable platforms going forward.

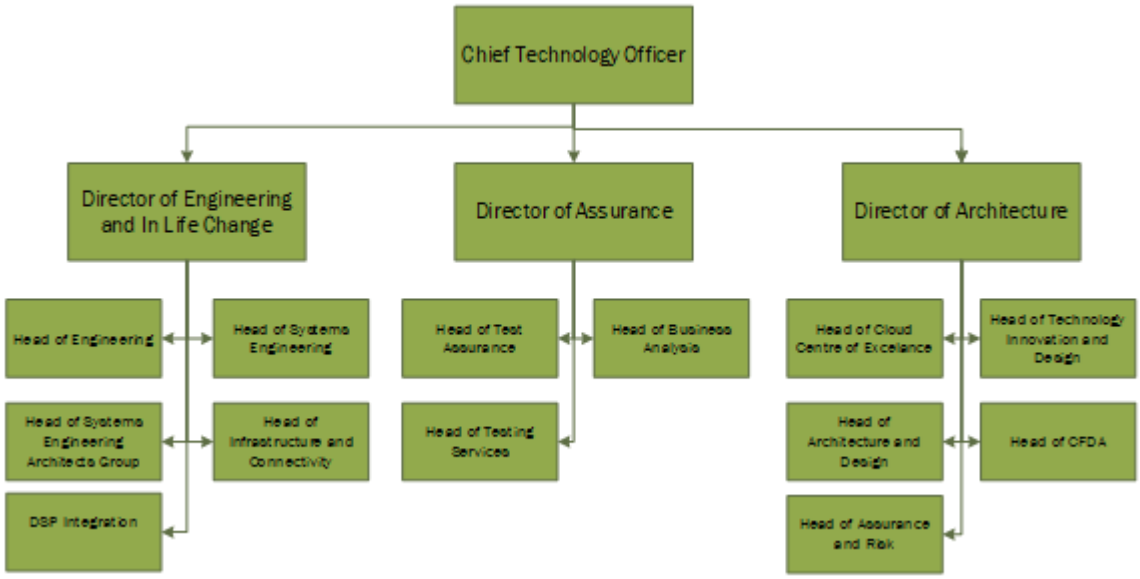


Figure 2. Cost centre organisational structure RY24/25

The table below provides the overview of the structure of the TO cost centre during RY24/25 and a description of the teams within the structure.

Sub Team structure reported in RY23/24	Current Sub-team RY24/25	Comments / Description
CTO Office	CTO Office	Comprises the Chief Technology Officer and their PA
Engineering	Engineering (renamed Engineering and In Life Change in RY24/25)	The increased amount of change across our FSPs has resulted in a requirement to increased technical assurance in our engineering team. The team provides the following professional focus sub-teams: systems engineering (SE), systems integration (SI), Systems Engineering Architects group (SEAG), technical delivery, radio network design, communications hub and radio connectivity, devices and engineering management teams. The team also expanded to include In Life change and infrastructure and connectivity in 2023 to create a structure of technical domains that can service the technical changes to the current and future state to the Production Environment. The sub teams are comprised of: • The SE sub-team addresses the need to mature and scale DCC's current and future operating requirements. • The SI sub-team is responsible for authoring and the realisation of the DCC enduring SI strategy, encompassing the DSP subsystem and associated satellite programmes. This will align to assurance during the RY24/25 year. • The SEAG provides direct support to the Cross Functional Design Authority and wider DCC, by taking technical ownership of systems, domains, and products within the DCC ecosystem. • The communications hub and radio connectivity sub-team are technical specialists on all Communications Hub variants within the DCC Ecosystem, managing device lifecycle for forthcoming products and Radio network design assurance provided by our Three CSP nationally including SMETS1. • The devices sub-team are technical specialists covering a wide range of activities relating to smart meters and related devices, across both internal and external stakeholders. • The technical management team ensure that programmes delivery the correct technical artifacts into the governance regime (CFDA) and those artefacts are aligned to the INCOSE standard. This was

Sub Team structure reported in RY23/24	Current Sub-team RY24/25	Comments / Description
		later expanded into the In Life Change team to look at effective process governance to the Production Environment. • Supporting on Communications Hubs and Network (end to end Service evolution toward 4G) • Supporting on Data Service Platform (DSP) integration • Supporting on Radio Network Optimisation (WAN) • The Engineering Management sub-team ensures that all approved projects and programmes have appropriate expert technical resource, so the supplier changes and design proposal are robustly scrutinized and assured with principle of assessing the impact to our customer and end consumer to drive improved service experience.
Network Evolution and Infrastructure **Technical Innovation/System Enhancements** **Cross Functional Design Authority (CFDA)** **Cloud Transformation Team** **Test Architecture**	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 RY24/25)	In RY24/25 the Network Evolution and Infrastructure, Technical Innovation/System Enhancements, Cross Functional Design Authority (CFDA) and Cloud Transformation were combined to form one Architecture team. The 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 is 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. • Test Architecture is responsible for the overall testing strategy, interaction with DCC suppliers on a commercial/technical level and the implementation and maintenance of testing processes and tooling.
Testing	Testing (renamed Testing Assurance in RY24/25)	Testing transferred to the Design and Assurance function in June 2022 after residing in Service Delivery for a short period. 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 is 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. • Business Analysts sub-team transferred to the Design and Assurance function under Testing. This was to ensure requirements traceability transferred effectively to testing to minimise gaps and/or duplication.

Table 3 – Descriptions per Sub-Team

1.3. Drivers of Internal Cost variance – Payroll

Function variance by Sub-Team

Baseline		RY24/25	RY25/26	RY26/27
Design & Assurance (CTO) Payroll Costs	**£m**	**7.338**	**7.446**	**-**
Architecture and Design	£m	1.377	1.399	-
CTO Office	£m	0.253	0.250	-
Engineering	£m	3.132	3.181	-
Innovation and Insights	£m	0.639	0.648	-
Testing Services	£m	1.937	1.967	-
Incurred		**RY24/25**	**RY25/26**	**RY26/27**
Design & Assurance (CTO) Payroll Costs	**£m**	**8.373**	**7.097**	**9.607**
Architecture and Design	£m	1.284	0.595	1.425
Business Analysts	£m	1.068	0.323	0.479
CTO Office	£m	0.324	0.404	0.415
Engineering	£m	2.764	2.977	3.650
Innovation and Insights	£m	0.510	0.624	0.640
Testing Services	£m	2.320	2.175	2.999
HSM Portability Project Resource	£m	0.014	-	-
Elective Service Project Resource	£m	0.088	-	-
Variance		**RY24/25**	**RY25/26**	**RY26/27**
Design & Assurance (CTO) Payroll Costs	**£m**	**1.035**	**-0.349**	**9.607**
Architecture and Design	£m	-0.093	-0.805	**1.425**
Business Analysts	£m	**1.068**	**0.323**	**0.479**
CTO Office	£m	0.071	**0.154**	**0.415**
Engineering	£m	-0.368	-0.204	**3.650**
Innovation and Insights	£m	-0.128	-0.025	**0.640**
Testing Services	£m	**0.383**	**0.208**	**2.999**
HSM Portability Project Resource	£m	0.014	-	-
Elective Service Project Resource	£m	0.088	-	-

Table 4 – Design and Assurance payroll variance by sub-team

For RY26/27 there was no baseline for the whole cost centre and the costs for a number of sub-teams are yet to be allocated to individual programmes. These have been highlighted in the individual writeups that follow.

1.3.1. Business Analysts

Overview of Variance

The Business Analysts (BA) sub-team operates within a defined cost and headcount envelope. It develops the technical, functional and non-functional business requirements that support project and programme delivery, setting scope and providing financial modelling accuracy.

DCC's BAs support the project and programme activity throughout the entire lifecycle. The most intense phase being the development of requirements for any early commercial activity. This has included the procurement of the new Data Service Provider (DSP), Future Service Management (FSM), Future Connectivity, Virtual WAN, and Long-Range Radio initiatives. Additional activities, such as Licence Renewal and future 4G technology procurement, continue to demand BA resourcing

Due to cost disallowances in Ofgem's previous year decision, the baseline is set to zero. It is worth noting that our incurred and forecast spend is lower than the levels forecast submitted last year for this team. Work supported this year included the procurement of the new Data Service Provider (DSP), FSM, Future Connectivity, Virtual WAN, and Long-Range Radio initiatives. Additional activities, such as Licence Renewal and future 4G technology procurement, continue to demand BA resourcing.

Work and therefore spend is expected to reduce in RY25/26 because of project and programme phasing and through the introduction of process efficiencies. This will increase slightly in RY26/27 to meet the demands as programme allocations needs are not yet certain but is still forecast to be significantly lower than the RY24/25 spend.

DCC programmes are enduring and therefore there will be a need to meet demand. As the Business Analysts sub-team is involved at the initial stages of a programme, any new programmes that are not yet visible are likely to have an impact on the resource demand at the time of writing this document.

Scope of Variance and Key Challenges

The cost profile in RY24/25 was driven by:

- Programme phasing – placing more concentrated demand on BA Resourcing for the following programmes:
    - Virtual WAN
    - FSM
    - Data Service Provider
    - Future Connectivity North
    - Enduring Change of Supplier (ECoS)
    - Public Key Infrastructure
    - FOC Application, Network, Security, and Operations (ANSO)
    - DCO Re-procurement
    - Meter Data Retriever Onboarding
    - In Life Change (including modifications required, following amendments to the Smart Energy Code and the Retail Energy Code).
- Improvement initiatives – Investments in Requirements Management standardisation, including the creation of the Requirements Library and tool implementation, required initial expenditure but will aim to generate savings in future years.
- Strategic governance enhancements – Strengthening traceability and programme alignment introduced short-term costs, but these measures will reduce inefficiencies and programme delivery risks over time.

Our actual RY24/25 of £1.0m is lower than our forecast made as part of the RY23/24 submission of £1.8m, as c.13 FTE of resource was recharged out to programmes over the course of RY24/25. For example, Business Analysts were recharged out to DSP, Future Connectivity, and vWAN.

We forecast FTE will fall from 19 in RY24/25 to 12 in RY25/26, driven predominantly by reduced reliance on c.7.5 FTE of contracted resource. This is partly offset by increased FTE from internal resources forecast. We note that this contractor resource carries a higher cost profile than internal resources, meaning a reduction in contracted resource going forward will significantly reduce overall costs incurred by the Business Analysts sub-team.

The amount of FTE resource we forecast to be billed out to programmes also falls from 12.8 in RY24/25 to 6.8 in RY25/26, owing to reduced utilisation of Business Analyst FTE on programmes such as DSP (2 FTE), Future Services Management (1.6 FTE), and Future Connectivity (2.4 FTE). However as explained in section 1.2 and above, our BAs are an essential role for scoping of requirements for new programmes and projects. These newer workstreams do not yet have all forecast resources allocated.

As with a number of other sub-teams, although the FTE remains static the cost profile increases as less resource has been allocated out to programmes than in RY25/26.

Securing Value for Money

The Business Analysts sub-team remains committed to cost efficiency, with a focus on optimising resource allocation, embedding improvements, and reducing dependency on external consultancy. Key actions supporting the downward trend in spend beyond RY24/25 include:

- Leveraging technology for efficiency – the introduction of a requirements management tool will streamline processes, standardise requirements generation and support traceability, reducing manual effort and supporting long-term financial savings.

These measures will aim to enable a gradual reduction in financial requirements, with operational maturity expected to be achieved by RY26/27.

Our business analysts continue to provide essential support across the business, particularly at the early phases of projects and programmes. For example, we support on forming requirements for all SEC releases along with many Change Requests and Project Requests that need scoping support.

The team is required to set up any projects and work with the business to identify, develop and agree the project requirements. Including, what is in needed from DCC and supplier resources. For example, early phase setup for the enduring Services System Integrator for the DSP, with detailed requirements taking place in RY25/26. We are also working with a new traceability matrix tool for setting up and managing the requirements for the new DSP.

Future Considerations

Since the forecast included in this submission was set, the business has launched a formal consultation to reshape the Business Analysts sub-team. This initiative aims to improve efficiency by aligning capacity more closely with programme needs, reducing overheads, and ensuring the team remains strategically focused on supporting delivery outcomes.

Looking forward, the Business Analysts sub-team will continue to evolve to deliver a leaner, more responsive service. Key areas of ongoing development include:

- Strengthening traceability through centralised requirements management to reduce duplication and improve oversight.
- Embedding cost discipline through more targeted workforce planning, ensuring resource levels are proportionate to programme phasing.

These improvements, together with the outcomes of the consultation, are expected to result in a lower-cost operating model that maintains service quality and responsiveness. In parallel, we will continue to explore opportunities to embed automation and artificial intelligence into the team, with the aim of identifying further efficiencies beyond RY25/26.

This area of our submission will be further developed and substantiated in the RY25/26 Price Control submission, once the outcomes of the consultation have been implemented and their impact can be evidenced.

1.3.2. CTO Office

Overview of Variance

The CTO Office covers the full-time CTO role and two apprentices supported by DCC. These apprentice roles were taken on in September 2024 and were not included in the forecast submitted last year, therefore the costs for these were not included in the baseline.

Scope of Variance and Key Challenges

Due to the roles starting in September 2024, the variance in RY24/25 only reflects the costs from this period until the end of the year with subsequent years reflecting the full costs of the apprentice for each regulatory year.

There are no structural changes planned for RY25/26 or RY26/27, and the cost profile remains broadly consistent with previous years. The investment reflects DCC's commitment to both executive technology leadership and early-career development. The variances in these years reflect DCC's investment and commitment to both executive technology leadership and early-career development, plus there being a zero baseline in RY26/27.

The apprenticeships do not directly align to specific programme forecasts, which can present a justification challenge despite the enduring value they deliver across the organisation.

Securing Value for Money

The CTO provides strategic technology leadership across DCC, ensuring coherence across complex digital platforms. The apprenticeship programme offers structured development while delivering immediate value: apprentices rotate through areas such as Testing, Design Assurance (CFDA), and Knowledge Management, contributing to live initiatives while building long-term talent pipelines. This approach supports capability uplift without adding permanent headcount.

Future Considerations

The CTO Office will continue to play a dual role in guiding DCC's long-term technology direction and nurturing early-stage talent. As future programme complexity increases, maintaining this blend of strategic oversight and capability development ensures DCC remains technically resilient and forward-looking.

1.3.3. Testing Services

The Testing Services team consists of four areas: Test Governance, Test Assurance, Testing Services and Enterprise Architecture testing.

Test Governance is responsible for managing the relationship on testing related matters with external parties such as the SEC and REC, specifically through engagement at the Testing Advisory Group and other for a.

Test Assurance is a service to internal programmes and is specifically to make sure testing is done effectively across all environments by our service providers and programmes. There is a strong internal

and external governance regime applied to this area so that any testing activity is fully scrutinised before any solution is allowed to move between environments and, finally into the Live Production environment.

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 Testing is responsible for testing activities to support change to DCC internal IT services, previously these systems were supported by Capita.

Overview of Variance

The variance within the year can be attributed to increased demand resulting in an actual FTE of 38 against an FTE of 19 in the baseline figure. The higher FTE included a number of external contractor resources which were essential to be able to meet the requirements of the business. Although they come at a higher cost than internal resources, they offer significant benefits such as being able to capacity very quickly and providing specialist/niche skills that do not exist internally and are only needed for a short time.

The forecast for future years is aligned to the total FTE utilised in the current year which will provide capacity and flexibility to meet future testing needs. In RY26.27, the forecast cost increase as resources are not yet fully allocated to programmes.

Scope of Variance and Key Challenges

Testing delivery roles within DCC are accountable for the end-to-end management of all testing activities conducted through our laboratory environments. These roles cover the setup, programming, execution, and monitoring of tests across multiple programmes and projects concurrently. Due to the dynamic nature of this work, these employees do not complete formal timesheets, as their activities span overlapping workstreams and require continuous reprioritisation to meet delivery objectives.

These resources are also responsible for the analysis of test results and for coordinating with internal stakeholders and external service providers to ensure test findings are effectively addressed. In parallel, a dedicated team manages all aspects of the test lab operations, including facilities oversight, allocation and maintenance of equipment, and schedule planning and adjustments. At Brabazon House, DCC operates approximately 1,000-meter sets distributed across 17 dedicated lab rooms. These facilities support a wide range of testing activities, including User Integration Testing (UIT), programme delivery testing, and service provider validation. Testing capacity is available 24/7 and is only unavailable during planned maintenance activities. Over the course of a typical year, the labs process approximately 600,000 Service Requests (SRs), reflecting the scale of activity required for this area. Testing operations are scheduled to align with programme requirements but can extend beyond standard working hours where necessary to meet critical milestones.

The cost profile in RY24/25 was primarily driven by three factors:

- Specialist Resource Demand: The complexity of specific testing requirements necessitated the engagement of short-term specialised expertise, including support for Service Management System testing and validation.
- Talent Availability Constraints: Market conditions constrained the availability of qualified permanent candidates, which increased reliance on contractors to secure the necessary skills within required timeframes.
- Challenging Delivery Timelines: Changes to project and programme delivery milestones created immediate and significant increases in resourcing needs. In several instances, there was insufficient lead time to complete permanent recruitment processes, requiring contractor engagement to avoid the risk of delays and associated cost escalation.

While some contractor use will continue to be necessary to maintain delivery flexibility and access niche

expertise, DCC is implementing improved project and programme planning practices to reduce reliance on temporary resources wherever possible.

Securing Value for Money

Testing Services remains committed to balancing cost efficiency with delivery needs. Key actions supporting a gradual reduction in contractor reliance include:

- Strategic workforce transition: Prioritising permanent recruitment for roles suited to long-term stability while retaining contractor flexibility for niche expertise.
- Optimising resource allocation: Aligning testing activities with structured workforce planning to manage costs effectively.
- Leveraging process improvements: Enhancing automation and AI to drive efficiencies and reduce ongoing resource requirement.

These measures will ensure a sustainable approach to resourcing while maintaining delivery effectiveness.

Future Considerations

In RY25/26, we forecast a reduction in overall sub-team cost compared to Ry24/25, but then an increase again for RY26/27 as resources for that year are not yet allocated to programmes in our Annual Business Plan.

Looking ahead, Testing Services will continue refining resourcing strategies to minimise cost impact while securing necessary expertise. Focus areas include:

- Strengthening permanent recruitment efforts in alignment with programme needs.
- Enhancing workforce planning to reduce short-term dependency on contractors. This is challenging given the fluid nature of projects and requirements of testing.
- Driving process efficiency through streamlined testing methodologies and automation.

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

1.4.1. Architecture and Design

The Architecture and Design sub-team remains structurally unchanged across RY24/25, RY25/26, and RY26/27. While headcount is stable, the team's focus evolves in line with the lifecycle stage of key programmes. Activities include leading procurement design input and assurance for major programmes such as FSM, DSP, PKI Evolution (PKIE), DCO, ANSO, and Cloud.

The variance in RY26/27 of the forecast is due to the baseline being set to zero whilst the resource requirements being consistent with the levels seen today. As mentioned above the headcount for RY26/27 remains stable and consistent with current levels, at 18.96 FTE, however individuals are yet to be allocated to specific programmes.

There is no year-on-year structural change, but the nature and intensity of work vary by project phase. During procurement, the team develops architectural requirements and evaluates supplier solutions. Post-award, they focus on design assurance, managing change (e.g. new SEC Modifications), and coordinating industry engagement, which differs by programme – e.g., DSP requires multiple consultations, while FSM involves a single engagement. A key challenge is balancing these parallel demands with a lean internal team.

The team has actively reduced reliance on external support. Contractor numbers have been reduced from four to one, with the remaining contractor focused solely on DSP delivery in RY25/26. Additionally, consultancy support on the FSM programme has been removed and replaced with in-house capability, delivering improved cost efficiency (see consultancy variance sheet for detail). These changes demonstrate a conscious shift towards building sustainable internal capacity.

As programmes transition from design to delivery and into operational phases, the Architecture and Design team will remain essential for maintaining consistency, quality assurance, and alignment with evolving industry and regulatory requirements. Continued investment in internal capability over external consultancy supports long-term resilience and value for money.

1.4.2. Engineering

The Engineering team runs efficiently, using a small number of highly skilled specialists to support major DCC programmes. They help reduce delivery risk, avoid rework, and ensure systems are technically sound.

There are no major changes to the Engineering team's responsibilities this year and next and is in line with previous year with the total FTE being static at 41.24. The increase in forecast for RY26/27 vs RY25/26 is to cover work expected on future projects (5 FTE) that have not yet been formally started but are likely to need engineering support and therefore have not been allocated to a programme. These projects typically involve updates to the network, technical assurance, or new industry or regulatory requirements. These costs will be allocated to specific programmes once the requirements become clearer.

The headroom included in the forecast for RY26/27 will only be used when needed, with controls in place to make sure it delivers clear value and supports specific programme outcomes.

As DCC's role continues to grow, the Engineering team will remain key to ensuring projects are technically robust and fit for purpose. The forecast increase RY26/27 allows the business to stay flexible and ready for new demands. This funding will be allocated to programmes once they are confirmed and governed through normal controls.

1.4.3. Insights and Innovation

The Technical Innovation Team remains essential to delivering DCC's SEC obligations, particularly around the SEC Modification (SECMOD) process. The team leads the evaluation of all proposed modifications, acting as the initial gateway for new customer feature requests. They validate requirements and technical specifications and manage the Impact Assessment (IA) process with technical delivery partners. This activity is carried out in close coordination with SECAS, who oversee SECMOD governance.

These responsibilities are mandated under the SEC, with defined Service Level Agreements requiring timely completion of assessments. In addition to core SECMOD duties, an example of the work the team the team has led the development of is the Virtual WAN solution a DESNZ-directed project to support customer premises without traditional WAN access.

The team delivers mandated activity using a lean operating model and is a constant 6 FTE across all years. Their technical expertise ensures SEC Modifications are progressed efficiently, avoiding delays in change implementation. They also mitigate delivery risk by ensuring only technically sound modifications are passed to delivery partners. Spend is tightly controlled and only incurred in direct response to formally submitted modification proposals or government-directed activity.

The variance in the final year of the forecast is caused by a combination of the baseline being set to zero as well as fewer of the resources being allocated out to the programmes given the challenge of forecasting demand several years out. This has the effect of assigning costs back to Innovation and Insights sub-team that will ultimately be charged out to other parts of DCC in future.

1.5. Drivers for Internal Cost variance – Non-Resource

Variance	GL		RY24/25	RY25/26	RY26/27
Travel, subsistence and expenses	NP	£m	**0.347**	**0.380**	**0.457**
Memberships and Accreditations	ES	£m	0.098	**0.251**	**0.251**
[redacted] - Architecture Service	ES	£m	**0.425**	-	-
[redacted] Consultant Resource	ES	£m	**0.214**	-	-
Bizzdesign Systems Engineering	ES	£m	-0.155	**0.600**	**0.300**
Interoperability Testing	ES	£m	0.089	**0.410**	**0.410**
Critical SMETS2 Harmonised Support including P&C	ES	£m	**0.509**	0.117	**0.943**
[redacted] Emulator Enduring Support	ES	£m	0.115	**0.242**	**0.242**
Device Management	IT	£m	-	**0.350**	**0.350**
Testing BAU Projects	ES	£m	-	**0.600**	**0.630**

Table 5 – Variance for Non-Resource

1.5.1. Travel, subsistence and expenses

Overview of Variance

Due to the nature and geography of the DCC business, with sites and individuals spread across GB, this is a necessary spend to enable improved collaboration, strengthened stakeholder relationships, and improved the effectiveness of in-person engagements which drive better consumer outcomes.

The level of variance highlighted is due to a low baseline included due to only committed travel spend included in the submission. The travel costs for all FTE within Design and Assurance are allocated to this cost centre even when incurred in relation to programmes.

The overall costs incurred within the function equate to approximately [redacted] of total overheads of the Design and Assurance function. This is comparable to the spend across other organisations within the industry and is forecast to be at the same level in future years.

Scope of Variance and key challenges

The key factors driving increased travel costs include:

- A higher number of face-to-face meetings, workshops and strategy sessions that require travel between sites.
- Increased travel requirements for specialist employees providing on-site support, inspections, and operational oversight.
- The necessity of extended stays for project-critical activities, where face-to-face participation is essential for success.

