

Consultation

DCC Review: Phase 2 – Objectives, operational model and future role of DCC

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We are consulting on the objectives, operational model, and the scope and governance for the evolution of the Successor Smart Meter Communication Licence holder's role. We would like to get the views of people and organisations interested in smart metering. We particularly welcome responses from DCC customers, including energy suppliers, distribution network operators, consumer groups and other current or potential future users of DCC's network. We would also welcome responses from other stakeholders and the public.

This document outlines the scope, purpose, and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

Consultation – DCC Review: Phase 2 – Objectives, operational model and future role of DCC

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Executive Summary

The Data Communications Company (DCC)¹ is responsible under the Smart Meter Communication Licence for establishing and operating a secure national communications network for smart metering in Great Britain. The current Licensee is Smart DCC Ltd² ("DCC1") whose Licence was awarded by the Government in 2013 and is now due to expire in September 2027. We are reviewing the regulatory arrangements to be put in place for the Successor Licensee ("DCC2").³

In August 2023 we concluded the first, scoping phase of our review with a set of key features that would form the basis of the design of the new regulatory model.⁴ Through this phase we concluded that the Successor Licensee should continue the role of DCC1 in delivering its mandate under the Licence. We also confirmed that the operational model should remain primarily outsourced with contracts for data and communication services procured competitively on the market to drive value for money. However, recognising that end of the current Licence presents an opportunity to make improvements in the licence framework, we also set out several areas to be updated and refined in the Successor Licence, including:

- Updating the Licence objectives to make sure there is a clear focus on the provision of the core business without undue distractions
- Ensuring that the Successor Licensee has a long-term strategy and vision in place for how its business and the smart metering network should develop, and that there is a clear role for Ofgem and the Government in the process of developing and delivery that strategy
- Improving transparency of procurement practices, especially when procuring services from its shareholder (or other Related Undertaking)
- Ensuring that the Successor Licensee has more control over its internal operations, in particular workforce

¹ Throughout this consultation we use the terms "DCC" or "the Licensee" to refer generally to the entity that delivers smart metering data and communication systems, and "DCC users" as organisations which use the network. The Smart Meter Communication Licence is granted pursuant to sections 7AB(2) and (4) of the Gas Act 1986 and 6(1A) and (1C) of the Electricity Act 1989. When referring to a particular holder we will use either the terms DCC1, DCC2 or the registered name of the licence holder.

² A wholly owned subsidiary of Capita Plc

³ Notes: Unless the current Licensee is awarded the Successor Licence, DCC2 (1) will be a new legal entity established subject to open and fair competition; and (2) as a separate and distinct corporate vehicle, has no connection to the corporate governance of DCC1 and/or its parent company (and its subsidiaries). The terms "DCC2" and "Successor Licensee" are used interchangeably throughout this consultation document.

⁴ Ofgem (2023), DCC review: Phase 1 Decision. www.ofgem.gov.uk/decision/dcc-review-phase-1-decision

- Providing transparent and flexible route for the evolution of the scope of the Successor Licensee's mandate so that it can flexibly respond to future challenges or asks, and that industry and consumers can derive additional value from their investment to date, where there is a clear case for the Successor Licensee to do more

This consultation sets out our proposals in these areas.

Successor Licensee's strategy and objectives

Firstly, we discuss how the Successor Licensee's overall business strategy should be determined. We are exploring options for inclusion of a new licence condition to require DCC2 to produce a Business Strategy and Technology Roadmap which would outline the high-level direction of the Successor Licensee's Authorised Business, with input from Ofgem, DESNZ and industry. We seek views on the scope and the process for approval and review of the strategy, alongside other key documents. This includes the review and approval process of the Procurement Strategy. Our proposals seek to increase stakeholder engagement and ensure that a consistent, agreed upon strategy and delivery plan is in place.

Secondly, we present our proposals for a revised set of objectives for DCC2. We propose to introduce:

- A primary objective focusing on the delivery of Core Mandatory Business
- Three supporting objectives focusing on DCC2's role in facilitating innovation and competition in the energy market; sustainability; and consumer impacts
- A time-bound transitional objective to require DCC2 to: conclude the business handover; ensure that any Transitional Arrangements for services provided by the previous Licensee (or its Affiliated or Related Undertakings) are exited in a timely manner (unless the current Licensee becomes the Successor Licensee); prepare the Business Strategy and Technology Roadmap document; and undertake a review of the External Service Provider contracts novated from the Previous Licensee

We would like respondents to consider whether the proposed objectives capture the purpose and priorities of DCC2 and whether there are any risks of unintended consequences. We also seek views on options to review the objectives during the Term of the Successor Licence.

Operational model

DCC is primarily a contract management company with most of its costs arising from contract with third-party service providers. We outline the different types of contracts DCC manages, and our proposals in respect of rules for their procurement.