Securing Value for Money

To ensure travel expenditures remains cost-effective while preserving the benefits of face-to-face interaction, the following measures are being considered:

- Optimising travel schedules to reduce unnecessary trips while maintaining operational efficiency.
- Leveraging corporate partnerships for more cost-efficient accommodation arrangements.
- Exploring alternative travel options, such as advanced booking for discounted fares and grouped travel where feasible.
- Adopting a hybrid approach where virtual meetings complement necessary face-to-face engagements.

During RY24/25, for example, our teams we required to travel for in-person meetings with our suppliers for the new DSP and CH&N programmes:

- DSP Collaborative Solutioning - A 10-week activity where we had to down select bidders. A face-to-face forum was chosen to ensure we worked methodically through each bid proposal so that clarifications could be raised by DCC on any relevant conditions and similarly that bidders had the opportunity to issue questions to close gaps in their understanding. The number of bidders and details of proposals meant a concerted effort from various technical specialisations was necessary to complete the process within the timeframe. Where, our staff or supplier staff faced travel challenges we did run hybrid meetings, however we found these were significantly slower to progress through all the proposal detail.
- DSP Creating the Statement of Works - We initially were creating these remotely, but the precision and alignment of requirements needed to be accelerated to conform to the programme timeline. As a result, we moved to a co-location approach for about 3 months to ensure our staff had ready access to legal support and suppliers so that queries and changes could be escalated and actioned rapidly.
- CH&N weekly collaboration session - Initiated with all suppliers when the programme moved to the build and testing phases. The sessions were focussed on building the integration solution and making sure that any design risks were mitigated early in the process as well fixes agreed collectively to meet the program timeline. Our Technology team was needed to support each programme phase across different DCC sites. In addition, the programme has a monthly programme review board on status chaired by DCC's chief delivery officer, which took place at suppliers' sites. This co-location work was an essential part of ensuring on-time programme delivery and managing all workstreams within programme budget.

Future Considerations

The level of travel forecast in future years is aligned to that completed in the current Regulatory Year. There will be continued emphasis on balancing the advantages of in-person collaboration with financial prudence. Strategic planning and targeted travel investments will aim to help ensure that business travel remains both efficient and value driven.

1.5.2. Memberships and Accreditations

Overview of Variance

The DCC's Design and Assurance function continues to invest in strategic memberships and technical validation, ensuring professional development, policy refinement, and industry collaboration.

The current memberships total £[redacted] supporting engagement with key industry alliances and technical groups. Additionally, starting from RY25/26, existing licence costs amounting to £[redacted] will be moved into this function, consolidating financial oversight under a single cost centre.

As part of this structure, two new items have been introduced:

- IET Membership (£[redacted] – Providing [redacted] TO members with accreditation through the Institution of Engineering and Technology (IET), unlocking training, research collaboration, and professional development opportunities.
- Cloud Sandbox (£[redacted] – A sandbox environment on AWS and Azure, allowing teams to test policies and blueprints, ensuring compliance and optimising FinOps tagging strategies.

Alongside these additions, existing spend has been streamlined by reallocating licence costs into the TO function from RY25/26 onwards, ensuring cost efficiency and structured financial management.

Scope of Variance and Key Challenges

DCC's engagement with trade associations and industry alliances is essential for vendor collaboration, regulatory alignment, and interoperability improvements. These memberships ensure DCC remains aligned with technological innovations and policy developments in smart energy systems.

The following memberships continue to support DCC's strategic objectives:

- Energy and Utility Alliance (EUA) and British Electrotechnical and Allied Manufacturers' Association (BEAMA) – Trade associations supporting engagement with electric and gas metering manufacturers, facilitating industry-wide updates on critical programmes.
- Zigbee Alliance – Enabling DCC to engage with Zigbee connectivity technology, ensuring Communications Hub planning, Virtual wide area network (VWAN) alignment, and Future Connectivity project development.
- Device level message specification (DLMS) – Overseeing technical protocols for meters and comms hubs across SMETS1 and SMETS2, playing a role in Post Quantum Cryptography (PQC), VWAN, and SMETS1 enrolment strategy.
- European Smart metering industry Group (ESMIG) – Driving collaboration across European smart meter rollouts, supporting cost efficiencies through standardisation and vendor engagement for procurement initiatives.

In RY25/26, with £0.160m of licence costs integrated into the Design and Assurance function, the revised funding model will ensure continued access to necessary tools and platforms, reinforcing DCC's role in leading smart energy initiatives.

Securing Value for Money

DCC's financial strategy ensures that memberships and technical validations provide long-term efficiency improvements and regulatory compliance benefits. This includes:

- Centralising cost management through the integration of licence costs, improving financial governance.
- Maintaining strategic memberships that provide direct engagement with industry stakeholders, enhancing policy influence and technology adoption.
- Leveraging the Cloud Sandbox investment to validate policies and streamline FinOps strategies, preventing inefficiencies in implementation.

As financial planning evolves, these measures will support cost optimisation, vendor collaboration, and improved technical validation, aligning with DCC's regulatory and procurement objectives.

Future Considerations

Looking ahead, DCC will continue to optimise its membership strategy and financial management to:

- Ensure a smooth transition for licence cost integration in RY25/26.
- Expand vendor partnerships through trade associations, enhancing industry engagement.
- Further develop cloud-based validation tools for improved operational efficiency.

By RY26/27, the integration of technical tooling and industry collaboration efforts will aim to ensure a structured, cost-effective approach, maintaining interoperability and regulatory alignment.

1.5.3. [redacted] – Architecture Service

Overview of Variance

The variance of £0.425m is due to the cost disallowance in the previous submission which set the baseline to zero - however this was an essential service required. The costs incurred were within the original forecast figure of £0.444m submitted last year.

[redacted] provided technical resources to support peak demand in project and programme activities, addressing capacity and capability gaps within DCC's Design and Assurance function. Their involvement mitigated risk of delay to DCC's core project and programme portfolio without which could have resulted in significant additional costs associated with delay.

Scope of Variance and Key Challenges

Due to increased demand across multiple change programmes, [redacted] was engaged to provide technical expertise, design assurance, and stakeholder engagement services where internal resources were insufficient.

Without this support:

- Programmes would not have been able to provide necessary guidance to third parties for product development.
- Assurance of technical solutions and value for money in programme delivery would have been compromised.
- Stakeholder engagement through industry governance forums would have been impacted due to the requirement for more advanced technical knowledge which is not available the Design and Assurance function.

Securing Value for Money

[redacted] was awarded the contract for IT architectural services through a [redacted] process in RY24/25, providing five full-time equivalent resources:

- Systems Integration Support ([redacted] FTE)
- Engineering Support Services ([redacted] FTE)
- Architectural Programme Support ([redacted] FTE)

The £[redacted] contract included defined milestone deliveries and timescales, ensuring structured implementation and cost predictability.

DCC's Procurement team benchmarked consultancy day rates against internal contractor rates:

- End-to-End Architects: £[redacted] (consultancy) vs. £[redacted] (contractor benchmark)
- Technical Support Analyst: £[redacted] (consultancy) vs. £[redacted] (contractor benchmark)

Since four of the five resources were architects, consultancy rates remained cost-comparable to contractors, validating the procurement choice.

[redacted] support offers an efficient "burst capacity" solution, bridging critical gaps until demand through programme activity reduced August/September 2024.

Bidder Name	Quality Score (60%)	Commercial Score (40%)	Total Score (100%)	Ranking
[redacted]				1
				2
				3
				4

Table 6 – [redacted] - Evaluation Summary

Company Name	Price Quoted	Ranking *(will auto-fill)*
[redacted]		1
		5
		4
		2
		3
		6

Table 7 – [redacted] - DCCT0361 Commercial Submission

Future Considerations

While DCC will continue leveraging consultancies for short-term needs, the focus remains on bringing resources in-house wherever possible. This approach will:

- Reduce reliance on short-term external consultants while maintaining flexibility in resourcing.
- Ensure knowledge transfer from [redacted] consultants to permanent staff for sustained capability building.
- Improve cost efficiency through structured workforce planning and internal skill development.

Without [redacted] engagement, the Design and Assurance function would not have been able to establish its technical management function or adequately support DCC programmes. Specialist expertise in specific technology domains, with limited industry-wide capability was critical to programme success, reinforcing the value of the procurement decision.

1.5.4. [redacted] – Consultancy Support

Overview of Variance

Two key areas of work were delivered with consultancy support from [redacted] during RY24/25:

1. Interim Director of Architecture
2. FSM Architect

Following the departure of the previous Director of Architecture, there was a critical skills gap in DCC's Architecture leadership. An interim Director of Architecture was appointed in September 2023 via [redacted] to maintain delivery momentum, particularly across procurement and design activities related to

the new IT Service Management (ITSM) solution. A permanent hire was identified, but a long notice period meant that they could not start until April 2024, necessitating a two-month handover period.

In parallel, DCC initiated the procurement of the FSM contract, which disaggregated several technology capabilities previously embedded within the CGI DSP contract including service management, API management, identity and order management. DCC lacked internal capability to define the high-level architecture and disaggregation plans for these new services, and so the FSM Architect support brought in to cover this need until September 2024 when the contract would be signed and new resource hired with the right skills to take project forward.

Scope of Variance and Key Challenges

The Interim Director of Architecture contract was extended by three months in total, covering the period from April 2024 to end of June 2024. This extension was necessary to maintain continuity in critical architecture leadership and design work during a time of transition. The reasons for the extension are set out below in chronological order:

1. **Delayed Start of Permanent Director of Architecture (March 2024)** - A permanent FTE was appointed to replace the interim Director of Architecture, but they could not start until April 2024 due to a long contractual notice period.

2. **Handover and Knowledge Transfer (April to June 2024)** - The [redacted] resource was retained through to the end of June 2024 to allow effective knowledge transfer and ensure no gap in technical leadership during FSM and DSP mobilisation.

The FSM Architect's contract was extended from September 2024 to December 2024

3. **Withdrawal of FSM Architect Hire (Late August 2024)** - Shortly before their scheduled start date, the new FSM architect withdrew for personal reasons. There was no suitable second candidate from the recruitment process, leaving a gap in leadership for this critical workstream.

In August 2024, DCC considered several options:

- Leaving the role vacant
- Appointing a new contractor
- Extending the existing [redacted] contract
- Reallocating internal resources

It was concluded that extending the current [redacted] consultant would ensure the least disruption. Onboarding a new contractor would have required at least 30 days, plus knowledge transfer, increasing both risk and cost. Leaving the role unfilled would have caused delays to SEC consultation drafting and FSM design mobilisation.

4. **Internal Resource Identified (end September 2024)** - An internal FTE was identified to step into the FSM architect role. However, they were supporting the DSP Statement of Work at the time and could not be released immediately. Transition and upskilling began part-time in November and moved to full-time from December.

Securing Value for Money

Director of Architecture: The extension was kept short and on the same rate as the initial engagement. No further procurement was conducted due to the unique knowledge held and time constraints.

FSM Architect: [redacted] resource was selected via the DCC consultancy framework. Their day rate [redacted]) was the lowest within the benchmark range ([redacted] and further discounted by [redacted] percent to reflect reduced overheads. This rate was retained during the extension.

Future Considerations

The work has now been fully transitioned to a DCC permanent resource. No consultancy support remains in place for these activities post-December 2024.

1.5.5. [redacted] Systems Engineering

Overview of Variance

The variance in forecast for RY25/26 of £0.600m and for RY26/27 of £0.300m is for consultancy services related to the [redacted] enterprise architecture tool. The planned spend is intended to support reconfiguration of the platform, establish a structured architectural baseline, and deliver targeted upskilling to DCC's internal architectural team.

However, the Design and Assurance function is evaluating options to drive efficiencies by using the learnings on [redacted] to reduce future costs with other existing in-house tooling. If the options are viable this consultancy activity will not proceed, and the associated forecast cost will reduce to zero.

Scope of Variance and Key Challenges

The consultancy services are forecast to complete a number of tasks including, reconfiguring the tool and build an end-to-end architectural baseline for DCC systems and interactions across service providers, and provide dedicated training and support to DCC's architects to enable sustained in-house use.

No consultancy work has yet commenced, and the forecast is contingent on a final decision regarding the future use of [redacted] This has yet to be made at the time of writing.

Securing Value for Money

There are a number of ways in which value for money will be delivered under the consultancy spend.

- Leveraging supplier expertise to accelerate benefits realisation without rework or reprocurement.
- Avoiding broader reprocurement by reusing a licenced tool already embedded in DCC's ecosystem.
- Ensuring that internal resources receive the necessary training to reduce future consultancy reliance.

Should the decision be made not to proceed with [redacted] the spend will not occur and no further value for money justification will be required.

DCC has maintained the [redacted] licence over the past four years, primarily to preserve the opportunity for future benefits once resource constraints were addressed. Although the original business case was not fully realised, there are justifiable reasons for retaining the licence until now:

- Architectural visibility: [redacted] offers best-in-class visualisation aligned with the ArchiMate standard and supports complex system mapping across multiple service providers.
- Strategic alignment: The tool was originally selected to support major programmes such as 4G CHF and remains well suited for providing a traceable, auditable design baseline.
- Market positioning: [redacted] consistently ranks highly in independent assessments (e.g. [redacted] for enterprise architecture tools.
- Cost efficiency: Retaining the licence prevented the need to procure a new EA tool and avoided onboarding delays or reconfiguration costs.

Going forward, if the tool is retained, DCC will develop a targeted roadmap to extract measurable value. If discontinued, this licence cost will not reoccur, but the value created so far will not be lost and migrated to other internal tools to preserve artefacts created.

Future Considerations

Since the forecast cut-off date, DCC has reviewed new capabilities being delivered on other programmers and will transition its architecture repository from [redacted] to a single architecture platform to provide cost efficiencies. We will reduce and discontinue the use of [redacted] As a result, the associated forecasted costs and corresponding variance will be withdrawn in full.

1.5.6. Interoperability Testing

Overview of Variance

DCC has an obligation to provide Interoperability and Innovation events as set out in SEC H14:49–50, to test connectivity, interoperability, interchangeability, and functionality between SMETS2+ devices. These events de-risk the introduction of new smart metering devices during the early stages of the product development lifecycle for DCC and industry. Most recently, interoperability testing supported the 4G Communications Hub and is also providing similar support for the Virtual WAN Programme.

Interoperability testing events between DCC and device manufacturers typically take place three to five times each year, every two to four months as required. These events enable ESME and GSME device manufacturers to test their devices directly against different communication hubs and firmware versions.

In addition to meters, industry can also test associated devices such as Consumer Access Devices (CADs), In-Home Display (IHD) units, and Prepayment Meter Interface Devices (PPMIDs), which play a vital role in enabling consumers to access smart metering benefits.

Customers value these sessions as they offer an opportunity to conduct comprehensive testing outside the regulated DCC environment. This approach promotes early identification and resolution of issues, supports knowledge sharing, and encourages collaboration and innovation across the industry. Critically, these events help mitigate the risk of interoperability issues arising during formal testing or, worse, appearing in the production environment where they could cause significant delays, additional costs, and service disruption to customers.

Scope of the Variance

The variance of £0.160m reflects the increased costs associated with securing attendance from Communication Service Providers (CSPs) and [redacted] at these events.

Currently, CSPs are not contractually obliged to participate. DCC therefore raised a contract change request specifying the dates, times, locations, and outline scope of the events to enable CSPs to provide a fixed price for attendance.

Similarly, [redacted] are not required under existing contracts to attend. Their role during these events is to facilitate the use of the DCC Boxed emulator tool and support triage activities. Any issues identified are assessed and passed to the relevant parties for resolution.

Securing Value for Money

These interoperability events provide industry participants with enhanced opportunities and benefits, beyond their own internal testing, to identify and resolve issues before devices enter the regulated DCC environment. This proactive approach reduces the likelihood of problems materialising in live service, where remediation is often complex, costly, and time-consuming, with potential impacts on customer experience.

Having CSPs and [redacted] present enables direct engagement, which accelerates the validation and resolution of device combinations ahead of formal testing. Notably, several significant issues have been identified and resolved through these sessions. For example, extensive testing uncovered defects affecting the communications hub exchange process (Trust Centre Swop Out, or TCSO). These defects,

observed in both communications hubs and smart meters, were critical because any failure in this sequential process can trigger the need for a full meter-set replacement, incurring substantial costs for energy suppliers.

To ensure value for money, all rates charged by CSPs and [redacted] are scrutinised through DCC's change management and governance processes before approval. This ensures scope, pricing, and rate card compliance.

Future Considerations

Industry stakeholders strongly support the continuation of these events. However, as device maturity increases and issue volumes decline over time, there may be an opportunity to reduce their frequency in future years. If this occurs, forecast expenditure will be reviewed and adjusted accordingly.

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

Overview of Variance

[redacted] has supported DCC since 2016, providing several mandated and critical tools used across Fundamental Services, including the Parse and Correlate (P&C) solution and multiple test and emulation tools such as the GFI, DCC Boxed, and handheld terminal emulators.

During RY24/25, a variance was recorded following the commercial decision to consolidate a number of previously separate [redacted] agreements into a single overarching contract. The intent was to improve operational efficiency, simplify supplier management, and enable more effective commercial oversight.

This consolidation activity was originally discussed with Ofgem during the RY22/23 Price Control process (CAN192), where it was accepted as economic and efficient due to its expected impact in reducing support and administrative costs.

Product/Service	Description
Parse and Correlate (P&C)	A tool mandated under the Smart Energy Code that DCC Users use to pass and receive messages to and from the DCC; this includes the Parse and Correlate software provisioned under SEC Section H11, which sets out obligations relating to its maintenance, development, and the provision of support and assistance to Users. This software enables DCC User Gateway Interface Specification (DUIS) services, and an applicability matrix published within the SEC ensures Users are aware of which Parse and Correlate versions correspond to respective DUIS versions. It is a core tool to access DCC Communications Services.
GBCS for industry (GFI) test tool.	A tool mandated under the Smart Energy Code that sets out DCC's interpretation of the Great Britain Companion Specifications. GFI Testing Tools, required under SEC Sections 14.51–14.53, enable Users and Device Manufacturers to test against this interpretation to support industry compliance. While these tools, and DCC Boxed, provide a structured testing basis, differences in interpretation can occur. DCC has established escalation pathways and the GBCS Working Group to address any ambiguities and maintain interoperability across devices.
DCC Boxed	A test tool that represents DCC's end-to-end services. Under DCC Boxed, this includes DCC's interpretation of the Great Britain Companion Specifications (GBCS), across relevant versions forming part of the Smart Energy Code.
File Signing Utility	A tool that allows the DCC to electronically sign messages and files; the File Signing Utility Software is provided by the DCC to enable a Party to apply a Digital Signature to a CSV file, with corresponding obligations set out in SEC Sections G2.40–G2.43 as a core enabler to help Users meet their system security requirements.
Handheld Terminal emulator and licenses	A tool that replicates the handheld terminals used by installers; Handheld Terminal emulators and devices are provided to enable end-to-end testing of the Local Command Interface using a Handheld Terminal, as described in the DCC User Interface Specification, SEC Appendix AH.

Table 8 – Scope of Variance and Key Rationale

[redacted] had historically delivered its tools and services through multiple standalone contracts. These included:

By consolidating these services:

- A single contract manager could oversee [redacted] performance holistically.
- Commercial leverage increased due to aggregated volumes.
- Administrative overheads were reduced.
- Cost control and transparency were improved.

While the direct financial savings are not easily quantifiable due to the CR-by-CR nature of historical pricing, internal estimates suggest an effective rate saving of circa [redacted] on [redacted] base rates post-consolidation.

Service Criticality and Regulatory Compliance

The [redacted]-supported Parse and Correlate tool is central to DCC's operations. It is classified as a Fundamental Registration Service Capability under the Licence, and its availability is a regulatory requirement.

Parse ensures that messages from smart meters are correctly interpreted when received by the customer.

Correlate validates that messages sent to meters are consistent and secure.

All Users are required to use this tool to enable secure communication between in-home devices and DCC systems. Without it, Users cannot send or receive compliant smart energy messages, risking service disruption and regulatory non-compliance.

Securing Value for Money

DCC continues to review and benchmark [redacted] pricing through:

- Regular rate card updates.
- Industry benchmarking exercises.
- Transparent volume tracking and CR cost evaluation.

Although [redacted] involvement is longstanding, their continued engagement is driven by:

- Proven technical capability and deep familiarity with SEC-mandated specifications.
- Ability to implement complex changes at pace, reducing delivery risk.

DCC boxed has delivered great benefits and has returned £0.22m to customers.

Looking ahead to RY25/26, DCC is engaging with the wider market to assess whether these services could be competitively tendered. The objective is to test value, understand the availability of viable alternatives, and evaluate whether emerging providers can match [redacted] technical standards and service continuity.

Future Considerations

- No additional service optimisations are planned beyond RY25/26; the consolidation was specific to contract management. Future service development will be procured on a case-by-case basis.
- The current forecast variance in RY26/27 reflects a consistent budget profile, not a new or increased cost.
- Further commentary on market testing will be provided in RY25/26 if a [redacted] procurement strategy is pursued.

Contract extension

Please refer to section 1.7 for an explanation of the Parse and Correlate contract with [redacted] Technologies.

1.5.8. [redacted] Emulator Enduring Support

Emulators are testing tools that can be built to test functionality not yet implemented on real devices. For example, the changes implemented through GBCS version 4.2 for the Communication Hubs will be tested using emulator CHs. Unlike real devices, emulators do not need to achieve any security certification from National Cyber Security Centre (NCSC), which can take 3-4 months. Emulators can therefore be used as a timely and value for money option for testing new functionality of the Smart Metering Systems. [redacted]) have been successfully building device emulators to support DCC testing for several years.

They are a necessary testing tool to enable DCC and its' testing participants to test their end-to-end systems, especially where real physical devices are either not available or not at the correct specification to cover the full scope of testing.

The emulators procured from [redacted] are used across all DCC programmes that require testing against device specifications. This includes all in life change programmes such as SEC releases and GBCS updates. The contract costs cover the building of new emulators, providing updates to existing tools and ensuring testing defects are triaged and fixed under the defect management Service Level Agreement.

The variances shown in RY25/26 and RY26/27 are due to a change in how these costs have been allocated since the last regulatory year. In the previous year these costs were allocated as "Zigbee" and this year they have been allocated as [redacted]". The cost forecast in these years remains unchanged from the last regulatory submission, noting there was a zero baseline for RY26/27, and there is an equivalent negative variance against the "Zigbee" line item in RY24/25 and RY25/26 of this submission.

1.5.9. Device Management

Overview of Variance

Thes variances for RY25/26 and RY26/27 are due to the need to purchase a variety of ESME and GSME devices to support testing across all environments, including the customer's User Integration Testing (UIT). This is not a new item, and costs were spent in 24/25 with a £0.35m budget. These costs are associated with the suppliers [redacted] Landis, EDMI engineering support line, [redacted] and [redacted] engineering support, although the budget was not fully utilised but is still required for flexibility. 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 License 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, the DCC must have the ability to purchase directly from manufactures 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. 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 are 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.

1.5.10. Testing Participant Support

Overview of Variance

The variances forecast for RY25/26 and RY26/27 reflect the anticipated need to provide a range of support and service activities to meet evolving customer requirements and strengthen internal capability within the DCC Test Labs. These provisions cover training for internal teams and customers, team building initiatives, and ad hoc services such as device procurement, focused test sessions, and upgrades to lab infrastructure. The scale and timing of these activities are inherently demand-led and will vary depending on customer engagement and programme activity.

Scope and Key Challenges

This forecast is essential for the Enduring Test Approach Document (ETAD), and Licence Condition 16. Specifically, these obligations require DCC to maintain testing environments, provide appropriate training and support to Testing Participants, and ensure readiness to validate system changes.

In practice, this includes:

- Team and Customer Training: Provision for upskilling internal teams and delivering tailored training sessions to customers, ensuring all stakeholders are equipped with the knowledge to effectively utilise DCC Test Lab environments and technologies.
- Team Building Activities: Investment in activities aimed at strengthening collaboration, communication, and cohesion within project teams, which is critical for maintaining high performance in a complex testing environment.
- Ad Hoc Service Provision in the DCC Test Labs: Flexibility to respond to customer-driven requirements that may arise at short notice, including:
- Device procurement: Sourcing and configuring additional test devices required to meet specific testing scenarios or support new customer projects.
- Focused test sessions: Facilitated sessions tailored to customer-specific validation needs, involving dedicated time, personnel, and resources.
- Lab tools and equipment: Acquisition or upgrade of lab infrastructure, including software, hardware, and diagnostic tools, to support comprehensive and efficient test execution.

Securing Value for Money

All activities and expenditure will be subject to internal approvals to ensure costs are proportionate and justified. Training and team building will be planned to maximise impact and minimise operational disruption. Any procurement of devices or lab infrastructure will be assessed individually to confirm it is essential to meet testing obligations. Wherever possible, existing equipment and resources will be reused or repurposed to avoid unnecessary spend.

Future Considerations

DCC will continue to monitor customer and programme requirements closely to maintain accurate and relevant forecasts. Where planned activities are no longer needed or can be delivered using existing resources, forecast expenditure will be revised accordingly. This approach ensures DCC can respond flexibly to emerging needs while maintaining strong cost control and compliance with all relevant obligations

1.5.11. Other External Services - Items £0.100m to £0.150m variance in RY24/25

Variance	GL	Description
[redacted]	ES	Service Access and licences for technology insights
[redacted] - Test Assurance	ES	Flexible resourcing support for test assurance
DCC Cloud Blueprint	ES	Development of a Cloud Adoption Framework for DCC

Table 9 – Other External Services

[redacted] are a technology research company that provide the Design and Assurance function with access to innovation, strategic advice, research material and insight in to emerging technologies. This is achieved through access to subject matter experts and the latest research papers, covering multiple industries across the globe. The information supports the understanding of senior professionals within technology, security, operations and procurement to learn about emerging technology trends, validate innovation offers and benchmark performance of suppliers.

Overview of Variance

The variance is attributed to the extension of service access and licenses (Seats) across different business functions, these include Security, Procurement and Supply Chain. These functions use the [redacted] services in the same manner as technology but with focus on their own specific areas.

Under this agreement DCC purchased seats as below,

Seat Description	No of Seats
VIP Seat	[redacted]
CISO Leader Seat	
CTO/Commercial Leader Seat	
CTO/Security/Commercial Team Seat	
Supply Chain Seats	

Table 10 – DCC seat purchases

In year, CTO swapped the [redacted] seat for a [redacted] seat to give support for strategic plans around artificial intelligence strategy and wider technology transformation. This provided CTO access to additional services such as one to one time with a CISO, Customer and Employee Engagement. Persona AI and Data and Analytics.

Additional seats were purchased for security ([redacted] Commercial ([redacted] and supply chain ([redacted] as they required insight for specific areas of work they were undertaking.

Without access to the insights offered by [redacted] they would likely struggle to effectively perform unbiased market research without significant effort and investment in people and tools. DCC does not have

the expertise to carry out this research and analysis which is a fundamental part of the procurement process and enhances DCC's ability to drive innovation and ensure best value is achieved.

Scope of Variance and Key Challenges

The following key factors influenced these changes:

- Business Need: The original procurement decision was based on a need for high-quality strategic insights to drive efficiency and best practices across key business functions.
- Options Considered: Multiple options were evaluated, including retaining existing consultancy support or procuring additional services from [redacted] However, [redacted] was selected due to its comprehensive industry insights at a more competitive cost.
- Procurement Process: The contract was [redacted] procured through DCCT0357, and [redacted] selected alongside [redacted] This resulted in a cost avoidance of £[redacted] per year for DCC.
- Key Challenges: Managing the transition from separate service providers to a consolidated approach required coordination across multiple internal teams. Ensuring that [redacted] services were optimally utilised across various departments was a key focus area.

Securing Value for Money

A [redacted] procurement activity was carried out (DCCT0357). Two suppliers were selected through the evaluation process: [redacted] and [redacted] and awarded a [redacted]-month contract with subsequent [redacted] extensions with an annual cost of £[redacted]

DCC are in the second year of this contract and have extended DCC internal access from the initial contract provision to be used in [redacted] These additional costs are shown in [redacted]

[redacted] services support DCC decision and business case development on a wide range of initiatives, including:

- [redacted] research provides business and technology leaders set a clear vision of latest technology trends
- Access to experts that provide interactive QandA session to discuss latest research
- Immersive events offering inspirational content from industry innovators
- Deep-dive sessions on topics of interest
- High-calibre networking opportunity

The [redacted] workstreams DCC has initiated can be mapped to DCC's strategic outcomes and key initiatives. By focusing on our strategic outcomes DCC will deliver the following benefits to its customers.

- Reduced costs to our customer through initiatives that deliver efficient and effective business processes.
- Swift and efficient implementation of key initiatives to increase quality of service through more secure and resilient systems.
- Initiatives that focus on right first time will reduce the system outages and re-work reducing costs and customer impact.

Initiatives to increase systems functionality and coverage will give our customers flexibility of use and promote innovation in the market.

Future Considerations

Looking ahead, the [redacted] contract is expected to continue reducing risk and enhancing strategic decision-making at DCC. The key future considerations include:

- Optimisation of Services: Ensuring continued alignment of [redacted] insights with evolving business needs.
- Risk Reduction: Maintaining access to expert research and strategic intelligence will aim to help mitigate risks associated with operational inefficiencies and outdated practices.
- Long-Term Cost Savings: Continued internal capability development will aim to reduce dependence on costly external consultancy support over time.

The evidence provided demonstrates that the [redacted] contract delivers significant value to DCC.

1.5.12. [redacted] – Test Assurance

Although not a material variance within this chapter, we have included a central description of [redacted] services that have been used across our programmes.

Overview of Variance

Test assurance resources are essential throughout the project lifecycle, ensuring the quality of test basis artefacts, defining and agreeing testing approaches, and securing governance approvals from internal and external stakeholders.

In June 2023, DCC [redacted] procured [redacted] to provide flexible resourcing support. This decision was driven by a significant increase in programme activity, which internal teams were unable to absorb due to existing capacity constraints. [redacted] consultants supplemented internal capability to maintain delivery pace and assurance standards.

Following Ofgem's disallowance of consultancy expenditure in RY23/24, DCC initiated a phased six-month offboarding of all [redacted] consultants. This approach allowed for a controlled transition without disrupting programme delivery. Mitigations were introduced in parallel to maintain test assurance coverage and meet programme demands through internal and partner capabilities. The costs incurred across DCC functions for this phased withdrawal were necessary as a hard stop of [redacted] resources would likely have caused delays to programmes which in turn lead to increased costs and impacts to consumer timelines.

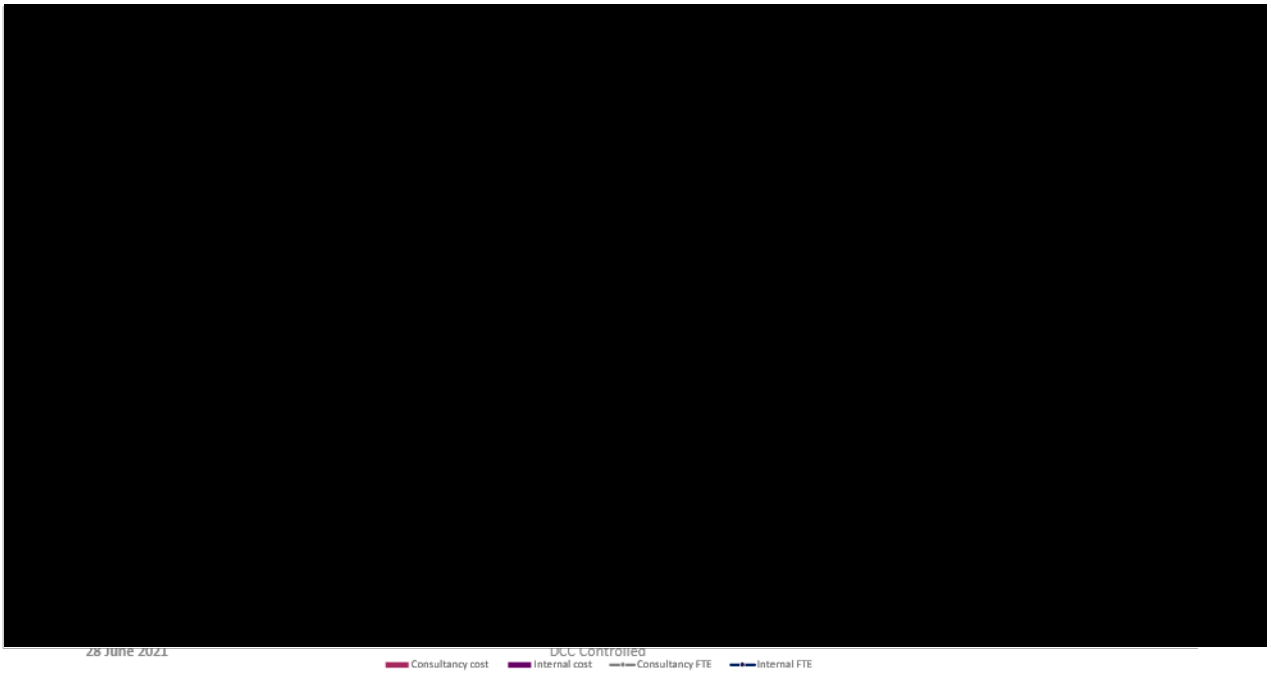
Scope of Variance and Key Challenges

To offset the withdrawal of [redacted] support, DCC implemented a range of mitigations to manage resource demand and maintain assurance quality:

- Expanded Systems Integrator responsibility for Pre-Integration Testing (PIT) assurance.
- Reduction in governance artefacts required by the Testing Advisory Group (TAG), achieved through stakeholder collaboration.
- Updates to the Test Assurance Framework to introduce a risk-based approach to assurance activity.
- Increased use of automation and tooling to reduce manual effort.
- Streamlined roles and responsibilities to focus on value-adding assurance work.

These mitigations collectively reduced the overall effort required to deliver assurance activities across a growing programme portfolio. This allowed DCC to meet assurance requirements without increasing internal headcount or relying on consultancy to augment internal teams.

Securing Value for Money



The phased transition away from consultancy support has created a more efficient and cost-effective model. The offboarding of [redacted] consultants was achieved without an increase in internal staffing costs and has enabled a sustainable model based on optimised use of internal and partner resources.

Cost savings are demonstrated in the accompanying graph, showing reduced spend alongside maintained delivery outcomes. This transition reflects improved value for money and stronger cost controls for test assurance services.

Future Considerations

Looking ahead, DCC will continue to refine its approach to test assurance by:

- Managing internal resources more effectively to preserve cost efficiencies.
- Developing automation and tooling to further reduce manual effort and increase consistency.
- Continuing collaboration with Testing Advisory G to embed best practice in testing governance.

These actions are expected to further reduce the effort required for assurance activity, supporting long-term reductions in resource needs and associated costs.

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

Variance	GL		RY24/25	RY25/26	RY26/27
Training	NP	£m	-0.174	0.089	**0.256**
Design Issue Body	ES	£m	-0.128	0.032	**0.160**
EDMI Engineering Support	ES	£m	0.080	-0.029	**0.584**
SMETS2 - LandG	ES	£m	0.031	-0.014	**0.450**

Table 11 – Design and Assurance non-resource variances in RY26/27

1.6.1. Training

Training is an essential part of supporting our employees to manage, technology design and assurance across DCC to ensure it remains up to date with the latest industry standards. The forecast for RY26/27 has a zero baseline however the forecast is consistent with that in previous years and will support the continuation of training initiatives such as:

- Qualcomm – 4/5G
- INCOSE – (International Council on Systems Engineering)
- Azure
- ARCHIMATE
- Udemy licences
- International Institute of Business Analysis – Agile Analyst Certification

The aspiration of expanding DCC's training offering is both to improve performance, reduce reliance on external consultancy services, improve staff morale and retention, further driving longer term cost savings which ultimately deliver better value for money outcomes for customers.

1.6.2. Design Issue Body

The variance for RY26/27 is due to a zero baseline however the forecast costs are consistent with previous years and are not expected to increase.

The renewal of [redacted] training, consultancy, and software licensing was aimed at overcoming procedural hurdles to ensure continued access to enterprise architecture tooling. However, constraints within the DCC architectural community and existing workload limited the material benefits of [redacted] over the past four years. Procurement and the Design and Assurance function's efforts justified a single-supplier approach through RFI analysis and cost-benefit assessments. Moving forward, establishing a structured design baseline with improved traceability will aim to reduce defects, enhance efficiency, and mitigate financial impacts while maintaining operational integrity.

1.6.3. EDMI Engineering Support

As reported last year, testing of EDMI devices remains key for DCC to meet its obligations and requirements under the SEC, in Appendix J, the Enduring Test Approach Document (ETAD), and the DCC Operating License Condition 16, Part B, Principle 2. Specifically, the Enduring Test Approach Document Section 5, refers to the obligations upon DCC to provide physical Smart Metering devices as required by Testing Participants within the DCC Test Laboratory facilities.

The approach of using the actual device manufacturers has been endorsed by industry through the discussions with Energy Utilities Alliance and British Electrotechnical and Allied Manufacturers' Association and is widely accepted across DCC SEC and DESNEZ governance forums TABASC, (Technical and Business Architecture Group), HAN (Home area Network) Working group.

The forecast for RY26/27 is aligned to the spend in the current RY and RY25/26 and is showing as a variance due to no baseline in RY26/27.

1.6.4. SMETS2 – LandG (Engineering Support)

As reported last year, and as with EDMI, testing of Landis+Gyr (L+G) remains key for DCC to meet its regulatory obligations. This service provides technical support to their devices (Electricity Smart Metering Equipment, ESME) and Gas Smart Metering equipment, GSME) which DCC procures to support testing with within the regulated and non-regulated test environments.

The support gives DCC the ability to triage testing defects and incidents and issues in the live environment when the root cause is thought to be in the end devices.

The forecast for RY26/27 is aligned to the spend in the current RY and RY25/26 and is showing as a variance due to no baseline in RY26/27.

1.7. Contract extension [redacted] - Parse and Correlate

Drivers for Change

Parse and Correlate (P&C) is a mandated system that is an essential component to the total systems of Smart DCC. P&C validates, translates and transforms all end-to-end service requests into languages digestible by either DCC Users or end devices in consumers premises. Without it DCC's core SEC related business would collapse.

The existing contract of this Fundamental Service Capability was due to expire on 30 November 2024 and due to the nature of the suite of services and support that [redacted] provides and to ensure continuity of service, it was deemed appropriate to extend the contract.

The DCC has an obligation to ensure the maintenance of the P&C to:

- Maintain core SMIP related business
- Maintain SEC regulatory compliance
- Reduce the risk of disaster scenarios

The DCC has an obligation to ensure the maintenance of the DCC Boxed to:

- Maintain SEC regulatory compliance
- Enable Industry Innovation
- Reduce the risk of systems defects and issues

Parse: For Smart Meter provided Responses and Alerts, conversion into a standardised technical format cannot occur in the DSP domain for most Responses and Alerts as this would invalidate the Smart Meter's electronic signature. DCC Service Users will therefore receive responses from Smart Meters (via the DSP) in their native HAN ready format (ZigBee and DLMS and in line with the GBCS).

Correlate: To ensure that DCC Service Users can support the end-to-end Smart Meter communication flows there is a need for DCC Service Users to be able to correlate (i.e., match) outgoing 'Critical' requests against Data Services Provider (DSP) transformed requests.

Using Termination Assistance rather than utilising the [redacted]-month extension meant that we did not have replacement suppliers lined up at the cost and level of service that our customers would support. Hence, we are now in the process of reprocuring a new supplier for all services provided by [redacted]

We used the third of four optional extensions whilst procurement works with technology to build a strategy which targets further cost efficiencies and savings for all services provided by [redacted]

Also, as there is an element of the service (GIT for Industry (GFI)) that we are sunsetting (phasing out) and is not in the 'future service requirements' however, to enable us to sunset GFI support was required from [redacted] to enable the integration of the most up to date components to migrate into DCC Boxed.

DCC also ran a consultation with industry to make changes to P&C due to Oracle making changes to its java licensing model. This was to ensure that DCC met its licensing conditions and to introduce this change support from [redacted] was required.

Scope of Change

The scope of the change was to continue to provide the support and services for a further 12 months from 1 December 2024 to 30 November 2025 and to ensure continuity of service whilst DCC conducts a [redacted] procurement process which will enable DCC to explore cost and quality efficiencies.

There were no specific changes to the requirements as it was an extension of the current support and services that [redacted] already provides:

- GFI Operational Support
- DCC Boxed Support
- Parse and Correlate Consolidated Support
- Parse and Correlate Out of Hours Support
- File Signing Utility (FSU)
- Hand-Held Terminal Emulator (HHT)
- Service Management

Securing Value for Money

Whilst the costs are still the same for the extension period and as the services and support are going through a re procurement we added a specific clause in the extension CAN that 'In the event that DCC executes a new contract for the services during the extension period, and DCC provides [redacted] with no less than 2 months' notice, [redacted] will terminate the extension period on the date of termination set out in such notice with no further charges'. This removes any requirement for DCC to pay [redacted] any breakage cost or compensation payment.

Detail	Price initial (£)	Price final (£)
GFI Operational Support	[redacted]	
DCC Boxed Support		
Parse and Correlate Support		
Parse and Correlate Out of Hours Support		
File Signing Utility (FSU)		
Hand-Held Terminal Emulator (HHT)		
Service Management		
Total Charges		

Table 12 – [redacted] price Breakdown

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

Table 13 – Initial vs Final Price

Future Considerations

This extension was implemented whilst we were concluding the RFP process which will ensure continuity of service, and value for money whilst securing improved terms within our new master service agreement.

Data Communications Company

DCC Price Control RY24/25 – Operations

Version: 1.0
Date: 31.07.2025

1. Operations Cost Centre

Summary

What is this and why is it important?

The Operations cost centre consists of sub teams responsible for the Design, Build and Run (DBR) of services through the lifecycle management process, whilst 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 (which moved into Operations from Commercial during RY24/25). These teams play a critical role in ensuring we meet our core licence obligation of a secure, reliable, stable, and resilient network.

RY24/25 activities and costs

RY24/25 incurred costs were £28.4m, £5.7m above the regulatory baseline, but close to the £27.2m forecast in last year's price control submission. The variance to baseline comprises of £3.0m payroll costs (predominantly Core operations and Contract Management), £1.4m in people-related costs (travel and recruitment) and £1.7m external services (consisting of a number of small engagements)

In April 2024, the Design, Build Run (DBR) function was created to bring together the teams responsible for the delivery of our services across the lifecycle stages, improving organisational effectiveness and programme delivery. This involved creation of two new sub-teams (Operations and Operational Change), moving the Contract Management capability from Commercial into this function, and the consolidation of Customer Experience into Operations (with the Chief Customer Officer and two Customer Director roles removed). This has facilitated a close integration of customer-centricity into our operations, with our Customer First programme driving greater customer insight and improved engagement. Customer Effort, our key operational metric measuring customer satisfaction, scored 6.1 out of 7, exceeding our target of 5.9.

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

During the year, we achieved major milestones on our key programmes. This included the successful go-live of our 4G Communications Hubs and Network (4G CH&N) programme, activities to reprocure 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.

Future activities and costs

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

1.1. RY24/25 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			RY24/25	RY25/26	RY26/27
Total Operations		**£m**	**22.684**	**19.918**	**-**
Payroll costs	PR	£m	18.824	16.397	-
Non-payroll costs	NP	£m	0.176	0.117	-
Recruitment	RC	£m	0.003	0.001	-
Internal services	IS	£m	-	-	-
External services	ES	£m	1.398	1.055	-
Service management	SM	£m	1.929	2.044	-
IT Services	IT	£m	0.354	0.304	-
Incurred			**RY24/25**	**RY25/26**	**RY26/27**
Total Operations		**£m**	**28.383**	**30.161**	**31.755**
Payroll costs	PR	£m	21.617	24.226	26.087
Non-payroll costs	NP	£m	0.925	1.015	1.015
Recruitment	RC	£m	0.623	0.201	0.159
External services	ES	£m	3.117	2.791	2.827
Internal services	IS	£m	0.164	-	-
Service management	SM	£m	1.738	1.454	1.277
IT Services	IT	£m	0.200	0.475	0.391
Variance			**RY24/25**	**RY25/26**	**RY26/27**
Total Operations		**£m**	**5.699**	**10.243**	**31.755**
Payroll costs	PR	£m	**2.973**	**7.829**	**26.087**
Non-payroll costs	NP	£m	**0.748**	**0.898**	**1.015**
Recruitment	RC	£m	**0.619**	**0.199**	**0.159**
External services	ES	£m	**1.719**	**1.736**	**2.827**
Internal services	IS	£m	**0.164**	-	-
Service management	SM	£m	-0.191	-0.590	**1.277**

IT Services	IT	£m	-0.154	**0.171**	**0.391**

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

As mentioned to in the summary, Operations are 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.

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. We are committed to actively engaging with stakeholders and responding appropriately to our customers' needs.

Operations 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, Operations 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). Operations contains the following functions:

- Service Operations – this contains the functions known previously as Data Analytics and Strategic Operations, and Core Operations.
- Operational Change and Transition- this was previously known as Service Assurance, and which now also includes the In-life Change function which was in Service Delivery prior to November 2023.
- In Life Supplier Management.
- Customer Relationship Management, which includes servicing Distribution Network Operators (DNO) and Other Users.
- Product & Networks, known in previous submissions as Products and Logistics.
- Service Lifecycle – which was included in Operations BAU during RY23/24
- Contract Management, which was part of the Commercial chapter in RY23/24

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	Activities	Benefits realised
Delivering a reliable, right first-time service	• Setting the right standards to improve supplier performance • Delivery of the 'Big 4' programmes including the efficient rollout of 4G CHs • Finish SMETS1 migrations and transition to a reliable service • Working with key stakeholders across industry to reduce the number of non-communicating meters.	• We have maintained network availability at 99.6%. • Supported over **2.6 billion messages** per month • During RY24/25 we delivered almost 5,000 changes with a 98.2% success rate. • We are now supporting over 34 million meters on our network (compared to 1m in 2019, a significant ramp up in system capacity). • By March 2025 there were 0.824m meters on the DCC network that had not communicated in 35 days - a reduction of c.40% from baseline of 1.5m at the start of the year. DCC is continuing to work closely with service users on a weekly basis on the actions drive these numbers down
Investing in our people, technology, and processes	• Committed to creating capability and developing our people through coaching, training and upskilling • Re-platforming and development of our data strategy • Delivering our Next Generation Technical Operations Centre (TOC) and Service Centre	• Enhanced customer journey tracking - the volumes of SRVs executed 'Successfully' for 9 specific journeys across our network • Increased people engagement scores, with internal engagement scores for the Operations function at 73% • Delivered investments in our TOC with increased network monitoring capability. • Began implementing the data strategy, moving towards cloud data storage, and increasing our data capability.
Collaborative customer and partner outcomes	• Introduction of contracting frameworks and embedding partner relationships • High level escalations strategy • Driving value through improving industry insight • 'Never fail a pre-pay' mindset	• Customer Effort scores at 6.1 – above target and within the Gartner top quadrant. • Improved relationships with customers, including our DNOs and other users. • Prepayment success rate at 99.88%

Table 2 – Operations 12-month objectives RY24/25

1.2.3. Cost Centre Structure

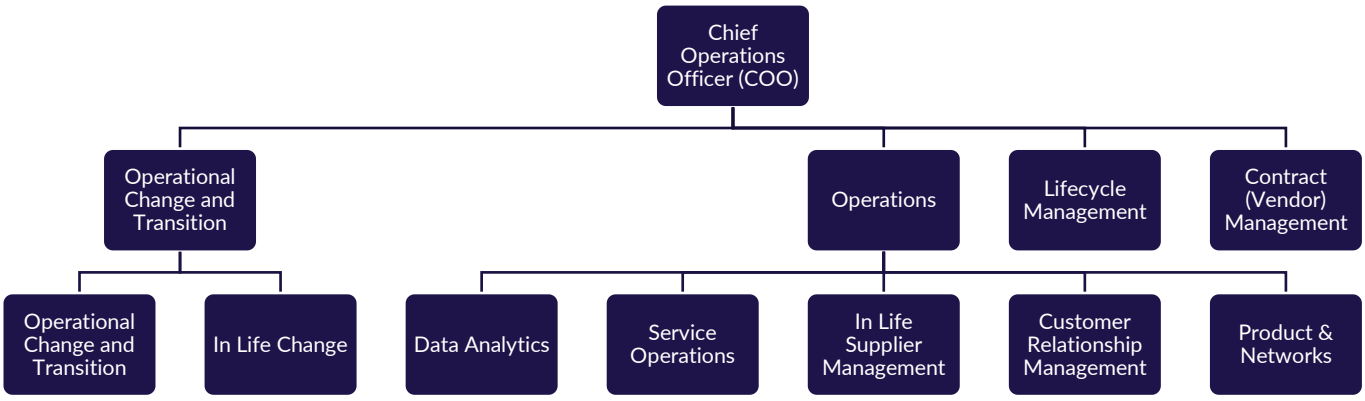


Figure 1. **Cost centre organisational structure**

Our cost centre structure and its capabilities are as follows. The table below provides the overview of the Operations cost centre during RY24/25 and a description of the teams within the structure.

Sub-team structure RY23/24	Sub-team structure RY24/25	Description
Data Science and Analytics (DS&A)	**Data Science and Analytics (DS&A)** - also known as Data Analytics	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. • Build and model scenarios to underpin the OPR regime. • This team was combined with Strategic Operations team in January 2024 and is now called DS&SO.
Service Assurance	**Operational Change and Transition (OCAT)**	OCAT designs the operational ways of working and the supporting processes, as well as taking programmes into business-as-usual status, for example SMETS1 migrations, Switching, and Enduring Change of Supplier (ECoS). The key purpose of OCAT is "To shape and protect Customer Service and Operations". Key functions include: • Service Introduction and Acceptance (Business Acceptance Testing, and Service Introduction and Acceptance). • Service Architecture and knowledge (Service Architecture, knowledge, eLearning, and training). • Service Governance (quality, assurance, risk, and demand). • In Life Change (delivery of change and maintenance to existing products and services).
Core Operations	**Service 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 Incident 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 internal changes across the entire service provider ecosystem to ensure they are successfully deployed through release management without causing unplanned outages. • Driving the successful enrolment and adoption of SMETS1 meters onto the DCC network across many accountable parties and complex processes.

Sub-team structure RY23/24	Sub-team structure RY24/25	Description
		• Continually improving customer journeys through providing insights and support to customers to drive improved performance of end-to-end processes (such as prepayment). • The Service Operations team also leads on pan-operational activities on behalf of the COO and Senior Leadership Team (SLT), and contains three main functions: • Risk and Compliance Management – managing functional and enterprise risk mitigation, issues management and assuring compliance against corporate risk management frameworks. • Financial Management – managing operational budget planning and forecasting, financial reporting, business accuracy, resourcing strategy and cost efficiencies. • Executive Reporting – acting as office of the COO, it leads on reporting into the board, Executive Committee (ExCo), and SLT and providing business management support.
In Life Supplier Management	**In Life Supplier Management**	The In Life Supplier Management team is accountable for ensuring suppliers operate and perform in line with their contractual obligations, including: • Operational performance management governance routines. • Performance recovery plans (where required). • Supplier performance reporting – monthly and annual reports. • Supplier service delivery risk management and risk mitigation. • Financial responsibility for all operational suppliers' run costs, accounting for around £[redacted] of spend per annum. This includes financial forecasting, finance controls, and budget reconciliation and invoice payment. • Supplier risk management and risk reporting across the supply chain. • Change management oversight for any supplier impacting change, both process and contractual (not commercial or procurement).

Customer Relationship Management	**Customer Relationship Management**	This team plays a crucial role at the forefront of all service-related 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:
		• Retail Service Management (Energy Suppliers).
		• Non-Retail Service Management (DNOs and Other Users).
		• Customer Journey/Experience Management
		  ○ Managing customer complaints, and complaints made on behalf of customers (i.e. from members of parliament)
		  ○ Customer Effort Scores
		  ○ On and off-boarding customers.
		The team is accountable for driving customer experience, service improvement, customer advocacy, and strategic customer engagement.

Sub-team structure RY23/24	Sub-team structure RY24/25	Description
Product and Logistics	**Product and Networks**	The Product and Networks team is accountable for the timely supply of Communication Hubs (CHs) to our customers, In life ownership of Firmware, Network Demand Assumptions, Forecasting and Capacity Management. • Manage the forecasting, ordering and fluid supply of CH variants from different service providers aligned to agreed delivery dates • Development of Supply Chain to meet the global market challenges and evolution of DCC product portfolio, for example, the introduction of new 4G CHs and the capability to support mass returns • Assurance of the End-to-End (E2E) lifecycle for existing and future products and firmware, and in life WAN assurance for 4G • Help to shape and influence future programmes to deliver best-in-class solutions and support continuous improvement. • Ensure that DCC maintains sufficient network capacity, and work 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) • 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 • The Network Traffic Management portfolio of activity focused across three themes of traffic optimisation, process optimisation, and traffic prioritisation. Examples include improvements to North and South bound prioritisation of messages, reducing retries and more efficient use of the network.
Lifecycle Management	**Lifecycle Management**	The lifecycle management team was created in 2023, under the COO, to support the development of our Service Families and transition into a product focused organisation. The team is currently focused on the Smart Energy service portfolio and, within it, two Service Families: • SMETS1 – developing a long-term roadmap including strategies and business cases for end-of-life planning. • Connectivity – developing alternative connectivity technologies for the Smart Metering network. • During RY24/25 the team has held several key accountabilities • Leading the service development lifecycle for a Service Family working cross-functionally to deliver services that meet regulatory requirements, customer needs and drive smart metering growth. • Develop and execute the service strategy defining the long-term plans and goals aligned to the DCC Business and Development plan. • Oversee the service lifecycle from concept to retirement, including end-of-life decisions and transition plans. • Support the transition to an ex-ante budgeting approach. • Collaborate with the Design and Assurance function to develop and maintain the underpinning technical roadmap(s). • Collaborate with the Commercial function to oversee the contract pipeline for their Service Family and the long-term commercial strategy to ensure value for money. • Collaborate with the Service Operations teams to define and implement the in-life service model and performance requirements.

Sub-team structure RY23/24	Sub-team structure RY24/25	Description
		• Work closely with the Customer and Regulatory teams to manage external stakeholder needs. • Represent DCC at key external forums.
N/A – previously within the Commercial function – Vendor Management.	**Contract Management**	The contract management team moved into Operations in April 2024, after the creation of the DBR (Design, Build, Run) function. Previously, this team sat within the Commercial function. The team is accountable for: • End-to-end management of strategic contracts and associated change • Challenging and driving cost savings - representing value for money and ensure customers receive an appropriate level of information to justify expenditure. • Maintaining value and risk focus through effective contract, commercial and supplier relationship management and act as the first point of contact for issues. • Liaising with the business to ensure appropriate contract change management processes are undertaken and supports a favourable commercial position. • The effective management of contractual mechanisms and commercial levers for DCC's strategic suppliers, liaison with the wider business to provide contract interpretation, guidance on contract related matters and ensuring contract change is managed.

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 £2.973 million in RY24/25 across a total of 21 sub teams. The key drivers for variance are zero-baseline, either due to the activity being new, the payroll forecast being disallowed following the RY23/24 submission, or movements within DCC functions. Accordingly, this year we have explained the material variances and each team's role, purpose, and activities. Please note that due to rounding, the sum of the individual figures below does not precisely match the totals within the table.

Baseline		RY24/25	RY25/26	RY26/27
Operations Payroll Costs	**£m**	**18.824**	**16.397**	**-**
Core Operations	£m	2.126	2.348	-
Customer Relationship Management	£m	1.540	1.700	-
Data Analytics and Strategic Operations	£m	4.749	5.310	-
Demand & Logistics	£m	1.371	1.548	-
In Life Change	£m	-	-	-
In Life Supplier Management	£m	1.208	1.225	-
Service Assurance	£m	2.631	2.760	-
Lifecycle Management	£m	-	-	-
Contract Management	£m	-	-	-
Operational Change Programme Resource	£m	1.812	0.879	-
SEC Releases Programme Resource	£m	3.141	0.507	-
CSP.N RNI Uplift P0+1+2 Programme Resource	£m	-	-	-
Scaling & Optimisation Programme Resource	£m	0.041	-	-

Operations SMETS2 Extension Programme Resource	£m	0.205	0.120	-
Capacity Programme Resource	£m	-	-	-
3G Sunsetting Mitigation Programme Resource	£m	-	-	-
Commercial SMETS2 Extension Project Resource	£m	-	-	-
4FSK Programme Resource	£m	-	-	-
Project Blue Resource	£m	-	-	-
Project Sapphire Resource	£m	-	-	-
SMETS2 OCA Certificate Rotation Project Resource	£m	-	-	-
Incurred		**RY24/25**	**RY25/26**	**RY26/27**
Operations Payroll Costs	**£m**	**21.617**	**24.226**	**26.087**
Core Operations	£m	4.402	4.976	5.007
Customer Relationship Management	£m	1.645	1.612	1.733
Data Analytics and Strategic Operations	£m	3.061	2.915	2.804
Demand & Logistics	£m	1.924	1.959	2.398
In Life Change	£m	1.316	2.818	2.848
In Life Supplier Management	£m	1.409	1.625	1.759
Service Assurance	£m	1.030	-0.183	0.414
Lifecycle Management	£m	0.505	0.573	0.596
Contract Management	£m	2.316	4.136	4.227
Operational Change Programme Resource	£m	0.736	0.009	-
SEC Releases Programme Resource	£m	1.917	0.884	0.372
CSP.N RNI Uplift P0+1+2 Programme Resource	£m	0.408	0.038	-
Scaling & Optimisation Programme Resource	£m	0.130	-	-
Operations SMETS2 Extension Programme Resource	£m	-	-	-
Capacity Programme Resource	£m	-	-	-
3G Sunsetting Mitigation Programme Resource	£m	0.667	0.241	-
Commercial SMETS2 Extension Project Resource	£m	0.011	-	-
4FSK Programme Resource	£m	0.008	-	-
Project Blue Resource	£m	0.009	-	-
Project Sapphire Resource	£m	0.065	-	-
SMETS2 OCA Certificate Rotation Project Resource	£m	0.056	-	-
SMETS2 Squad Resource	£m	-	0.906	1.258
Connectivity Squad Resource	£m	-	0.623	1.084
Common Capabilities Squad Resource	£m	-	1.096	1.587
Variance		**RY24/25**	**RY25/26**	**RY26/27**
Operations Payroll Costs	**£m**	**2.793**	**7.829**	**26.087**
Core Operations	£m	**2.276**	**2.628**	**5.007**
Customer Relationship Management	£m	0.105	-0.088	**1.733**
Data Analytics and Strategic Operations	£m	-1.688	-2.395	**2.804**
Demand & Logistics	£m	**0.553**	**0.411**	**2.398**

In Life Change	£m	1.316	2.818	2.848
In Life Supplier Management	£m	0.201	0.400	1.759
Service Assurance	£m	-1.601	-2.943	0.414
Lifecycle Management	£m	0.505	0.573	0.596
Contract Management	£m	2.316	4.136	4.227
Operational Change Programme Resource	£m	-1.076	-0.870	-
SEC Releases Programme Resource	£m	-1.224	0.377	0.372
CSP.N RNI Uplift P0+1+2 Programme Resource	£m	0.408	0.038	-
Scaling & Optimisation Programme Resource	£m	0.089	-	-
Operations SMETS2 Extension Programme Resource	£m	-0.205	-0.120	-
3G Sunsetting Mitigation Programme Resource	£m	0.667	0.241	-
Commercial SMETS2 Extension Project Resource	£m	0.011	-	-
4FSK Programme Resource	£m	0.008	-	-
Project Blue Resource	£m	0.009	-	-
Project Sapphire Resource	£m	0.065	-	-
SMETS2 OCA Certificate Rotation Project Resource	£m	0.056	-	-
SMETS2 Squad Resource	£m	-	0.906	1.258
Connectivity Squad Resource	£m	-	0.623	1.084
Common Capabilities Squad Resource	£m	-	1.096	1.587

Table 4 – Operations variance by sub-team

In our RY23/24 price control submission, we forecasted spend of £22.7m for RY24/25 Operations payroll costs. In its RY23/24 final decision, Ofgem disallowed forecasts of £3.937m across the In Life Change, capacity programme and SEC releases sub teams for RY24/25.

We have incurred £21.800m for operations payroll in RY24/25, which is a reduction on the prior year's forecast by almost £1.000m. This has been delivered through a combination of structural changes, efficiency improvements, and strategic resourcing decisions:

- Leadership restructuring: The Chief Customer Officer role was removed and two Customer Director roles were consolidated, streamlining senior leadership and reducing costs.
- Contractor-to-permanent transitions: Several contractor roles were converted to permanent positions across teams like Data Analytics and Core Operations, lowering day-rate expenses.
- Team reorganisation: Functions such as Core Operations and Data Analytics were merged operationally, enabling more efficient resource allocation and reducing duplication.
- Project Blue transformation: The In life Change team was restructured into service-aligned squads, improving delivery efficiency and reducing reliance on temporary staff.
- Upskilling and internal capability building: Over 120 FTEs received ITIL training, reducing the need for external support and improving internal service delivery.

However, given the disallowances, we are reporting a variance of £2.973m above the Ofgem baseline.

1.3.2. Core Operations

Overview of variance

The Core or Service Operations team is accountable for ensuring that the SMETS and Switching service is available and reliable, with three key responsibilities

- Service Management – including second line incident, problem, and change and release management.
- Service Enablement – including the Technical Operations Centre (TOC) and service centre, hyper care and model office teams, and the SMETS1 migration control centre.
- Governance and Controls – supporting pan-operational activities including operational risk management, forecasting and budgets, executive and external reporting, and regulatory engagement.

To maintain consistency with price control reporting, we have retained the team names consistent with last year's submission. We operate the resources across Core Operations and Data Analytics and Strategic Operations (DA&SO) as one team. Therefore, we have compared the variances to establish a net variance for the regulatory years (since the negative variance for DA&SO partially offsets the core operations variance):

Variance		RY24/25	RY25/26	RY26/27
Operations Payroll Costs	**£m**	**2.973**	**7.863**	**26.087**
Core Operations	£m	**2.276**	**2.628**	**5.007**
Data Analytics and Strategic Operations	£m	-1.688	-2.395	**2.804**
Total	£m	**0.588**	**0.233**	**7.811**

Table 5 – Core operations variances

Scope of variance and key challenges

There are a few main drivers for variance in RY24/25:

- The Director of Service Operations moved from Customer Relationship Management into Data Analytics and Strategic Operations (DA&SO).
- The Director of Business Operations was a newly created role into DA&SO.
- We had redundancy payments across DA&SO and Core Operations for 3 Head of roles which were replaced by more junior roles. This aims to reduce costs overall in the long run.
- Finally, the Operations team actioned wide scale upskilling across 120 FTE in IT Infrastructure Library (ITIL) foundation training, as well as provided support to individuals to upskill based on business needs and personal development/succession plans. Time spent on training is not booked to programmes.

The drivers for variance in RY25/26 are the full year costs of the Director of Business Operations and Managing Director of Operations roles. Within RY26/27 there is no baseline which is causing a variance against the whole team (which will be continuing).

Securing Value for Money

All team members were recruited in line with our recruitment and resourcing strategy, which states that all enduring, leadership or positions of strategic importance should be held by permanent or fixed term contract employees.

- A new Design, Build, Run structure was created within DCC, bringing together Service Delivery, CTO, Contract Management, Lifecycle Management and Operations into a single function headed up by the Chief Operating Officer. As part of that organisational design, the Director of Business Operations role was created to provide business management support to the COO, establish controls and governance across the function and help shape the strategy for the team.
- With the COO having a much broader role across different DCC functions, a new MD of Operations role was created to head up the operational team at DCC.
- We had 4 contractors in DA&SO. One was a service ownership contractor, whose role became permanent in October 2024. Three other contractors worked in the migration control centre supporting SMETS1 migrations, who became permanent through the year. One contractor (0.5 FTE) in Core Operations who was brought in to support a short-term activity in DS&A working on systems engineering.

As set out in section 1.2, this team is dedicated to ensuring live services are available and reliable, meeting our contracted and licenced obligations. The scope of Core Operations includes ITIL (Information Technology Infrastructure Library) functions of Incident, Problem, Change and Release management as well as SMETS1 Migration Control Centre and Hypercare.

The DS&A part of the team produces and provides industry with reporting, commentary, and analytical capabilities. It underpins the data requirements for DCC and wider industry issues to support incident and problem management and also builds and models scenarios to underpin the OPR regime.

The strategic operations team works across Operations to lead the resourcing strategy, support risk and issue management, portfolio management, process improvements and strategic insights. They also act as 'office of the COO', facilitating quarterly business planning activity, ExCo/board reporting, and providing governance and controls against policies.

Future Considerations

Activity continues to improve time sheet compliance and forecast accuracy within the programme recharge. The expectation is that most of the pan-operational governance activities will move centrally in DBR during RY25/26 but will not increase in size. The increase in forecast variance costs during RY25/26 and RY26/27 are as a result of limited programme allocations for these years, and we anticipate that actual spend will be in line with the £4.976m forecast for RY25/26.

1.3.3. Demand and Logistics

Overview of variance

The demand and logistics team are now known as the 'Products and Networks' team. The team covers four main accountabilities relating to our communication hubs (CH) and networks.

- CH Supply Chain: We supplied ten different CH variants, from three manufacturers in RY24/25 and the team worked closely with our suppliers and our customers to ensure 100% fulfilment of up to two million CH over that period. This was one more variant than RY23/24 with the addition of the new 4G CH into production pilots December 2024. The team worked with our suppliers to mitigate challenges such as unrest in the Red Sea region that extended shipping timeframes and component obsolescence. They are working very closely with [redacted] [redacted] and customers to plan for a transition of supply from 2/3G to 4G CH that is targeted to happen in H2 2025.
- Firmware: The team are responsible in life CH Firmware, and that includes assurance of successful delivery into production. The team has championed cross supplier activity to improve the quality and Right First Time of firmware delivery, with Best Practice being established and rolled out following audits with each manufacture and CSP. We supported five new firmware deliveries into production, c. 20 million device upgrades, with no major incidents in production.
- Demand & Capacity Management: The team are responsible for ensuring we have short-, medium- and long-term forecasts of network demand to enable our Service Providers to scale their networks appropriately and in a timely manner. New governance has been rolled out with industry via bilateral DCC User engagement and SEC Operations Group. We have also implemented new processes with our Service Providers for timely assessment of a longer-term forecast and actions they need to take to scale in a timely manner.
- New Product & Change: The team are supporting the introduction of the new CH&N Programme that includes the new 4G CH and a new 4G Wide Area Network (WAN) provider, both of which will be product owned within the team. The team plans to provide in life assurance and play an important role to ensure the new products & services are fit for purpose to enter production

The driver of overspend is the use of three day-rate contractors to support one-off activity in the Demand and Capacity team to introduce new tooling and more efficient ways of working. This has meant we can produce more accurate and insightful demand forecasts, whilst also being much better equipped to support the growing demands of scenario modelling for various programmes of work and contract re-procurements. Two individuals focused on delivering the tooling, while one individual supported data

analysis on several areas of network traffic demand, of which one benefit has led to a significant reduction to the volume of network retries. These were all for 6 months and delivered on-time and to target outcomes.

Scope of variance and key challenges

Following the move of Network Demand and Capacity into Product and Networks in RY23/24, it was recognised that further investment was needed in this critical area for the business. Key roles were identified to capture and document all demand assumptions from DCC Users, Programmes and other change activity that impacts the demand on DCC Total Systems.

- A Senior Network Demand Planning Manager was hired in September 2024 interfacing across industry, and played a pivotal role with the demand assumptions for the DNO's, whereby growth has been forecast up to 40% additional traffic from that user group. This role has been supported by a Demand Planning Manager (recruited in June 2024) focused on programme activity impacts including MHHS, that also drives significant growth on the network.
- To support the growing number of Service Providers who provide network capacity across SMETS1, SMETS2, and including the new 4G services, an additional Network Capacity Manager was hired in January 2025. DCC had additional support from [redacted] on an interim basis that ended in October 2024.
- The growing portfolio of supply chain services driven by new 4G Comms Hub, and the growing need for mass return of Comms Hub to support swap out of older technologies required an additional FTE in June 2024 (which was part of DCC's forecast). The cost was partially offset by not backfilling a more senior role and replacing with junior roles.

Securing Value for Money

The Product and Network team continually reviews the nature of activities it supports and how the outcomes can be achieved. In June 2024, two resource/portfolio planning roles were made redundant as it was recognised the value the roles delivered had reduced and new ways of working could be introduced that meant less hand-offs and overall, a more efficient way of working. This has helped to offset some of the growth in other areas.

Part of the overspend reflects a contractor recruited in the Demand and Capacity team to support on data analysis. It was agreed that this contractor was the most suitable resource due to the specific skillset and knowledge base required, plus the defined timeframe for this work. With consideration to the additional cost of this resource, DCC did simultaneously attempt to recruit for fixed term employees to undertake this activity but was unsuccessful.

Future Considerations

There are variances to baseline in both RY25/26 (£0.411m variance) and RY26/27 (£2.398m variance), due to changes previously mentioned, however, it is noted that RY26/27 has a zero baseline. We have not forecast any increase in headcount or FTE during the forecast period, and do not expect to employ any further day rate contractors in this cost centre.

1.3.4. In Life Change

Overview of variance

In Life Change is a dedicated delivery team, which moved from Service Delivery as part of Project Blue. They work in delivering in life change into the business with roles aligned to Project and Programme management and ensure that any changes to live service (for example SEC Mods) are delivered in a timely and efficient manner, with strong governance and minimal impacts to live service. The team covers a high volume of projects from technical infrastructure upgrades, capacity increases etc.

Variance		RY24/25	RY25/26	RY26/27
In Life Change	£m	**1.316**	**2.818**	**2.848**
Service Assurance	£m	-1.601	-2.943	**0.414**
Total	£m	-0.287	-0.125	**3.262**

Table 6 – In life change team variances

In Life Change and Service Assurance have been separated out as two separate teams this year. Last year's forecast for Operational Change and Transition was £4.000m, whereas this year we have spent £2.346m across both teams. When comparing both teams' combined variance there is no overspend to baseline. In RY26/27 we do not yet have FTEs allocated to programmes or the central function. We expect that as we gain more certainty in next year's submission, more FTEs will be allocated to programmes, reducing this cost.

Scope of variance and key challenges

In addition, 23 FTEs were reallocated to programmes and directly replaced by colleagues from the Service Delivery team. This move took place to bring the delivery of operational changes closer to the operational teams. As part of the new target operating model defined in Project Blue - the team restructured around Service Family delivery and away from a multitude of separate programmes. Other than this, the FTE was like to like.

The team also utilised [redacted] contractors during the year. All of these contractors were Project Managers who delivered specific changes within the portfolio. In December 2024 the recruitment drive began to replace all of the contractors with permanent FTE, as well as to reduce the overall FTE by 5 from 23 to 16. As of June 2025, that recruitment is complete and only [redacted] contractors remain, in a handover process until September 2025.

The team underwent a transformation in RY24/25 which delivered significantly improved results. RY25/26 is expected to be a year of stability and continued improvement. RY26/27 has a zero baseline, explaining the significant variance.

Securing Value for Money

All team members were recruited in line with our recruitment and resourcing strategy, which states that all enduring, leadership or positions of strategic importance should be held by permanent or fixed term contract employees. Activity was undertaken during the latter part of the year to reduce the reliance on contractor resource and replacing these with permanent employees, as a result of the recommendations which came out of Project Blue and the move to a 'squad' model focusing on service families. The below table shows the performance improvement across RY24/25 against key KPIs – particular highlights in addition to this were, a 60% improvement on delivery right first time, 0 incidents as a result of releases since July and 100% return of SEC Modification impact assessments within SLA since July 2024.

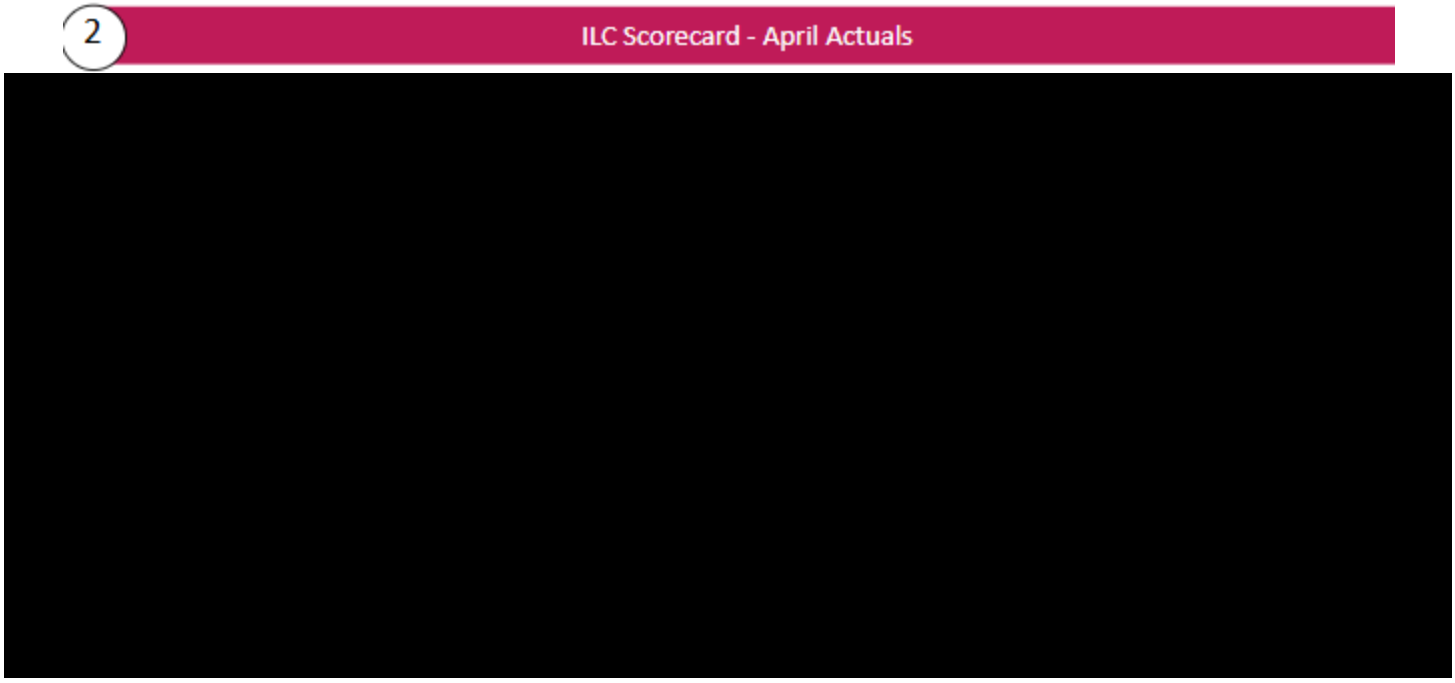


Table 7 – ILC Scorecard

Future Considerations

During RY25/26 and 26/27 there are variances of £2.800m against a zero baseline, however the overall incurred forecast costs are in line with previous financial years. The team has undergone an organisational design activity during this financial year, and we do not expect any further significant changes to the overall structure, but we should see improvements in time recording and a more accurate programme recharge over the next financial year.

In addition, during RY25/26 the function is expected to move into the 'Build' portion of the DBR structure and will sit within Service Delivery. There have been no programme recharges apportioned for RY25/26 and 26/27.

1.3.5. In Life Supplier Management

Overview of variance

The In Life Supplier Management (ILSM) team is accountable for ensuring suppliers operate and perform in line with their contractual obligations. This includes operational performance governance, risk mitigation, and financial responsibility for around £[redacted] of annual supplier run costs. The team also supports change management oversight for supplier-impacting changes and acts as a key subject matter expert across programmes requiring supplier input

Scope of variance and key challenges

During RY24/25 the team underwent an organisational design review to ensure alignment with operational priorities and supplier oversight responsibilities. This involved the recruitment of the following roles with the required skill sets to deliver against the agreed organisational design and priorities within the team:

- 2 Heads of Supplier Delivery
- Head of Governance
- 2 Analysts
- A Risk Lead and OSM
- 3 Supplier Delivery Managers.

Securing Value for Money

All team members were recruited in line with our recruitment and resourcing strategy, which states that all enduring, leadership or positions of strategic importance should be held by permanent or fixed term contract employees. There are no plans to recruit above this planned headcount, and there are no contractors being utilised. In addition, activity continues to ensure that we improve time sheeting compliance and forecast accuracy within the programme recharge.

Through working with the core network suppliers, the DCC In Life Supplier Management team have ensured suppliers have delivered against, and beyond their contracted performance obligations - Arqiva Service Improvement Programme and CGI Continuous Service Improvement Program being two examples of this. Where performance hasn't been at the required level, the team have both ensured the relevant suppliers are penalised via Service Credits and performance improvement plans put in place ensuring service is restored to the required levels.

Also, with the accountability for all the core network supplier run budget sitting within this function cost, increased mitigation activity is a critical focus. An area that has demanded a lot of focus from the team which has been triggered through positive increases in customer usage of the network has been significant increases in SRV volumes, which has triggered thresholds in some contracts thus triggering material cost increases, which if no action taken would have seen £100.000m's of additional costs being passed through to customers. Through the work led by the In Life Supplier Management team, a significant part of this cost increase has been mitigated, achieved through removing non-value & repeat messages from the network, all with no negative performance impact.

Future Considerations

There will be changes in structure into RY25/26 and RY26/27. The ILSM team have moved out of Operations into a newly created function within Design, Build & Run, and will be brought together with the Contract Management team. As part of this move and under the new plans to restructure to find cost efficiencies, there will be a structural change that will impact both ILSM and Contract Management which estimates to see a reduction in FTE. However, at present, there are no further plans to change the structure or aligned head count.

1.3.6. Lifecycle Management

Overview of variance

The Lifecycle Management team was established in 2023 under the COO to lead the development of DCC's Service Families—an essential framework for the Ex-Ante business plan—and to drive the transition to a service-focused organisation.

The team owns the end-to-end Concept to Contract phase and sets service strategy. Key deliverables include the Future Connectivity North, DCO, and IOC/FOC extension business cases, all of which received positive feedback from customers and government stakeholders.

In RY24/25, the team expanded to support full-service development lifecycles across DCC's four Service Lines (SMETS1, SMETS2, Switching, Data) and four common capabilities (Service Management, Meter Data Management, Testing, and Security), working closely with customers to define end-to-end plans.

Scope of variance and key challenges

There was no baseline forecast, which is the key driver for variance. During RY24/25 the team consisted of one Director and 4 Senior Managers (circa 3.7 FTE), with a view that this would increase to a total of 8 FTE during the forecast period. Initially the team was led by a contractor Interim Director of Service Lifecycle, before being replaced by a permanent FTE in role.

The team recruited the following FTEs:

- Head of Service Lifecycle Management for SMETS2, who has accountability for all aspects of the SMETS2 service line including current and future technologies and contracts for c.14m meters.
- 1x Senior Service Lifecycle Owner to lead on discreet services in the Privacy and Security Service Family, including Dual Control Organisation, Trusted Service Provider / PKI, and the future competitive re-procurement of Change of Service in switching.
- 1xSenior Service Lifecycle Owner to lead the [redacted] and cost saving delivery of ANSO for SMETS1 covering the FOC cohort and led the green book business case activity with a team of subject matter experts. They also lead on the maintenance planning for SMETS1 to make sure meters stay live and communicative.
- 1x Senior Service Lifecycle Owner to lead the green book business case activity with a team of subject matter experts on projects such as Future Connectivity North, Next Generation Comms Hub, and Long-Range Radio Committed Term.
- 1x Senior Service Lifecycle Owner to lead the Smart Energy portfolio.

Securing Value for Money

All team members were recruited in line with our recruitment and resourcing strategy, which states that all enduring, leadership or positions of strategic importance should be held by permanent or fixed term contract employees.

In RY24/25 the Lifecycle Management team were instrumental in leading on the procurement and implementation DCC's 4G service in central & south and in developing the business case for launch in the north region during RY25/26. This included new contracts for WAN and a new Comms Hub; providing anticipated savings vs. the incumbent WAN provider for the north, Arqiva, subject to contract performance.

The team led on:

- Establishment of Service Families, which informs how our business maintains and delivers new services from now, through business handover, and into the new ex ante regulatory regime
- Key business cases: 4G in north, DCO renewal, SMETS1 IOC/FOC case, SMETS 1 ANSO case, and SMETS1 maintenance. Refer to our SMETS1 chapter for more those business case outcomes and out chapter on Future Connectivity for 4G in the north.

Future Considerations

Our forecast for this sub-team is an increase on our RY24/25 headcount to 8 FTE and assumes all roles are filled for future years. We forecast three additional Senior Service Lifecycle Owners from RY25/26; however our costs do not increase linearly because we expect a greater proportion of all roles to be recharged to programmes. Our team will continue to work closely with the business analysts; business case writes and service design to meet our objective of supporting full-service development lifecycles.

1.3.7. Contract Management

Overview of variance

Contract Management (Vendor Management) is a critical aspect of sourcing and supply chain management, essential for delivering the value our business requires. After the conclusion of sourcing activities, managed by our procurement teams, our Contract Management team serves as the engine that drives value across the supply chain.

The team focus on building robust relationships with suppliers, ensuring they not only meet the contractual terms but also exceed expectations and make continuous improvement throughout the supply chain. It is well established best practice in our industry and related industries with large supply chains for this function to exist. It increases the number of bidders we get for procurement exercises we run by keeping up relationships and giving them a forward view, enforcing contractual terms better, and encouraging suppliers to exceed expectations.

The Contract Management team moved into the new Design, Build, Run (DBR) function within Operations in April 2024. The team is responsible for end-to-end management of all contracts, ensuring value for money, enforcing commercial terms, and supporting contract change. The team also leads on supplier relationship management, risk mitigation, and contract performance reporting. With affect from June and July 2024, Contract Management resources migrated from Commercial into Operations.

Scope of variance and key challenges

This variance is driven by resource moving from the Commercial cost centre to the Operations cost centre during RY24/25 and a zero baseline within the Operations cost centre. This is demonstrated by an equivalent negative variance in the Commercial cost centre.

The fundamental role of the vendor management team is unchanged, and as shown in the table below the team has reduced compared to the Ofgem baseline, where some resources remained within Commercial during the transition.

Variance		RY24/25	RY25/26	RY26/27
Commercial: Contract Management	£m	-2.707	-4.464	-
Operations: Contract Management	£m	**2.316**	**4.136**	**4.227**
Net variance		-0.391	-0.328	**4.227**

Table 8 – Contract management team variances

The team absorbed the management of over [redacted] contracts (over 500% increase in previous scope), following an organisational design activity that increased the team by 13 FTE (5 fixed term only). With a view to driving efficiency in headcount during 25/26 by at least 5 FTE. The following roles were hired for in RY24/25:

- [redacted] Contract Manager (backfill for current FTE who took up a Senior Contract Manager role)
- [redacted] Contract Managers (backfill for [redacted] current FTE who moved to pick up new DSP contract roles)
- [redacted] Contract Manager (direct replacement for departed FTE)
- [redacted] Contract Manager picking up a new DSP contract role
- [redacted] FTC covering newly inherited contracts from across the business
- [redacted] Senior Contract Manager (backfills for departed FTEs)
- [redacted] Head of Contract Management (new roles to oversee; old and new DSP, new 4G contracts moving into live, FSM, Switching ECoS and Capita contracts, and oversee change/governance and new scope of over [redacted] contracts)

For RY25/26 and RY26/27 forecast costs increase above the RY24/25 incurred amount because there will be a full 12-month period of salaries within the Operations cost centre and individual roles are not yet allocated to programmes. In RY24/25, almost 13 FTE were allocated to programmes through timesheets, whereas within our Annual Business Plan this is currently only forecast to be 9 FTE for RY25/26 and 5.6 FTE for RY26/27.

During RY25/26, the team will be recruiting for an MD for Strategic Contract and Supplier Management, who will report directly to the COO as part of the Design, Build and Run (DBR) leadership team, and will bring together the Vendor (Contract) Management and In Life Supplier Management teams within the Operations functions. In addition, the use of a contractor as Commercial Director was utilised specifically to lead the Arqiva extension negotiations. This role will end in December 2025.

Securing Value for Money

Over the course of RY24/25 the team absorbed the management of all contracts across DCC. This resulted in [redacted] contracts being fully managed and further contracts being partially managed, bringing the total number to over [redacted] contracts (25% more than the expected number of contracts (~[redacted] when the team underwent the organisational design). To accommodate this increased volume of activity, the Contract Management team undertook an organisational design activity in early 2024, which increased

the team by an additional 13 FTE.

In addition, the team delivered over £[redacted] worth of efficiencies created as part of key negotiations cost avoidance of over £[redacted] an over 25% increase on OPR score, as well as signed (and now delivering) the new DSP and, FSM and 4G contracts.

The enhanced development of our digital tooling continued throughout RY24/25, with further functional releases to our Contract Management toolset. In addition, the team are undertaking a huge array of improvement activities to:

- Ensure continuity of services: standardise and consistent contract management approach to all DCC contracts.
- Ensure sufficient time to evaluate our Contract & Procurement Pipeline to enable consideration of the commercial options to demonstrate value for money.
- Fully integrated and embedded contract management process, to fully anticipate business needs.
- Develop a single source of truth contract database that enables visibility and proactive management of contract expiry across all contract elements within DCC irrespective of ownership.
- Creation of a more professional contract management organisation aligning to overall DCC programmes and lifecycle to maximise value added to the business.

All new recruitment into the team was assessed against a target operating model and recruited using our recruitment partner. Permanent employees were approved for this recruitment, to ensure that DCC DBR met our key resourcing principle.

Future Considerations

The vision for the Strategic Contract and Supplier Management function is to "Build operational and commercial excellence with our partners to deliver outstanding service and value for money for DCC and its customers". In doing so, the team will lead all third-party in life commercial relationships through concept to contract, contract to market and market to retirement.

The key focus areas for this new team will include:

- Building and driving a strategic approach to managing all in life contracts and suppliers
- Demonstrating value for money, efficiency, delivering continuity of service and assuring DCC is compliant with internal and external governance (DESNZ, Ofgem, customers) in accordance with its license condition and business objectives.
- Ensuring that supplier partnerships are optimised to deliver business and costs value, mitigate risk, and foster innovation and high performance across the supply chain.

Over the course of RY25/26 and RY26/27, our team will be:

- Developing category strategies to consolidate the number of contracts and suppliers being directly managed.
- Segmenting contracts more effectively to facilitate a more efficient approach to management and optimal use of specialised knowledge and skills
- Implementing a new Master Services Agreement (MSA) with standardised terms and conditions, reducing the need or individual management efforts and reducing administrative burden
- Consolidating re-procurement and extension programmes to reduce the number of procurement cycles
- Streamlining governance and reduce duplication across DCC.

As the Contract management and In Life Supplier Management teams merge, there will be a new Managing Director for Strategic Contract and Supplier Management and 1 Fixed term (until March 2026) Director of Contract & In Life Supplier Management to support the bringing together of the teams. Overall, we expect the total FTE to reduce from 58.4 to 46 over the next 6- 9 months.

1.3.8. SEC Releases 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 Operations and runs the projects (Project Managers) for each Release.

Scope of variance and key challenges

We always need SEC releases, but we don't know what each will involve or what resource will be required. Consistent with prior year forecasts, we increase our forecast costs for the following year once we have greater certainty and propose a lower value for the two-year forecast.

We have updated our forecast for RY25/26 (£0.819m) above the baseline (£0.507m) to reflect our latest understanding of resource requirements from across the business specific to each SEC release.

In addition, it is likely that our current forecast for RY26/27 (£0.352m) is currently underestimated and will be revised in next year's submission, as we have little certainty at this stage which specific roles and skills from across the business will be required to deliver SEC releases.

Securing value for money

We 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.

Variance is driven by the fact we cannot currently forecast which exact resources are required to carry out SEC releases in RY25/26 and RY26/27. Within our Annual Business Plan approach, we allocate individuals to programmes rather than general FTE level assumptions.

Future considerations

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.

1.3.9. CSP. N RNI Uplift p0+1+2 Programme Resource

Overview of Variance

The CSP.N. RNI Uplift Programme has a variance of £0.371m against a zero baseline – this is due to the project not being initiated until after the RY23/24 submission.

Scope of Variance and Key Changes

Following consultation with industry via OPSG in Q1 2024, in close collaboration with DESNZ, DCC and Arqiva initiated a project to provide sufficient capacity to scale to 5 million comms hubs in the North. The spend was capped at £[redacted] in that consultation.

The project follows a series of releases, iteratively providing further capacity. Each drop is discussed and approved by DESNZ before the next stage of the project commences. The SEC OPSG has been consulted throughout, including granting approval for an additional outage window in March 2025.

Securing Value for Money

Resource was required from across DCC to support this programme – in total, 3.7 FTE was recharged into this programme. We ensured that all DCC internal resource was allocated on a needs basis to ensure that

we kept costs as low as possible while delivering the programme.

Future Considerations

The RNI uplift programme is continuing throughout the year, with a further release planned for December 2025. A decision aims to be made in September 2025 on whether a potential third release (in April 2026) will be delivered. All further activity on this programme plans to be discussed and approved through engagement with customers and users via DESNZ and OPSG.

1.3.10. 3G Sunsetting Mitigation programme

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. This is through the introduction of 4G-supported services. 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.

Scope of variance and key challenges

There is a variance of £0.521m against a zero baseline. This activity was included in the projected costs for Service Assurance, and there is a comparable negative variance in this cost line.

Securing Value for Money

Resource was required from across DCC to support this mitigation programme, which became the programme known as CH&N, and will be recharged as such in future years.

The internal resource was originally allocated to our Service Assurance function, where you can see a comparable negative variance for the same time period.

Future Considerations

Future resource costs for this activity will be included in the programme 'Network Evolution – CH&N

1.3.11. SMETS2 Squad Resource

Overview of variance

As part of project blue and the re-organisation of In Life Change, the team was re-structured aligned to 'Service families'. These delivery teams enable continuous improvement against key metrics such as speed to deliver (cycle time) and quality (right first time and incidents). Rather than creating and disbanding individual programmes, these squads are in place, taking in new demand items as required. This resource forecast covers a host of forecast technology changes including SEC System Releases, DSP Technical infrastructure refreshes and other mandated changes to SMETS2 devices.

Scope of variance and key challenges

The variance(s) are RY25/26 forecast: £0.822m variance (against zero baseline) & RY26/27 forecast: £1.138m variance (against zero baseline). The squad model is a result of Project Blue which completed the transformation of In Life Change in June 2024 – with the first squads built and forecast from that point. This squad forecast is based on 'real' deliveries such as the known SEC Release content and DSP Technical infrastructure upgrades as well as assumed forecasts for the upcoming SEC Releases.

Securing value for money

The 'squad' model ensures that resources are continually in place, taking in new demand – without lost time because of disbanding and reforming programmes. Demand items are assigned to the existing squads with Project Managers able to take on multiple projects due to their similarity and growing expertise. This model has enabled In Life Change to dramatically improve across its KPI scorecard – delivering faster, with far less incidents and delays. The sitting teams become delivery experts in their service families and can far better challenge costs and find efficiencies – such as the £1.000m saved on the November 2024 SEC Release details of which have been shared with Change Sub Committee.

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.

1.3.12. Connectivity Squad Resource

Overview of variance

As part of project blue and the re-organisation of In Life Change, the team was re-structured aligned to 'Service families'. These delivery teams enable continuous improvement against key metrics such as speed to deliver (cycle time) and quality (right first time and incidents). Rather than creating and disbanding individual programmes, these squads are in place, taking in new demand items as required. This resource forecast covers a host of forecast technology changes to the 4G Comms hub and other 'future connectivity' areas. This service family aims to deliver changes to the 4G Comms Hub over the coming years, beginning with Maintenance Release 1 in RY25/26 Q1/Q2, followed by Maintenance Release 2 and other improvements in Q3/Q4.

Scope of variance and key challenges

This is a resource forecast covering forecast future project activity. This forecast was put together in Q2 24/25 as part of the Project blue transformation of In Life Change – where the team moved from individual projects and programmes to continuous service family delivery teams. The variance is RY25/26 forecast: £0.615m variance (against zero baseline) & RY26/27 forecast: £1.057m variance (against zero baseline). The forecast is based on future change roadmaps – including 4G Maintenance Releases, 4G GBCS4.2 and other changes. The exact timings of these changes are not yet known – this squad enables provision for those future years.

Securing value for money

The 'squad' model ensures that resources are continually in place, taking in new demand – without lost time because of disbanding and reforming programmes. Demand items are assigned to the existing squads with Project Managers able to take on multiple projects due to their similarity and growing expertise. This model has enabled In Life Change to dramatically improve across its KPI scorecard – delivering faster, with far less incidents and delays. The sitting teams become delivery experts in their service families and are able to far better challenge costs and find efficiencies – such as the £1.000m saved on the November 2024 SEC Release details of which have been shared with Change Sub Committee.

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.

1.3.13. Common Capabilities Squad Resource

Overview of variance

As part of project blue and the re-organisation of In Life Change, the team was re-structured aligned to 'Service families'. These delivery teams enable continuous improvement against key metrics such as speed to deliver (cycle time) and quality (right first time and incidents). Rather than creating and disbanding individual programmes, these squads are in place, taking in new demand items as required. This resource forecast covers a host of forecast technology changes to the 2G / LRR Comms Hub such as Arqiva Scaling and Optimisation, GBCS4.2, Comms Hub Maintenance Releases, SMETS2 Certificate rotation. Scope of variance and key challenges

Scope of variance and key challenges

There is a variance of £1.051m in RY25/26, and £1.540m in RY26/27, due to zero baselines, as this resource cost was previously accounted for within the Service Delivery chapters. This is a resource forecast covering forecast future project activity. This forecast was put together in Q2 RY24/25 as part of the Project blue transformation of In Life Change – where the team moved from individual projects and programmes to continuous service family delivery teams. The forecast is based on future change roadmaps – including 4G Maintenance Releases, 4G GBCS4.2 and other changes. The exact timings of these changes are not yet known – this squad enables provision for those future years.

Securing value for money

The 'squad' model ensures that resources are continually in place, taking in new demand – without lost time because of disbanding and reforming programmes. Demand items are assigned to the existing squads with Project Managers able to take on multiple projects due to their similarity and growing expertise. This model has enabled In Life Change to dramatically improve across its KPI scorecard – delivering faster, with far less incidents and delays. The sitting teams become delivery experts in their service families and can far better challenge costs and find efficiencies – such as the £1.000m saved on the November 2024 SEC Release details of which have been shared with Change Sub Committee.

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

1.4.1. Customer Relationship Management

Overview of variance

The customer relationship management team is responsible for delivering the customer engagement strategy and leading on customer experience improvements. This team plays a crucial role at the forefront of all service-related customer engagements, effectively being the voice of the customer, as well as being the voice of DCC.

The team is the frontline interface for Operations, whilst supporting wider DCC/External forums in mitigating current known issues. The team have three key functional capabilities:

- Retail Service Management (energy suppliers)
- Non-Retail Service Management (DNOs & Other Users)
- Customer Journey and Experience Management, including high level escalations and complaints.

The team is accountable for driving customer experience/service improvement, customer advocacy and strategic customer engagement – building relationships with key customers, managing their experience, and ensuring issues are resolved promptly.

Within this team we monitor and report on customer effort and sentiment. This insight is vital to support the customer engagement evidence criteria within OPR.

Scope of Variance and Key Challenges

There is a cost variance of £1.733m in RY26/27, which is the result of a zero baseline for this forecast year. There is no expectation to increase the headcount of FTE within this team throughout the forecast period.

Securing Value for Money

All team members were recruited in line with our recruitment and resourcing strategy, which states that all enduring, leadership or positions of strategic importance should be held by permanent or fixed term contract employees.

Future Considerations

There is the ambition to bring together the Operational Customer team, and the more strategic Customer Experience team during RY25/26, these costs will have a forecast baseline within the Customer Experience team, led in RY24/25 by chief of customer experience, and there is the expectation that some organisational design activity will take place across the two teams to ensure cost effectiveness and value for money.

The combination of this team will allow Operations to focus on all aspects of the Customer Experience, and deliver DCCs 'Customer First' project, which was originally launched in November 2024. This project is a key Operational objective for RY25/26 and beyond, which looks to increase customer satisfaction with DCC and to build positivity about our performance and capabilities. The first stage of this work, which was completed during RY24/25 is a pilot project to survey a discrete number of customers to be able to score ourselves and gain insights on topics ranging from Network Availability, Service, Engagement and Value for Money.

1.4.2. Data Analytics and Strategic Operations

Overview of variance

There is a variance in RY26/27 to forecast, due to there being a zero baseline. The data analytics team (also known as Data Science and Analytics (DS&A)) produce and provide internal and external stakeholders with multiple services including:

- Mandated reporting and commentary.
- Non-mandated reporting and analytical capabilities.

The team also:

- 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.
- Build and model scenarios to underpin the OPR regime.

Scope of variance and key challenges

Costs for RY26/27 in this space are in line with prior years, with no expected increase in FTE or costs.

Securing value for money

Work was undertaken during RY24/25 to reduce our reliance on contractors and consultant resource, bringing key activities in-house. We have managed to achieve this whilst keeping costs and headcount stable and creating efficiency of scale within the team, alongside increasing our use of automation.

Future considerations

Work continues in the Data Analytics and Strategic operations space, to improve efficiency and outputs. A small organisational design activity is expected to occur during the first half of RY25/26, which will better align the team to services. There is no expected increase to headcount or resource cost associated with this, and we may see some efficiencies.

1.4.3. Service Assurance

Overview of variance

Service Assurance is a dedicated team, now known internally as Operational Change and Transition (OCAT), which is responsible for designing the Operational ways of working and any supporting processes. The team also take Programmes into business-as-usual status, for example SMETS1 migrations, Switching, and Enduring Change of Supplier (ECoS).

The key purpose of OCAT is "To shape & protect Customer Service and Operations", with key functions including

- Service Introduction & Acceptance (Business Acceptance Testing, and Service Introduction and Acceptance).
- Service Architecture and knowledge (Service Architecture, Knowledge, eLearning, and Training).
- Service Governance (Quality, Assurance, Risk, and Demand).

Scope of variance and key challenges

The variance is due to there being no baseline assigned to Service Assurance previously. The existing capabilities spending forecast is in line with expected spend. This is an enduring activity which needs to be supported.

Securing Value for Money

All team members were recruited in line with our recruitment and resourcing strategy, which states that all enduring, leadership or positions of strategic importance should be held by permanent or fixed term contract employees.

Future Considerations

There is no current expectation to change the headcount or FTE associated with this cost centre, however some of the key functions are subject to an organisational design activity which will place some FTE into the Lifecycle Management and Service Operations cost centres, respectively. This will have a net-neutral impact on overall costs but may appear variant in subsequent price control submissions.

1.5. Drivers for Internal Cost variance – Non Resource

Variance	GL		RY24/25	RY25/26	RY26/27
Travel, subsistence and expenses	NP	£m	**0.824**	**0.822**	**0.822**
Recruitment cost	RC	£m	**0.619**	**0.199**	**0.159**
Arqiva Change Management Audit	ES	£m	**0.235**	-	-
Cost Benchmarking	ES	£m	0.099	**0.200**	**0.200**

Contract Obligation Extraction	ES	£m	-	**0.180**	**0.180**
EDAM	ES	£m	0.125	**0.352**	**0.968**
[redacted] - SECMP176	ES	£m	**0.187**	-	-
Project Blue	ES	£m	**0.619**	-	-
[redacted] - ESU Licences CR5275	IS	£m	**0.164**	-	-
External Supplier Audits	ES	£m	-	**0.420**	**0.420**
Contract Management Tooling Requirements	ES	£m	-	**0.200**	**0.240**

Table 9 – 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. Travel, subsistence and expenses

Overview of variance

Travel, subsistence and expenses are variant to the baseline by £0.800m per year over the forecast period.

Due to the nature and geography of the DCC business, with sites and individuals spread across Great Britain, this is a necessary spend to enable improved collaboration, strengthened stakeholder relationships, and improved the effectiveness of in-person engagements which drive better consumer outcomes.

The level of variance highlighted is due to a low baseline included, due to only committed travel spend included in the submission. The travel costs for all FTE within Operations are allocated to this cost centre even when incurred in relation to programmes.

Scope of variance and key challenges

These costs are for the purposes of:

- Internal face-to-face meetings, workshops and strategy sessions that require travel between DCC's sites (for example programme specific or induction and team strategy days).
- Face-to-face meetings with our customers and suppliers at their sites.
- Travel for attending training and conferences (these are separate to training costs).
- Meals and accommodation for extended work requirements.

Travel and subsistence costs are inherently variable and often driven by evolving needs such as site visits, stakeholder engagement, and other programme activities. As such, while our actual spend exceeds the initial baseline, it remains reasonable and aligned with the demands of the programmes.

Securing value for money

All travel, subsistence and expenses charges have to align to the DCC Expenses policy, which ensures that all travel, subsistence and expenses are appropriately spent, with as much notice as possible to secure value for money.

We prioritise co-working with DCC colleagues and our suppliers around critical milestones to improve collaboration, responsive and speed. For example:

- For the go-live of the CH&N new communications hub pilot, our teams were monitoring for issues and relaying reporting across the programme team on outcomes. Co-location with the programme ensured ready access to our breadth of technology experts and our suppliers.
- Our team is part of contract development and re-procurement activities, for example, shaping our requirements of the new DSP and how the new systems would transition into hypercare and enduring operations. Face-to-face meetings with bidders mean clarification queries can be raised, discussed and resolved on the day.

Future considerations

We have continued to forecast travel, expenses and subsistence at a consistent level across the forecast period. We expect travel will continue to be required across our programmes, along with our SMETS2 service operations.

1.5.2. Recruitment cost

Overview of variance

There is a variance of £0.610m against baseline forecast costs for RY24/25

Scope of variance and key challenges

During RY24/25 we appointed our panel recruiters to support with the search for key senior roles:

- Director of Customer Relationship Management
- Director of Service Portfolio
- COO
- Head of Governance and Controls

In addition, to address staff attrition, in-house ongoing contractor roles and fill our vacancies, we paid [redacted] permanent recruitment fees. (Including, for simplicity, fees for contract management team prior to the team transition). [redacted] of these roles incurred additional placement costs as per our framework agreements. We also regularly undertake recruitment reference checks.

Securing value for money

Our talent team engage external, executive recruitment consultancy, [redacted], to support on key senior hires. All our companies were appointed to our recruitment framework via tender with agree search fee and placement costs.

Future considerations

There is a small forecast for future executive searches to support any additional senior level attrition. DCC Operations have developed a detailed internal mobility and succession identification planning to reduce reliance on external agencies in the future.

1.5.3. Arqiva Change Management Audit

Overview of Variance

The Arqiva Change Management Audit has a variance of £0.235m to a zero baseline: the requirement was defined after the RY23/24 submission.

The purpose of the DCC Audit was to verify Arqiva's compliance with its obligations under the Agreement relating to in life change activity, including (without limitation) change related planning, impact assessments, approvals, testing, preparation and delivery activity within its eco-system (including sub-contractors).

Scope of Variance and Key Changes

From October 2020 to October 2023 there were five reported major incidents relating to failed changes conducted by Arqiva and focus in this area intensified following a change-related Category 1 major incident on 28th September 2023. OFGEM (via DCC), subsequently sought to understand change related incidents and gain assurances that the CSPN platform would not be compromised by future change related activity, and DCC subsequently invoked it's right to audit pursuant to Schedule 8.4 under the CSP(N) Agreement

The audit was conducted by [redacted] (selected via a [redacted] procurement process), commenced in March 2024 and ran for 3 months. A total of 19 recommendations were identified during the review which were ranked based on impact and complexity, and a plan was constructed to deliver the recommendations, which has been subject to quarterly review since July 2024

Securing Value for Money

[redacted] scored highest out of all suppliers that participated in the tender process with a total score of 78%. [redacted] scored particularly strongly in areas including their approach to our requirements, their previous experience and their proposed project team that they would look to integrate within DCC.

Whilst [redacted] were more expensive than the other participant, their proposal offered an additional 35 days within the project which better aligned with the requirements of DCC. [redacted] average day rate for the contract is £[redacted] vs [redacted] average rate of £[redacted] highlighting better value for money for DCC.

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

Table 10 – Arqiva change management audit procurement summary

Future Considerations

Arqiva have made good progress against the plan – and significantly reduced their change related major incidents, with just one observed since the audit concluded (which occurred in March 2025). There is no further expected spend in RY25/26 or beyond.

1.5.4. Contract Obligation Extraction

Overview of variance

The variance within RY25/26 and RY26/27 is driven by the introduction of Obligation Extraction and Management across DCC as part of an integrated tool under our continuous improvement plans.

Prior to the award with [redacted] obligations had to be manually extracted whereas upon go-live Obligations will be collated and maintained within an automated and AI integrated solution.

Scope of variance and key challenges

As part of our investment within our Contract Management community and our commitment for continuous improvement to drive efficiency and new ways of working the requirement to automate and standardise the existence of obligations extractions across our contracts was formed.

Through the market engagement and tendering process, the decision to establish a solution which allowed DCC to utilise artificial intelligence and prompt engineering techniques to provide a real-time view of contractual obligations aligned to our contractual metadata, across our portfolio of contracts as a cloud solution coordinated by DCC rather than a third party was recognised as the most cost-effective approach.

- As part of the contractual negotiations with [redacted] some of the key highlights we attained for DCC to ensure Value of Money over the contract lifespan are outlined below. Increasing [redacted] Liability Cap from 100% to 125%
- Introduction of Bespoke IPR, and DCC's right to re-use for a replacement solution
- Removal of automatic renewal of Subscription
- The right to terminate in case of a Master Termination Event (i.e. Material Breach) or Poor
- Performance
- Ability for DCC to novate in the instance of moving to a new Successor
- API Integration for future tooling prospects.

Securing value for money

Following the conclusion of the procurement process and down-selection process, [redacted] scored the highest, with a total score of 86.3% due to the quality of their submission, the alignment to our requirements and the potential for future tooling integration and development.

Over the [redacted]-year minimum term with [redacted] the contract provides DCC with £[redacted] of validated Cost Avoidance and £[redacted] of Cost Efficiencies as broken down into the following three reporting years. As a result of a negotiated [redacted] discount to their base pricing and a free upgrade to Premium Support.

	25/26	26/27	27/28	Total (3 years)
Cost Avoidance	[redacted]			
Cost Efficiency				

Table 11 – Savings achieved from contract obligation extraction

Future considerations

The contract and capabilities offered within the [redacted] platform provides DCC with the opportunity to explore additional automation and AI integrated solutions without incurring additional licencing costs due to the licensing model established with the contract.

Whilst recognising the assessment of market leaders on post award contract management solutions is within its infancy, the platform provided by [redacted] provides DCC with the opportunity to explore further capabilities to ascertain efficiencies within tooling and processes.

1.5.5. EDAM

Overview of variance

EDAM is DCC's Enterprise-level high-availability near-real-time database solution for Total Systems smart metering data. EDAM support baseline is delivered as a managed service by Capita, run as a containerised solution on DCC cloud infrastructure. The data is high volume from DSP across a bespoke legacy interface with occasional outages either on DSP or the ingestion path (c. 2-6 per year) that require manual

intervention for recovery. Niche technical skills are required in order to achieve high integrity, high availability and near-real-time data ingestion for billions of records each month; this is a highly bespoke technical service for DCC. EDAM underpins business-critical applications for SmartMetering analytics, reporting and KPIs that themselves require niche technical skills to maintain.

Scope of variance and key challenges

EDAM support and run costs has a variance of £0.352m (RY 25/26) and £0.968m (RY26/27) against a zero baseline. As set out in the Finance chapter (section AWS Hosting costs), we are currently undertaking a programme to migrate from EDAM to CEDAR, which is the language model underpinning a new DCC systems data database which is cloud native on AWS. This will provide better cost efficiency, as well as more scalable & future-proofed architecture. We expect we will not incur EDAM costs in 26/27 as the system is being retired, but our current forecast reflects the current contract level in the event the system needs to be extended. The support contract under apps and hosting ended on 31st March 2025.

Securing value for money

Capita support has been brought in-house under TUPE in order to drive headcount efficiencies, reduce work package costs and deliver more internal resilience. This has led to a reduction in ring-fenced staff from 5 to 3 FTE who have moved into data engineering function.

Future considerations

DCC has developed an alternative data platform for Total Systems data that is cloud-native and scalable, EDAM will be retired in Q2 25/26 and all costs ended following migration onto new platform.

1.5.6. [redacted] - SECMP176

Overview of Variance

SECMOD 176 has a variance of £0.187m to a zero baseline: the requirement was defined after the RY23/24 submission.

Following the implementation of SECMP0122A, the DCC provides SEC Parties through the SEC Operations Group with industry wide level of reporting on the timings, success, or failure of Service Reference Variants (SRVs) relating to key customer business processes. This reporting is an anonymised view of reporting which does not provide customers with a view of their own performance, how they compare with other SEC Parties, or the ability to simply diagnose factors (Devices, Firmware, Geographic Location, Orchestration) that could be affecting their performance against key business processes, which in turn reduces the ability of Users to drive improvement, and the ability of the DCC to assist them in doing so.

Scope of Variance and Key Challenges

SEC Modification SECMP0176 was designed to deliver portal access to customer analytics reporting, which will allow DCC users to improve their performance. A workshop was held with DCC Users (including Import Suppliers, Export Suppliers, Gas Suppliers, and Electricity Distributors) and via DCC's Quarterly Finance Forum (QFF) provided a unanimous view that this should be implemented via a SEC Modification as it would mandate receipt of this information by all Parties and therefore offer equal benefit to them.

DCC indicated that it would be possible to provide access to most of the required data through a Customer Portal or landing zone which Users could use to interactively select their own data and to download the results.

Securing Value for Money

The approved procurement route for these requirements was a [redacted] Procurement Process via

RFP. The RFP was issued to six suppliers.

The following suppliers were invited to participate: [redacted] both responded to the RFP, with the remaining 4 suppliers declining to bid.

The quality and capability evaluation was conducted by senior staff across the function. The commercial evaluation consisted of reviewing and comparing the pricing submitted by all bidders for the services and performing a financial stability check. The financial stability was assessed via a [redacted] report and the risk was rated 'low' from an overall business risk perspective.

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 88 out of 100 and were ranked at number 1 overall.

The RFP provided DCC with a cost efficiency of £[redacted] for RY24/25, based on budgeted position, and avoided a further £[redacted] by successfully negotiating a lower BAFO.

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

Table 12 – SEC mod 176 procurement summary

Future considerations

The procurement is expected to be completed during RY24/25, with a final payment to be made upon completion during Q1 in RY25/26. Any maintenance and ongoing development of the portal is expected to be completed by in-house capabilities.

1.5.7. Project Blue

Overview of Variance

Prior to November 2023, DCC managed all in life and end of life change projects within the Service Delivery function. After consultation with our customers in various industry forums, including SECAS and SEC Panel, and feedback from Ofgem around listening to our customers, it was identified that certain operational changes should be self-managed as an enduring capability by a dedicated delivery team, alongside making some changes to RACI, ways of working and governance.

Whilst several activities were managed in house, including bringing support and expertise from our Service Delivery Function, DCC also required support from a third party with strong credibility in designing and implementing new operating models in a similar and relevant industry, and who could share a detailed understanding of operational change management methodologies, best practice, and benchmarking data.

Key Performance Indicators were benchmarked in March 2024, and tracked through RY24/25. Project Blue delivered

- SECMOD Impact assessments returned within SLA – improved from 46% to 100%
- Deliveries right first time – improved from 54% to 78%
- Incidents per release – improved from 0.15 to 0.02 (no incidents since July 2024)

Scope of Variance and Key Challenges

There was a final payment required to be made in RY24/25, which was made at the completion of the project and receipt of final invoice.

After the design phase in RY23/24, during RY24/25 the various changes including reshaping of the Operating Model were fully delivered by June 2024 and brought about several benefits to our customers across the In Life Change portfolio, which includes SEC Delivery, REC Delivery, Critical Technical Refreshes, and Firmware upgrades to meet GBCS standards across the full CH estate.

KPIs were created and have been tracked to deliver:

- Annualised resource savings of £1.000m: Ring-fenced roles and named accountabilities within supporting DCC functions resulting in outcome orientation for each product area and reducing cost per change.
- Annualised Supplier savings of £1.700m: Clear accountability for asset management leading to improved visibility of critical maintenance: resulting in proactive management and ability to negotiate better costs with the Service Providers – including £0.700m saved solely in the November 2024 SEC Release.
- Consistent and industry standard processes, resulting in enhanced automation opportunities and reduction in manual interventions and hand-offs. Leading to all SEC Modification impact assessments meeting SLA since July 2024, enabling improved Cycle Times with new changes being delivered on average in under 3 months, and reduction in incidents and outages caused by change – with no incidents caused by in life change deliveries since July 2024.

These improvements were seen and tracked from July 2024, as soon as the programme was completed

Securing Value for Money

The approved procurement route for these requirements was a [redacted] Procurement Process via RFP. The RFP was issued to two new suppliers and one pre-existing supplier. The original RFP invited suppliers to provide a response to the Phase 1 Design phase and to include a rate card for the implementation of the outputs from Phase 1 if DCC chose to engage the successful bidder in Phase 2, which subsequently was the case.

We invited 3 suppliers to participate: [redacted]

The quality and capability evaluation was conducted by senior staff across the function. The commercial evaluation consisted of reviewing and comparing the pricing submitted by all bidders for the services and performing a financial stability check. The financial stability was assessed via a [redacted] report and the risk was rated 'low' from an overall business risk perspective.

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 82 out of 100 and were ranked at number 1 overall.

They scored [redacted] out of the [redacted] available on quality and [redacted] out of the [redacted] available on commercials.

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

Table 13 – Project Blue phase 1 procurement summary

Procurement – [redacted]		
Number of Initial invitations to tender	N/A – covered in Phase 1	
Number of Bids received	N/A – covered in Phase 1	
Number of Bids shortlisted / presenting	N/A – covered in Phase 1	
Strengths of Selected Bidder	N/A – covered in Phase 1	
Challenge by DCC	Initial Price	BAFO
	[redacted]	

Table 14 – Project Blue phase 2 procurement summary

Future Considerations

Project Blue has now been fully delivered and the business is seeing positive results from the changes. There is no further activity expected in this project.

1.5.8. [redacted] - ESU Licences CR5275

Overview of variance

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 is 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 enabled the continuation of this support for a further 12 months.

Scope of variance and key challenges

[redacted] to procure and deliver 3 Microsoft® Win Server ESU license for DSP.

- [redacted]

Detail	Price initial (£)	Price final (£)
[redacted]		

Table 15 – ESU licences price breakdown

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

Table 16 – Table 2: Initial vs Final Price

Securing value for money

DCC utilised [redacted] with Microsoft 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

As DCC has planned to replace the DSMS solution, we do not foresee any ongoing charges beyond 2025-26.

1.5.9. External Supplier Audits (Arqiva)

Overview of variance

A total of £0.420m was provisionally included in the RY24/25 forecast to enable independent audit activity across DCC's In Life Supplier contracts, should operational or industry concerns arise. This forecast was made in anticipation of potential audit needs, recognising that assurance activity may be required at short notice to respond to performance issues or stakeholder scrutiny.

In RY24/25, only one audit (the Arqiva WAN Audit) was commissioned, resulting in a total spend of £0.0130m + VAT. While this represents a favourable variance against the original forecast, DCC considers the retention of this audit provision to be proportionate and necessary, given the dynamic nature of service delivery risks across critical suppliers.

Approximately £0.0409m + VAT of the Arqiva WAN Audit cost has been reprofiled into RY25/26 due to delivery delays, with no additional audit spend currently committed. However, DCC intends to maintain the £0.420m audit forecast in RY25/26 to ensure flexibility should further assurance activity become necessary.

Scope of variance and key challenges

The Arqiva WAN Audit was commissioned in response to persistent industry concerns about limited WAN availability in the North region. With tactical interventions under the Customer Improvement Programme exhausted, DCC procured an independent, third-party audit to provide objective insight into the structural performance of the Arqiva service. [redacted] was appointed to conduct this audit under a single source procurement arrangement.

The scope of the audit includes data gathering, signal strength analysis, and comprehensive drive testing across a wide range of geographic locations. The delivery timeline has been extended as the scope of drive testing was broadened to include additional customer-nominated areas, which prolonged data collection. The payment structure is based on completion of defined tasks, and invoicing has followed actual delivery progress rather than the original schedule. The final tasks (Tasks 5 and 6) are on track to conclude by 24 July 2025.

Securing value for money

[redacted] was selected through a benchmarking exercise conducted in collaboration with DCC Procurement. The benchmarking focused on day rates and resource profiles, as the work involved specialist knowledge and expertise rather than tools or equipment. [redacted] offered the most cost-effective solution among providers with the necessary technical capability, prior DCC experience, and availability to mobilise quickly.

Their prior knowledge of DCC's network landscape significantly reduced mobilisation time and delivery risk. Procuring a new supplier would have delayed project start and added risk to delivery timelines. This approach ensured the best balance of price, quality, and delivery confidence.

Future considerations

The outputs of the audit are expected to deliver long-term benefit by providing DCC and industry stakeholders with a detailed, independent assessment of WAN coverage issues in the Arqiva region. Findings will be used to support performance discussions with Arqiva and may influence future contractual or regulatory actions.

Subject to legal and commercial review, the audit outputs are expected to be shared with customers in September 2025, providing transparency and insight on ongoing WAN challenges. While no further spend is anticipated under this audit, DCC expects the findings to support enhanced service performance from Arqiva and provide long-term value for money through improved operational outcomes and reduced industry friction.

1.5.10. Contract Management Tooling Requirements

The opportunity within the budget for Contract Management Tooling, outlines an indicative forecast against our aspirations to identify a future partner with the capability to provide Post Award contract tooling solutions. This indicative forecast is a precursor to a future Market Engagement to establish potential bidders, capable of delivering the fundamentals of contract management as outlined below.

- Contract Repository
- Change Control including link for suppliers to update the system
- Obligations extraction Management
- Document repository
- Risk management
- Contract Conformance modules
- AI tooling to automate key processes

We aim to utilise this approach to identify potential bidders, whilst allowing validate our requirements and quantify the solutions within the market without any commitment for DCC. The process is within its early stages with many potential providers coming short in our expectations against the above initial requirements.

The forecasted budget for RY25/26 and RY26/27 is purely indicative following our initial assessments of suppliers. As the overview progresses, we aim to identify at least six viable suppliers before a future tender recognising the challenge in identifying suppliers who concentrate on Post Award rather than Pre-Award solutions.

1.5.11. External Services – Items £0.100m to £0.150m in RY24/25

We have summarised our remaining non-resource costs below.

Variance	GL	Description
[redacted] - Capacity Management	ES	Continuation of support started in RY23/24.
Commercial Data Migration	ES	The Data Migration project incorporated an assessment of DCC expenditure, suppliers and contracts as part of the wider Commercial Transformation to centralise all contracts alongside supplier records and sourcing activities to create a centralised repository of all contracts.
[redacted] – Test Assurance	ES	Testing services support. Refer to the Design and Assurance chapter for the explanation of this service.

Table 17 – Non-material external services spend in Operations RY24/25

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

Variance	GL		RY24/25	RY25/26	RY26/27
Training	NP	£m	-0.076	0.076	**0.193**
Change Management System	ES	£m	0.115	0.120	**0.170**
SMDA Test House	ES	£m	-0.066	-0.057	**0.300**
Omniscope MCC IT	IT	£m	-0.167	0.025	**0.226**
Service Desk	SM	£m	-0.191	-0.590	**1.277**

Table 18 – Operations non-resource (RY26/27)

1.6.1. Training

We have a variance to plan due to a zero baseline in the forecasts, with training costs of £0.193m for 25/26 and 26/27. It is important that the Operations team ensures that all employees are given access to the training, skills and development that will allow them to perform at their best. The forecast is aligned to that included in previous years. The additional costs in RY25/26 onwards reflect the additional FTE within the overall 'Run' space after the implementation of Design, Build, Run and should have similar reductions in the same costs in the Commercial chapters.

1.6.2. Change management system

Recognising Change Management is a fundamental of Contract Management, across Design Build & Run (DBR) we utilise a Change Management System (CMS) to facilitate the management of Contractual and Project related change for our strategic programmes and contracts within a centralised solution.

To retain the functionality across DBR whilst Contract Management validates future tooling solutions capable of offering a centralised solution for Change Management without exceeding the existing annual platform costs, the support agreement with i-Associates, our service provider was extended for two years with the option of a further year.

The operating and supports costs for CMS have historically been £0.120m per annum and following the renewal of the support agreement, the operating costs reduced to £0.115m for (RY24/25 & RY25/26) with the optional extension for RY26/27 at £0.110m.

1.6.3. SMDA Test House

The SMDA Scheme has been set up to provide assurance to consumers, suppliers, and financiers that smart meter equipment will work effectively in a smart environment. The Scheme provides assurance testing of smart metering equipment covering both interoperability and interchangeability of the devices and is unique in that it is the only assurance scheme that tests each device against multiple devices and is owned by Smart Energy Code Company (SECCo).

The ongoing commitment to the scheme means that industry can benefit by testing their own devices against CHs with the very latest major firmware releases, which otherwise would not be possible. These releases include defect fixes and new SEC technical specification compliancy from ongoing SEC Releases.

The variance in RY26/27 is due to a zero baseline and the forecast spend is aligned to previous regulatory years and will enable the continuation of the service provision.

1.6.4. Omniscope MCC IT

Omniscope is used for data exploration, visualisation and internal publication. It provides a low-code solution for processing of Total Systems data, with good near-real-time capabilities. It underpins key business processes, including for Network Traffic Management, DCC monitoring capabilities, service KPIs and the DCC external website data feeds.

There is a variance of £0.226M for RY 26/27 against a zero baseline with forecast costs aligned to previous year spend.

1.6.5. Service Desk

The variance in RY26/27 is due to a zero baseline and the forecast spend is aligned to previous regulatory years and will enable the continuation of the service provision.

Please refer to our 'Switching' chapter where we set out our procurement approach that awarded EXL the new service desk contract. Previously this service was provided by Capita.

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.

Data Communications Company

DCC Price Control RY24/25 – Security

Version: 1.0
Date: 31.07.2025

Table of Contents

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.

The Security function successfully maintained network security in RY24/25, even as the volume of sensitive information we manage increased to over 2.6bn messages a month. Threats to Critical National Infrastructure (CNI), and related national networks such as DCC's systems remain high in the current geopolitical climate. New and sophisticated threat vectors, such as the application of Artificial Intelligence by state and criminal actors, mean it is imperative we continue to invest in cyber defences that are sufficiently robust and commensurate with the threat we face.

RY24/25 activities and costs

Total incurred costs were £5.7m, £0.4m below the regulatory baseline of £6.2m and £1.4m below the £7.1m forecast made in last year's price control process. The variance to benchmark was driven predominantly by lower-than-forecast payroll costs (£0.5m below benchmark) as a result of removing the Director of Security role (coupled with periods of role vacancies).

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

The Risk, Resilience and Privacy sub-team has continued development of the Governance, Risk and Compliance Tool, leading to the business-wide rollout of a unified risk management process which will facilitate efficiencies through company-wide automation. An internal Information Management project has been initiated to enhance the control the DCC has over its data which is essential as we move toward License Renewal and the need to transition data into the new organisation in 2026.

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

Future activities and costs

For RY25/26, we are forecasting a slight increase in costs to £6.9m, partly reflecting the uncertainty around which specific resources will be allocated to programmes. We also anticipate a requirement to continue to increase the event monitoring carried out by our SOC and to invest in our Cyber Fusion Centre to incorporate all our Service Providers.

We are also proposing further enhancements including: a) allowing key custodians to work remotely (reducing the risk of physical key compromise whilst increasing efficiency), b) a SMKI recovery exercise in UIT (to ensure continued operation of services in the event of a security event), and c) analysis of Post Quantum Computing mitigations in line with NCSC guidance.

1.1. RY24/25 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			RY24/25	RY25/26	RY26/27
Security		**£m**	**6.161**	**6.184**	**-**
Payroll costs	PR	£m	5.036	5.115	-
Non-payroll costs	NP	£m	0.080	0.080	-
Recruitment	RC	£m	0.002	0.001	-
Accommodation	AC	£m	0.120	0.122	-
External services	ES	£m	0.719	0.647	-
Internal services	IS	£m	-	-	-
Service management	SM	£m	-	-	-
Transition	TR	£m	-	-	-
IT Services	IT	£m	0.205	0.220	-
Office Sundry	OS	£m	-	-	-
Incurred			**RY24/25**	**RY25/26**	**RY26/27**
Security		**£m**	**5.731**	**6.933**	**8.024**
Payroll costs	PR	£m	4.533	4.384	5.482
Non-payroll costs	NP	£m	0.156	0.256	0.256
Recruitment	RC	£m	0.125	0.108	0.100
Accommodation	AC	£m	0.096	0.150	0.150
External services	ES	£m	0.572	1.733	1.733
Internal services	IS	£m	-	-	-
Service management	SM	£m	-	-	-
Transition	TR	£m	-	-	-
IT Services	IT	£m	0.248	0.302	0.302
Office Sundry	OS	£m	-	-	-
Variance			**RY24/25**	**RY25/26**	**RY26/27**

Security		£m	-0.431	0.749	8.024
Payroll costs	PR	£m	-0.502	-0.731	**5.482**
Non-payroll costs	NP	£m	0.076	**0.176**	**0.256**
Recruitment	RC	£m	0.123	0.108	0.100
Accommodation	AC	£m	-0.024	0.028	0.150
External services	ES	£m	-0.147	**1.086**	**1.733**
Internal services	IS	£m	-	-	-
Service management	SM	£m	-	-	-
Transition	TR	£m	-	-	-
IT Services	IT	£m	0.043	0.082	**0.302**
Office Sundry	OS	£m	-	-	-

Table 1 – RY24/25 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

Our purpose is clearly defined as 'We protect Britain's Smart Meter System'. The Security function provides security assurance, best practice direction in cyber security, and operates the Smart Meter System cyber security defence that resides in 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, and 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 the DCC internal Enterprise IT systems.
- Monitoring and management of security events captured by the 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 and Smart Metering Key Infrastructure Policy Management Authority (SMKI PMA) providing critical input for the industry and taking onboard 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 License 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, 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.
- Build and maintain a strong security culture for DCC staff at all levels.

1.2.3. Cost Centre Structure

The structure of the Security cost centre changed during RY24/25 to with the transfer of ownership of two functions between sub-teams. Business Resilience (Business Continuity & Disaster Recovery) transferred into the Rick, Resilience and Privacy sub-team and the SMKI Registration Authority (SMKI RA) transferred to Cyber Security Operations.

To increase accountability and provide cross team efficiencies the Enterprise IT team has moved into the Security Function. The senior team structure will be modified with Security Governance returning under the Director of Risk and Resilience and more traditional GRC configuration. This will aid in providing better opportunities to share workloads and develop the next level of process maturity required to meet DCC strategic aims through 2024 to 2027.

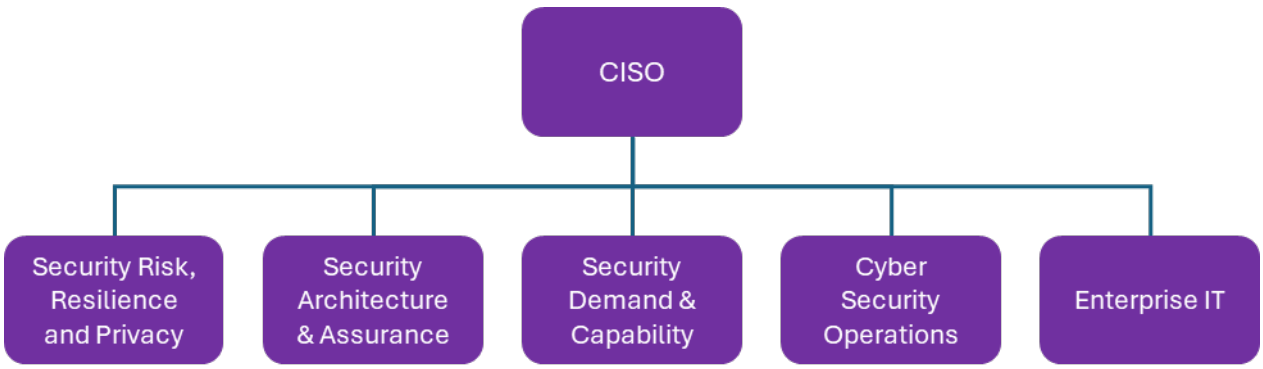


Figure 1. Security cost centre organisational structure

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

Sub Team structure reported in RY23/24	Current Sub-team RY24/25	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 and Resilience	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 RY24/25, the Information Governance and Data Protection sub-team that is primarily focused on Information Governance and Management was moved into the area.
Security Governance	Ceased	• The Information Governance and Data Protection sub-team has moved into the Security Risk, Resilience and Privacy sub-team. • The SMKI Registration Authority (RA) has transferred to the Security Operations team.
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.
Demand and Delivery	Security Demand & Capability	• This team manages the resource demand for Security including a particular focus on the skillsets and building the cyber talent pipeline (such as Apprentices). From RY24/25, the team also provides training to DCC colleagues and raises awareness of security culture.
Security Architecture	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	See Finance chapter	• 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.

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		RY24/25	RY25/26	RY26/27
Security Payroll Costs	**£m**	**5.036**	**5.115**	**-**
CISO Office	£m	0.300	0.362	-
Security Architecture and Assurance	£m	1.159	1.778	-
Security Risk, Resilience and Privacy	£m	1.621	1.755	-
Cyber Security Operations	£m	0.905	0.904	-
Security Demand and Culture	£m	0.236	0.316	-
Cyber Fusion Centre Programme Resource	£m	-	-	-
Enterprise Security Programme Resource	£m	-	-	-
OCA Manufacturing Pack Programme Resource	£m	0.815	-	-
Quantum Encryption Proof of Concept Programme Resource	£m	-	-	-
Incurred		**RY24/25**	**RY25/26**	**RY26/27**
Security Payroll Costs	**£m**	**4.533**	**4.384**	**5.482**
CISO Office	£m	0.278	0.296	0.303
Security Architecture and Assurance	£m	1.015	0.243	1.287
Security Risk, Resilience and Privacy	£m	1.716	1.721	1.765
Cyber Security Operations	£m	0.911	1.512	1.555
Security Demand and Culture	£m	0.221	0.301	0.308
Cyber Fusion Centre Programme Resource	£m	0.086	0.271	0.264
Enterprise Security Programme Resource	£m	0.032	-	-
OCA Manufacturing Pack Programme Resource	£m	0.267	0.034	-
Quantum Encryption Proof of Concept Programme Resource	£m	0.007	0.007	-
Variance		**RY24/25**	**RY25/26**	**RY26/27**
Security Payroll Costs	**£m**	**-0.502**	**-0.731**	**5.482**
CISO Office	£m	-0.022	-0.067	**0.303**
Security Architecture and Assurance	£m	-0.143	-1.535	**1.287**
Security Risk, Resilience and Privacy	£m	0.095	-0.034	**1.765**
Cyber Security Operations	£m	0.006	**0.608**	**1.555**
Security Demand and Culture	£m	-0.015	-0.015	**0.308**
Cyber Fusion Centre Programme Resource	£m	0.086	**0.271**	**0.264**

Enterprise Security Programme Resource	£m	0.032	-	-
OCA Manufacturing Pack Programme Resource	£m	-0.548	0.034	-
Quantum Encryption Proof of Concept Programme Resource	£m	0.007	0.007	-

Table 3 – RY24/25 Security payroll cost variance

1.3.1. Cyber Security Operations

Overview of variance

The Cyber Operations team is responsible for safeguarding Smart DCC's digital environment through proactive threat detection, incident response, security engineering and operational assurance, enabling resilient and secure business operations.

This team consists of:

- **Security Operations Centre (SOC):** They provide continuous cyber security monitoring and incident response.
- **Security Engineering:** The Security Engineering team manage DCC operational security controls, configuration and tooling, including maintaining the DCC SIEM platform.
- **Security Business Partners:** The Security Business Partners provide the operational security connection between DCC and the Service Providers so that security practices and obligations are being met on a day-to-day basis. As an example, they manage new vulnerabilities and threats to them and the DCC system, supplier security plans, supplier protective monitoring, RFPs and RFIs.
- **Smart Metering Key Infrastructure (SMKI):** The SMKI team act as the registration authority administrator for PKI, verifying the identity of individuals and organisations in line with government standards.

We forecast additional resources above RY24/25 for RY25/26 consistent with our forecast provided in our RY23/24 price control submission for that year. Ofgem proposed a disallowance to the forecast baseline, therefore creating a variance for RY25/26. Given there is always a zero baseline for the final year forecast, the full team shows as a variant for RY26/27.

Scope of variance and key challenges

Our costs for RY24/25 are lower than our prior year forecast of £1.427m by £500k, reflecting that we had an unprecedented number of leavers going to external roles for significantly higher salaries.

In order to fill the vacancies for the remainder of RY24/25 and into RY25/26, a benchmarking of all roles in Cyber Security Operations was carried out, to allow DCC to offer a more competitive remuneration package.

A restructuring of roles within the Security Operations Centre occurred during 24/25 leading to the following changes:

- New role created of Security Operations Centre Manager
- New role created as Senior SOC Analyst, replacing one of the existing SOC Analyst roles
- New role created as Junior SOC Analyst, replacing one of the existing SOC Analyst roles

In addition, the SMKI RA Team were moved into Security Operations during the year (three FTE's). The result of these changes was that we finished RY24/25 with 4.17 fewer FTEs than planned.

For RY25/26, we forecast 22 roles back up to the planned level we had for RY24/25. As of the time of our Annual Business Plan, we forecast five vacancies to be filled in the team that also drive an increase in forecast costs for this year.

The RY26/27 variance the zero Ofgem baseline for this year, and we expect to maintain a team at an equivalent size as we will have in RY25/26.

Securing Value for Money

During RY24/25, we managed to return to full resourcing employed to support the 24/7 rota with sufficient resilience as per the plan that was set in motion the previous year. This core team is sufficiently resourced but must be supported by second level engineering and the Security Business Partners who manage day-to-day security operation relationships and provide reporting and threat intelligence material. In RY25/26, we are continuing this level of staffing and resilience.

A full market review of benchmarks was completed by DCC Reward Team which resulted in uplifts for all SOC Analysts, Security Engineering, Senior Security Engineer, & Security Business Partners. Uplifts were all significant and, in some cases, took roles over the £[redacted] mark which then attracted higher bonus plus a car allowance. Roles hired and vacancies are consistent with these new benchmarks to ensure we remain a competitive employer for these specialist cyber roles.

Our team fulfils the Detect, Respond, and Recover requirements of the NIST Cyber Security Framework and work closely with governance teams and the programme change teams to ensure the maintenance of the security posture and alignment to SEC Section G. They have been successful in identifying potential data leakage and thwarting phishing attempts on several occasions. Furthermore, this team has implemented the first internal AI proof-of-concept which shows significant opportunities to provide data access efficiencies and increase accuracy when retrieving information from a knowledge management system.

Future Considerations

Looking forward to RY26/27, we plan to keep team levels consistent with RY25/26. However, we expect there will be a small increase in costs reflecting our annual pay award review. We are also seeking to simplify the structure further to become more efficient and obtain better value for money.

1.3.2. Cyber Fusion Centre Programme Resource

Overview of variance

The Cyber Fusion Programme extends the DCC's capability to collect and analyse security event logs from all its Fundamental Service Providers to enable a total view of all security events across the entire ecosystem. The need to see the whole picture in a timelier manner (currently this can be days after an event) is becoming more pressing as we see more sophisticated attacks occurring in similar industries.

This capability will become even more crucial with the anticipated disaggregation following CH&N go-live and the upcoming new DSP, both of which will expand the number of Service Providers. The Cyber Fusion Centre, along with initiatives for easier core service portability, enhances the security posture of the DCC network and aligns with National Cyber Security Centre (NCSC)

recommendations. This is particularly vital as cyber threats increasingly target supply chains as their preferred attack vector against large-scale systems.

The variances for RY25/26 and RY26/27 reflect all resources who are expected timesheet to our Cyber Fusion Centre, not just those from the Security function.

Scope of Variance and Key Challenges

The resources for this programme support Change Requests, through analytical and management efforts to ensure the secure transmission of security logs to the DCC from Service Providers. The programme functions as a critical visibility layer across the smart meter network, providing a backstop against complex attack vectors and anomalous activity at the perimeter of Smart Metering.

For RY25/26, we forecast 2.6 FTE to support the Cyber Fusion centre across:

- Engineering, providing technical advice
- Contract Management, supporting our engagement and requirements for the service providers
- Security Architecture and Assurance, who will most of the effort. We forecast two FTEs to ensure requirements are correctly specified and changes are compliant
- Service Delivery, managing the programme
- Testing Services, ensuring end outcomes are to specification.

We forecast a slightly reduced resource contribution for RY26/27. These resources are essential to:

- Ensure timely delivery of security logs to detect threats early.
- Manage evolving security risks due to a growing and more complex service provider landscape.
- Coordinate with Technical Operation Centre functions.

Our resource costs are forecast to increase after RY24/25, as we put the programme on hold during last year to re-scoped to be the critical visibility layer and restarted late in the reporting year (we spent £0.086m against £0.413m planned for RY24/25). Therefore, we will be commencing the incorporation of the existing Service Providers into centre and adding our new Service Providers as programmes go live from RY25/26 and into RY26/27. We are excluding Service Providers with nearer contract end dates and new contracts are being procured with terms to deliver data to our SOC.

Securing Value for money:

The Cyber Fusion Programme Resource plays a critical role in strengthening DCC's cybersecurity posture amid growing supply chain risks and industry-wide digital transformation. The programme ensures that DCC remains equipped to deliver industry-leading security monitoring capabilities, through:

- **Minimal expenditure approach**: Streamlining feed scope, automated log shipping mechanisms, and resilience strategies.
- **Market benchmarking**: Continuous cost assessment through vendor engagements and [redacted] analysis to secure the best pricing for these activities.
- **Accreditation & Compliance**: Maintenance of the CREST accreditation to ensure the DCC's SOC remains ready to respond to security incidents at any scale

Future Considerations

The Cyber Fusion Centre will continue to operate to ensure:

- Enhanced security monitoring in line with evolving cyber threats.
- Greater visibility across the expanding smart metering ecosystem.
- Alignment with regulatory frameworks and industry best practices.
- Continuous evaluation of service efficiency to maintain optimal cost control.

Looking ahead, the programme will continue to onboard existing Service Providers until 2027 while preparing for the integration of new providers as further programmes go live. This additional activity drives the increase in cost variance as the programme enters this more resource-intensive phase.

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

1.4.1. CISO Office

The CISO office exists to deliver strategic leadership to the Security function, including the role of Chief Information Security Officer.

The variance in forecast is due to a zero baseline for RY26/27 but there is no increased forecast above current levels over previous years. This role will continue to be in place in RY26/27.

1.4.2. Security Architecture and Assurance

The Security Architecture function sets the technical blueprints for compliant architecture with a strong focus on Cloud solutions and alignment with National Cyber Security Centre (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 the DCC's capabilities.

The forecasted variance of £1.287m in RY26/27 is relative to a zero Ofgem baseline, so is driven purely by forecasted costs incurred this year. In RY25/26, we moved to an approach 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 the table. As programmes are delivered over the next three years we anticipate a reduction in FTE in

this sub-function.

1.4.3. Security Risk, Resilience and Privacy

The Security Risk, Resilience, and Privacy function plays a vital role in ensuring DCC meets regulatory security obligations, manages risk appetite, and maintains a resilient Total System for consumers. In RY24/25, the function saw notable structural and operational changes, including the dissolution of the Security Governance function and the integration of Information Governance and Data Protection. This reorganisation aimed to streamline security oversight, but it also introduced challenges in workload distribution and resource allocation.

Additionally, DCC faced evolving regulatory demands requiring intensified security assurance processes, particularly in Scheme certification and Competent Independent Organisation (CIO) assessments. The shift of the Business Continuity and Disaster Recovery (BCDR) function from Operations to Security further expanded responsibilities, reinforcing the need for robust risk mitigation strategies.

The variance in forecast is due to zero baseline for RY26/27 but there is no material increase in forecast over previous years. This sub-team will continue to fulfil its role out to RY26/27 at similar staffing levels.

1.4.4. Security Demand and Culture

The Security Demand and Culture function provides the resource management planning and future skills planning for the CISO. We forecast an increase in costs from RY24/25 to RY25/26 as the team returns to the planned level of four FTEs. Our costs were lower than planned in due to a headcount of 3.42 FTEs due to partially vacant role.

The variance in forecast is due to the zero baseline for RY26/27, however this sub-team will be removed and capability handed to other parts of the team during RY26/27 to support further efficiencies and cost savings.

1.5. Driver for Internal Cost variance – Non-Resource

Variance	GL		RY24/25	RY25/26	RY26/27
Post Quantum Computing	ES	£m	-	0.400	0.400
Remote Key Custodian	ES	£m	-	0.157	0.157
UIT Recovery Exercise	ES	£m	-	0.218	0.218

Table 4 – Security non-resource cost variance

1.5.1. Post Quantum Computing (PQC)

Overview of variance

Quantum computing represents a new dimension in computational power and could be used to drive cyber-like attacks that could affect classic cryptography commonly used also in the Smart Meter Implementation Programme (SMIP). There is a risk that the ciphers used by embedded devices within our core systems could be impacted by such attacks.

In alignment with SSC the DCC will initiate a multiphase development activity to:

- Identify implementation strategies to protect the Smart Metering environments from quantum attacks
- Develop a test facility both in software and hardware that can be used to evaluate current and future solutions for new quantum resistant algorithms
- Functionally test specific POCs and in future upscale the test environment for full performance testing

The development work which will be split into multiple phases to adapt to the changing regulatory and threat landscape.

Scope of variance and key challenges

The first phase will be a Proof of Concept in a self-contained development environment, thus non-impacting on our live systems. As the learning generated will be valuable across the industry, key suppliers have indicated that they will bear some of their own costs of supporting this initial phase and the proof of concept, and this position will be finalised as part of delivery. An initial £0.100m budget has been set aside to cover for licences and/or currently to be defined supplier costs. As per the Resource profile, it is anticipated that this project will require a total of [redacted] person days to deliver the Project. The incremental effort required we estimate will cost approximately £0.100m.

An additional £0.200m has been forecasted for a second phase during RY25/26, with the scope to be determined during the Proof of Concept.

A further £0.400m has been forecasted for RY 26/27 to cover future phases of testing.

Securing Value for Money

The initiative is being carried out in tandem with [redacted] and [redacted] with DCC providing the development environment. The partners will bear some of the costs associated with this initiative.

At the time of writing, we are still in negotiations with the service providers to agree the scope and costs.

Future Considerations

With no clear view of how PQC can be supported in the Smart Metering ecosystem, there is a risk that the system itself will not be protected at the right level if the QC threat materialises. Therefore, this is the necessary first step to create a plan to protect the whole ecosystem against QC threat impacts.

The main benefit of the project will be the creation of an ongoing internal and external collaboration to drive further developments in the following project phases. In addition, methodologies and outcomes of the Proof of Concept will inform other energy-related applications involving low-resource devices (e.g. EV Chargers) which will face the same risks.

The learning gained from this proof of concept will be valuable for multiple parties across the industry – device manufacturers, software suppliers, fundamental service providers. Preliminary engagement with these parties has indicated a willingness to share the costs of executing the proof of concept in return for sharing of the learning.

1.5.2. Remote Key Custodian

Overview of variance

At present, key custodians are required to travel to a single location in order to support security incidents where the cryptographic solution that underpins the Smart Metering ecosystem has been compromised and needs to be replaced. The Remote Key Custodian initiative will deliver an additional element to the security assurance programme of the DSP Production Environment by allowing remote key recovery events in any compatible CGI business premises located in Reading, Birmingham, London (Fenchurch Street) and Glasgow. The use of Remote Key Custodians would help to improve DCC's Security Posture by reducing the risk of physical compromise of keys. It could improve operational efficiency as there would no longer be a time requirement dictated by key custodians travelling from across the UK - in the case of compromise or failure, remote custodians can offer redundancy and faster key recovery mechanisms.

Exploring remote key custodians enables DCC to enhance security, improve efficiency, support future scalability and enable faster recovery in the event of key compromise, while keeping pace with evolving security standards.

Scope of variance and key challenges

The delivery of this initiative will allow key custodians to travel to one of several locations across the UK, removing the need to always travel to South Wales.

The main delivery will be by the DSP, with some internal resource requirements.

Accordingly, we have forecast £0.157m for each year. The variances displayed in the table for RY25/26 and RY26/27 are relative to a zero Ofgem baseline.

Securing Value for Money

The initiative can only be delivered by the DSP. The issue of requiring travel to South Wales was discussed at the SMKI PMA, with a panel of users selecting this solution to address the issue.

Future Considerations

Delivery of the Remote Key Custodian initiative will reduce recovery times by enabling custodians to be at a recovery location more quickly, whilst maintaining the necessary physical security by utilising compatible CGI locations.

1.5.3. UIT Recovery Exercise

Overview of variance

The Smart Energy Code includes an obligation for the DCC to develop and perform annual testing to ensure that SMKI Recover Procedure is operating effectively for recovering from a compromise, such as:

- Private key compromise
- Mass revocation of certificates by a malicious agent
- A catastrophic failure of the SMKI service

The UIT Recovery Exercise is the annual testing of the SMKI Recovery Procedure. It shows that the DCC and all relevant parties (e.g., energy suppliers, network operators and meter manufacturers) can recover and restore trust in the SMKI systems.

Successful completion of the testing will prove that the revocation and reissuance of affected certificates can be handled efficiently, and that the continuity of smart metering operations can be maintained or restored after a security event.

Scope of variance and key challenges

The test plan includes deliverables from the DSP, TSP and CSP Central/South, with estimates from the Service Providers totalling approximately £0.220m. Some input will also be required from selected customers.

In addition to the external spend with Service Providers, there will be effort from Security resources to complete the testing.

Securing Value for Money

The external spend can only be delivered by the specified Service Providers so [redacted] procurement is not an option. Continued testing and improvement of the SMKI Recovery Procedure will help to ensure the secure operation of the DCC Live Systems in the event of a compromise.

Future Considerations

The DCC is obliged to perform these tests on an annual basis so costs will be expected for future years, which are not expected to rise significantly.

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

Variance	GL		RY24/25	RY25/26	RY26/27
CIO	ES	£m	-0.009	-0.073	**0.275**
Software	IT	£m	0.021	0.024	**0.184**

Table 5 – RY26/27 Security non-resource cost variance

1.6.1. CIO

The Yearly Competent Independent Organisation assessment is an activity that DCC must conduct against their Service Providers in compliance with the SEC provisions in SEC Section G9.3 b) i):

G9.3 The actions specified in this Section G9.3 shall be actions taken by the DCC to:

a. procure the provision of security assessment services by the DCC Independent Security Assessment Service Provider (as further described in Section G9.4);

b. ensure that the DCC Independent Security Assessment Service Provider carries out Security Assessments for the purpose specified in Section G9.2.

This annual independent assessment by the DCC Independent Security Assurance Service Provider (also known as the DCC Competent Independent Organisation (DCC CIO) is conducted across all Total System service providers including DCC, this is around 12 in number.

If these assessments are not delivered, the DCC may be seen as breaching the SEC and therefore its Licence conditions. It is the only mechanism providing independent validation of the Security and resiliency of the Total System for consumers. We have no other recourse other than to use external agencies to deliver this due to the requirement for the assessor to be independent.

The assessment focuses on controls and obligations contained within the SEC and the Licence. These controls and obligations are described in detail in the DCC SCF Part 1 DCC Assessment Methodology and DCC SCF Part 2 DCC Assessment Guidance (SCF). They focus on SEC Sections G and H and Licence Condition 8. There are around 116 controls, but each supplier scope is decided based on the services and role they perform. As DCC delegates elements of operation of the DCC Total System to various SPs (Service Providers), the DCC CIO also independently assess SPs the controls specific to them as detailed in the SCF.

While the assessment itself only takes around a week, the pre-assessment work can start up to three months before and involves gathering and uploading a significant amount of evidence. There is then a post assessment period where the final assessment is evaluated and remediated with the CIO, SECAS and the SSC, the DCC GRC team facilitate this across all our suppliers and provide assurance to the SEC panel on the security and resilience of the Total System for our consumers.

This is a continuation of an ongoing requirement listed in the DCC's licence. The existing contract was procured for three years and is due to end in March 2026. A [redacted] procurement is underway to identify a new supplier for this service. The RY26/27 variance displayed in the table is driven by a zero Ofgem baseline and reflects forecast costs consistent with RY25/26 and a small decrease on RY24/25.

1.6.2. Software

The Cyber Security Operations sub-team utilise several software products, with licenses purchased through Trustmarque as a software reseller.

- Burpsuite – Application security and penetration testing software
- DMARC – Email authentication software
- IDA Decompiler – Code analysis and vulnerability assessment software
- LastPass – Password vault software
- X-Ways – Forensic security investigation software

The forecast for RY26/27 represents a continuation of license costs for Cyber Security Operations software, Elastic and Egress Protect, with the addition of Egress Prevent. Our forecast costs are based on expected licence costs and number of licences required for the team. Our full software costs show as a variance to the zero-baseline set for RY26/27.

Security Incident and Event Monitoring Tooling

Elastic is used within our environment as a core component of our Security Information and Event Management (SIEM) capability. Leveraging the Elasticsearch engine, it enables real-time collection, correlation, and analysis of security-relevant data across our estate and the wider ecosystem. Through Kibana dashboards, we gain visibility into emerging threats, anomalous behaviours, and operational patterns, supporting both proactive threat hunting and reactive incident response. Elastic's flexibility allows us to ingest data from a wide range of sources and apply custom detection rules aligned to our threat landscape. Its integration within our broader security tooling ensures we

maintain a scalable, data-driven approach to monitoring, investigation, and continuous improvement of our cyber posture. Elastic has been adopted wider in the organisation for operational monitoring of energy data.

Email Security Software

Egress Protect provides email encryption & preventative email security. The DCC has used Egress Protect to encrypt sensitive email communications to the Security Sub-Committee and other stakeholders. The use of Egress Protect is a requirement that DCC is not able to alter. The DCC has decided to adopt Egress Prevent, as additional product available from Egress to deliver an additional layer of email security. Egress Protect monitors users' regular behaviour and provides prompts where activity is outside of this, giving users the opportunity.

Data Communications Company

DCC Price Control RY24/25 – Service Delivery

Version: 1.0
Date: 31.07.2025

1. Service Delivery Cost Centre

Summary

What is this and why is it important?

The Service Delivery (SD) function 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. By applying a consistent and structured approach, SD helps to implement change smoothly, minimising disruption while maximising value for stakeholders.

The change programmes managed by SD are designed to deliver tangible improvements for both energy customers and consumers. Notable initiatives include Market-wide Half Hourly Settlement (MHHS), which supports a smarter, more responsive energy system, and the 4G Communications Hubs & Network programme, which ensures the resilience of infrastructure as 2G and 3G networks are phased out. 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.

RY24/25 Activities and Costs

During RY24/25, Service Delivery incurred a total cost of £2.8m, which was £0.7m below Ofgem's baseline and £1.9m below our forecast made in our RY23/24 submission.

The cost reductions were the result of focussing on reducing reliance on external contractors and consultancy support by investing in upskilling permanent staff to enhance internal capability and drive greater efficiency. This strategic shift led to an organisational restructure, enabling a reduction in headcount and overall costs without impacting the quality or timeliness of delivery.

Future Activities and Costs

Looking ahead, key priorities for Service Delivery include the completion of the 4G Communications Hubs & Network (CH&N) programme rollout and the mobilisation of PKI-E, FSM, and DSP initiatives into FY25/26.

SD costs and resource usage will continue to be closely monitored through the timesheeting process, enabling accurate tracking and forecasting of resources.

1.1. RY24/25 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			RY24/25	RY25/26	RY26/27
Total Service Delivery		**£m**	**3.470**	**3.410**	**-**
Payroll costs	PR	£m	3.367	3.302	-
Non-payroll costs	NP	£m	0.095	0.088	-
Recruitment	RC	£m	0.008	0.021	-
External services	ES	£m	-	-	-
Incurred			**RY24/25**	**RY25/26**	**RY26/27**
Total Service Delivery		**£m**	**2.786**	**2.982**	**6.446**
Payroll costs	PR	£m	2.324	2.603	6.081
Non-payroll costs	NP	£m	0.253	0.307	0.307
Recruitment	RC	£m	0.226	0.072	0.058
External services	ES	£m	-0.017	-	-
Variance			**RY24/25**	**RY25/26**	**RY26/27**
Total Service Delivery		**£m**	**-0.684**	**-0.428**	**6.446**
Payroll costs	PR	£m	-1.043	-0.698	**6.081**
Non-payroll costs	NP	£m	**0.158**	**0.219**	**0.307**
Recruitment	RC	£m	**0.218**	0.051	0.058
External services	ES	£m	-0.017	-	-

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 Service Delivery (SD) function is pivotal to delivering DCC's portfolio of change programmes. Operating within a robust governance framework, SD 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 FY24/25, the disbanding of the Professional Services Practice and transition to a portfolio-led delivery model brought greater alignment and consistency across programme performance. This structural shift enabled deeper insight into programme needs, improved cross-functional collaboration, and enhanced employee engagement.

This delivery approach delivers strong value for money through a number of mechanisms:

- Reduced reliance on external resources through internal capability uplift. The ratio of contractor to permanent resources has shifted towards the end of RY24/25 from a 55:45 ratio to 25:75 with cost benefits to be realised in RY25/26.
- Reduced the headcount overall by 14 FTE with the removal of practise leadership specific roles, identified further reductions from working more collaboratively and consistently
- Streamlined governance and clearer accountability across programmes
- Improved resource planning and cost control through enhanced tooling, reporting and leadership focus
- Greater alignment between delivery teams and strategic priorities, reducing duplication and inefficiency

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.
- Strategic Organisational Changes.

1.2.2. Scope

The SD 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.

- Service Delivery 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 rollout of the 4G Communications Hubs as part of the CH&N programme.

Contribution to DCC strategy

The SD function 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 FY24/25, the SD function underwent a comprehensive reorganisation, replacing the matrix management model with a portfolio-led structure. This shift was driven by the need for greater clarity of ownership, improved accountability, and enhanced alignment between programme delivery and resource planning. By embedding SD resources directly within delivery portfolios, DCC has achieved better visibility of performance, improved employee engagement, reduced attrition (therefore reduced future costs associated with recruitment and upskilling) and a stronger connection between objectives and outcomes. Several leadership roles were removed as a direct result of removing the practise and further roles removed due to efficiencies within the portfolio model. This resulted in the reduction of 14 FTE.

SD also reduced its contracting work-force reliance by up-skilling and increasing its permanent headcount. This has driven costs down overall for the function which will be realised in RY25/26.

Drivers of Activity and Cost in FY24/25

Most SD 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:

- CH&N: Transition to 4G smart metering infrastructure in Central and South regions.
- DSP: Re-procurement and migration from the existing Data Service Provider platform.
- MHHS: Enabling half-hourly settlement to improve market accuracy and efficiency.
- 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.

Events and objectives driving Service Delivery costs directly impacted by:

- Programme Volume and Complexity: The scale and intricacy of the change portfolio directly influence SD resource demand. A higher number of programmes, or those with more complex scopes, require increased capacity and a broader range of specialist skills. This directly impacts both the total cost and the mix of resources needed to deliver successfully.
    - Time Recording Maturity: With the maturing of DCC's time recording system this creates greater visibility and accuracy in cost reporting.
    - SD is responsible for managing large complex programmes and technical change including running the network and maintaining it. SD team members are allocated to programmes that are essential to maintaining the ongoing performance, security, and reliability of the smart metering network. This includes refresh activity for end-of-life technologies and updates to core security protocols to meet evolving standards and threats.

By delivering these initiatives, SD 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 RY23/24, the cost centre's organisational structure is shown below.

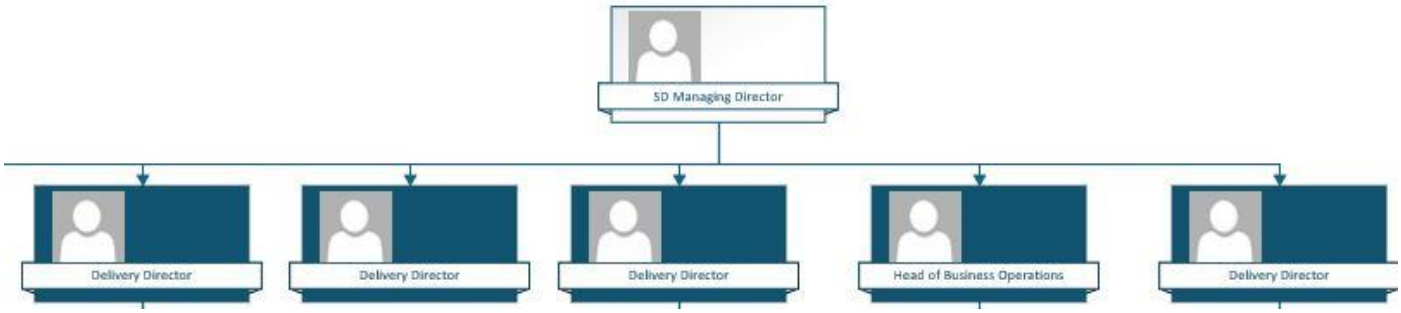


Figure 1. **Service Delivery Cost centre organisational structure**

The table below shows the structure in RY24/25 and a description of the teams within the structure.

Previous Sub-team end-RY23/24	Current Sub-team end-RY24/25	Description
Service Delivery Office	Service Delivery Business Operations	The Office of the Chief Delivery Officer (CDO) has been restructured, the CDO replaced by a Managing Director (MD). The following roles were also removed: • Professional Services Director • Resource Deployment Managers (x2) • Head of PPM Practice Ending FY24/25, the SD Business Operations comprises the Managing Director.
PPM Practice replaced with Portfolio Led Teams	Professional Service Practice	The Programme and Project Management (PPM) Practice has been replaced by a portfolio-led organisational structure. This shift ensures greater alignment with business needs and enhances the flexibility of delivery across programmes. The new structure focuses on delivering strategic outcomes through coordinated portfolio management, with a stronger emphasis on resource optimisation and cross-programme integration. Key elements of the new structure include: • Programme and Project Managers • Programme Office Support Managers • Programme Office Support Analysts
Delivery and Programme Directors	Programme Directors	Delivery Directors oversee a portfolio of programmes, ensuring alignment with strategic goals and regulatory requirements. They lead Programme Directors, manage resources, and ensure programmes are delivered on time and within budget.

Table 2 – Description Per Sub-Team Structure

As of the end of FY24/25, the Service Delivery Business Operations team comprises a small core of senior staff: the Managing Director, Head of Business Operations (formerly Head of Professional Services), Business Operations Analyst, and a Planner (chargeable to programmes). This team is responsible for strategic oversight, leadership, and operational support. All other resources, including Delivery and Programme Directors, Programme and Project Managers, Programme Office Support Managers, and Programme Office Support Analysts, are directly aligned to programmes and will continue to be recharged via time sheets where possible.

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		RY24/25	RY25/26	RY26/27
Service Delivery Payroll Costs	**£m**	**3.367**	**3.302**	**-**
Professional Services Practice	£m	2.523	2.523	-
Programme Director	£m	0.596	0.596	-
Service Delivery Office	£m	0.248	0.183	-
Incurred		**RY24/25**	**RY25/26**	**RY26/27**
Service Delivery Payroll Costs	**£m**	**2.324**	**2.603**	**6.081**
Professional Services Practice	£m	1.567	1.862	4.588
Programme Director	£m	0.360	0.405	1.148
Service Delivery Office	£m	0.397	0.337	0.345
Variance		**RY24/25**	**RY25/26**	**RY26/27**
Service Delivery Payroll Costs	**£m**	**-1.043**	**-0.699**	**6.081**
Professional Services Practice	£m	-0.956	-0.661	**4.588**
Programme Director	£m	-0.236	-0.191	**1.148**
Service Delivery Office	£m	0.149	**0.153**	**0.345**

Table 3 – Cost centre variance by sub-team

1.3.1. SD Business Operations Including Managing Director (Delivery Office)

Overview of variance

As leader for this function, our Service Delivery Managing Director worked with leaders from the Professional Services Practice (before this was disbanded) and the Programme Delivery Directors to drive, monitor and evaluate the delivery of complex programmes (to time, cost and quality) alongside responsibility for staff engagement, professional development and management.

The SD Managing Director sets the direction for the function and instigated the re-organisation of the function to optimise both quality and efficiency and continues to lead and monitor the function looking for further opportunities to optimise. The SD Managing Director also manages critical stakeholder relationships attending key internal and external senior governance forums and engagement with our potential and appointed service providers.

SD Business Operations represents a small function providing support in these activities. It shows a small fluctuation in costs between RY24/25 and RY25/26, with the forecasted FTE of [redacted] in RY 25/26 broadly in line with this year's actuals. Our forecast costs for RY25/26 are lower than RY24/25, but show as a higher variance due to the smaller baseline for that year.

In RY26/27, our forecast costs are consistent with RY25/26 with a small increase reflecting changes in pay ward rates.

Scope of variance and key challenges

In RY24/25, the team consisted of 1.4 FTEs reflecting hand over period from the Chief Delivery Officer. The team in RY25/26 reduced to [redacted] FTE, consistent with the reduction in forecast costs for the year.

Securing Value for Money

Our Service Delivery Managing Director (formally Chief Delivery Officer) is responsible for driving the functions strategic objectives and ways of working across DCC's programmes. This included embedding cost-conscious culture throughout the programmes from contract development and award through to development of internal costs and monitoring and management of the programme throughout the life cycle. The SDMD is able to influence this directly being part of the Programme Governance, hosting monthly finance reviews, by performing deep dives into the elements of the programmes and SD organisation and owning escalations (with suppliers where required).

In RY24/25, the time spent reflects the status of our programmes, with CH&N, PKI-E, MHHS at different stages of Design, Build and Test. Supplier engagement was key for our DSP re-procurement, along with transitioning VWAN and Future Connectivity to standalone programmes.

Future Considerations

This role is forecast to remain in position for RY26/27.

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

1.4.1. Professional Services Practice

The Professional Services Practice includes the Programme & Project Management community, which offers specialised programme and project management services. This team functioned as an internal consultancy, providing resources and business analysis as well as delivery services throughout the project lifecycle. This has now been disbanded, leadership roles removed, and the resources allocated directly into portfolios.

In RY26/27, the variance in the forecast is due to a zero baseline. At the moment, 41.5 FTE is forecasted to be utilised in RY26/27 which is significantly smaller YOY based on the maturity, continual improvement in ways of working and efficiency opportunities driven by the team. Nearly all payroll costs have been fully allocated to the Service Delivery function, rather than being apportioned across individual programmes. This approach reflects the current lack of sufficient certainty regarding the specific programme assignments and resource split for that year. Unlike the current regulatory year, where payroll costs have been distributed based on known team contributions to individual programmes, the future forecast does not yet have the level of granularity required to apply the same methodology reliably. Specific individuals have not yet been allocated to programme roles in our Annual Business Planning tool for RY26/27.

Looking forwards, focus will remain on ensuring resource alignment with programme activity and developing internal capability further. In particular, future resource planning is tightly integrated with programme lifecycle stages to ensure more accurate forecasting and cost attribution. Additionally, the team will continue to strengthen forecasting discipline and enhance data quality through improved time-recording practices and clearer role definition.

1.4.2. Programme Director

Programme Delivery Directors play a crucial role in programme management, coordinating roles and deliverables across various DCC functions to ensure successful programme outcomes for customers. Senior roles are expected to remain stable over the next years, with succession planning in place to reduce future external search costs. Currently, a forecast of 2.8 FTE has been allocated to this sub-team.

In RY26/27, the variance is due to a zero baseline. For this forecasted year, payroll costs have been fully allocated to the Service Delivery function, rather than being apportioned across individual programmes. This approach reflects the current lack of sufficient certainty regarding the specific programme assignments

and resource split for that year. Unlike the current regulatory year, where payroll costs have been distributed based on known team contributions to individual programmes (using a percentage-based allocation model), the future forecast does not yet have the level of granularity required to apply the same methodology reliably.

1.5. Driver for Internal Cost variance – Non-resource

1.5.1. Summary

Non-resource variances across Service Delivery remained modest and controlled over the three-year period. Travel, subsistence, and expenses remain stable year-on-year. Recruitment costs peaked in RY24/25 due to high-volume of permanent hiring following the reorganisation, then fell sharply in RY25/26 and were eliminated by RY26/27 as internal resourcing stabilises.

Variance	GL		RY24/25	RY25/26	RY26/27
Travel, subsistence and expenses	NP	£m	0.232	0.221	0.242
Recruitment cost	RC	£m	0.218	0.051	0.058

Table 4 – Material Variance for Service Delivery non-resource internal costs

1.5.2. Travel, subsistence and expenses

Overview of variance

All travel, subsistence, and related expenses are allocated to the SD function rather than to individual programmes. This allocation supports SD's critical role in coordinating efforts across DCC and with the supply chain. To enhance productivity and break down workstream silos, SD intentionally co-locates teams and conducts regular meetings, including workshops, weekly project meetings, and collaborative sessions with potential suppliers. These engagements occur across multiple locations, reflecting the distributed nature of both DCC's offices and its service providers. Activities include:

- Induction or strategy days
- Annual and quarterly performance and goal-setting meetings
- Monthly leadership meetings and related support across the three offices
- Attendance at training and development days

Scope of variance and key challenges

The CH&N & DSP programmes involve numerous supplier members and assurance partners. Despite each organisation having a distinct scope and deliverables, it is essential that they do not operate in isolation. The SD team's role is to integrate these parties, along with other stakeholders as needed, to ensure optimal programme outcomes, adhering to timelines and budgets. The costs associated with facilitating co-location are deemed necessary for implementing a disaggregated delivery model, which our business case demonstrates as cost-effective compared to alternative approaches.

Securing Value for Money

Given the high cost of project slippage, travel costs are considered a value-for-money investment due to the significant benefits derived from face-to-face engagements. These interactions are crucial for delivering projects within scope and budget especially given the importance and value of these programmes. Additionally, the cost includes some internal DCC expenses. Given DCC has offices in multiple locations, the expense policy permits staff to claim costs for travel away from their usual office locations.

For example, in RY24/25, we had several extended periods of face-to-face engagement for our DSP and CH&N programmes. These were in addition to regular progress meetings with internal teams and suppliers. For DSP, we had defined windows to complete bidder clarifications and evaluation requiring in-person presence to manage information movement and meetings between DCC and bidders. Similarly,

during the CH&N programme staff were brought in-person at DCC offices or supplier offices around key milestones to ensure all risks and queries are identified and resolved to maintain the programme delivery on schedule and budget.

Future Considerations

Where possible co-location of project teams will continue to be considered to reduce travel between offices.

1.5.3. Recruitment cost

Overview of variance

The variance in recruitment costs relates to a period of increased hiring activity driven by the strategic conversion of contractors to permanent employees, alongside the appointment of senior leadership roles. This has resulted in associated permanent recruitment fees, search fees for Director-level hires, and vetting costs such as reference and security checks.

Scope of variance and key challenges

Recruitment Reference Checks:
As part of converting contract staff to permanent roles, all individuals underwent the required vetting and security clearance, including reference checks. These are standard practice and necessary to meet compliance and security protocols.

Hiring Fees (Permanent Fees):
DCC engaged the preferred supplier, [redacted] to recruit permanent employees across our programmes following the implementation of the reorg during the Autumn. These hires replaced contractors and positions which had been upskilled, enabling long-term cost efficiencies while maintaining delivery capability.

Search Fees:
DCC engaged external executive search firms ([redacted] and [redacted] [redacted] to support the recruitment of three senior roles, including two Delivery Directors and one Managing Director-level position. These roles required specialist market knowledge and discreet candidate engagement beyond the scope of our standard supplier framework.

Key challenges included sourcing specialist talent in a competitive market while balancing continuity of service and long-term cost efficiency.

Securing Value for Money

DCC has taken proactive measures to decrease dependency on contract staff, transitioning several roles to permanent positions to achieve significant cost savings. While permanent hires involve initial recruitment expenses, they provide enduring financial benefits compared to contractor daily rates. This strategic shift will help DCC realize a reduction of 13 contractors within Service Delivery by the end of RY 25/26 with an average annual cost reduction per contractor of £[redacted]

To ensure value and efficiency:

- We used [redacted] as our sole preferred supplier for all permanent recruitment (excluding senior leadership), enabling standardised terms, cost control, and streamlined hiring processes.
- Senior hires were sourced through specialist executive search firms ([redacted] and [redacted] [redacted] where market complexity and confidentiality required bespoke support.
- A number of high-cost contractors were released and backfilled with permanent hires, delivering sustained savings across the control period.
- As part of the reorganisation, we have also invested in upskilling programme delivery roles, improving in-house capability and reducing future dependency on external expertise.

Future Considerations

We will continue to optimise workforce structure and reduce dependency on contingent labour through planned recruitment, internal development, and targeted use of our preferred supplier.

Looking ahead:

- We will maintain a cost-effective mix of permanent and contingent resources, using [redacted] for all standard recruitment needs.
- Executive search will remain limited to exceptional senior leadership roles.
- A continued focus on upskilling programme delivery roles will enhance internal capability, improve delivery outcomes, and reduce future recruitment costs.
- Succession planning and talent development will support long-term stability, reduce churn, and ensure value for money throughout the next regulatory period.

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.