The first type of contracts are the Fundamental Service Capability (FSC) contracts. In Phase 1 we concluded that the Successor Licensee and its Related Undertakings will continue to be prohibited from carrying these out. We are seeking views on the definition of FSC in the Successor Licence.

The second type of contracts are those defined as Non-Fundamental Relevant Service Capability (RSC). We are proposing to introduce additional procurement principles to consider sustainability and consumers impacts to support the new objectives in chapter 2 whilst retaining the principles which exist in the current Licence.

The third type of services are those received from the Licensee's Related Undertaking (parent company). We are proposing that under the Successor Licence these services must be procured on the same conditions and under the same requirements as those of other third-party contracts. We also propose to require DCC2 to regularly report on these contracts to Ofgem to help us monitor compliance.

Finally, we propose to introduce a Licence requirement to mandate that the Successor Licensee be the employer of its staff.

Scope and governance for the evolution of Authorised Business

We discuss, in turn, our proposals for the scope and governance for the evolution of DCC2's Mandatory Business and Permitted Business.

Mandatory Business

Firstly, we seek to confirm the scope of the Successor Licensee's Mandatory Business as including: Core Communication Services, Enabling Services, Mandated Business Services (requirements included in the Licence by the Authority or the Secretary of State), Additional User Services, and other Licence or SEC/REC requirements. We are not proposing to remove any existing Mandatory Business Services from the Successor Licence.

Secondly, we seek views on the scope of Additional User Services which we propose to comprise Elective Communication Services (with improvements) and other User Services that DCC2 could provide on a bilateral basis to its customers on demand.

Thirdly, we confirm the ways in which Mandatory Business can evolve, principally by amendments to the Licence or the codes. In our conclusions on the process for

determination of Allowed Revenue we concluded that the Successor Licensee will be able to apply for ringfenced funding for Additional Mandatory Business and Permitted Business.⁵ We seek views on enabling DCC2 to apply for funding to develop new services that could become part of its Mandatory Business if approved via the SEC or the Licence.

Permitted Business

We set out a proposed method of governance for applying for ringfenced funding for a potential development of Permitted Business services, including:

- Innovative (public good) initiatives, including use of system data
- Commercial re-use (Value-Added Services) which could generate revenue to offset user charges. We propose high-level criteria that must be satisfied for the Successor Licensee to explore these activities.

Finally, we propose to remove the concept of “Minimal Services” from the Successor Licence, which would be replaced by ringfenced funding provisions.

Next Steps

This is the final consultation that will comprise our second ‘detailed design’ phase of the DCC review programme. We have commenced and will continue our work on identifying and selecting the Successor Licensee. This selection process will continue to the next stage, following the publication of the conclusions document to this consultation. We expect to publish our conclusions in summer 2025, followed by a consultation on the draft successor licence to reflect our policy decisions.

⁵ Ofgem (2025) DCC Review Phase 2: Determination of Allowed Revenue – conclusions.
www.ofgem.gov.uk/decision/dcc-review-phase-2-determination-allowed-revenue-conclusions

1. Introduction

Background

- 1.1 (“DCC1”) is the term used to refer to the holder of the Smart Meter Communication Licence (“Licence”), which was originally awarded by the government in 2013 following a competitive tender. The Licence holder plays a vital role in the energy landscape of Great Britain, providing the communications network that underpins the functionality of smart metering systems. The Licence holder is responsible for establishing and operating a secure national communications network for smart metering in Great Britain and operates under the conditions of its licence. The current Licensee is Smart DCC Ltd, a wholly owned subsidiary of Capita Ltd.
- 1.2 Ahead of the expiry of the Licence (due in September 2027), we are carrying out a programme of work (“DCC review”) with the objective to:
- (1) Develop a new regulatory regime for the Successor Licence
 - (2) Select and appoint a successor Licensee (“DCC2”) to hold that licence
- 1.3 We published a decision in August 2023, which concluded the first, scoping phase of our ongoing review of the regulatory arrangements for DCC. The decision outlined the key features to be developed and implemented into a detailed new regulatory framework. We concluded that the new framework should be based on a set of key features, which included “Key feature #4: The operational model will remain primarily outsourced with key contracts procured competitively on the market (decisions made by the Board subject to Licence limitations)”.⁶
- 1.4 This consultation develops detailed policy proposals building on this key feature.

What are we consulting on

- 1.5 This consultation is the final of three that form the second “detailed design” phase of the review. We are seeking stakeholders’ views on:
- DCC2’s strategy and revised objectives
 - DCC2’s operational model
 - The scope and governance for the evolution of DCC2’s Authorised Business
- 1.6 Below, we set out what each individual chapter of this consultation covers.

⁶ Ofgem (2023) DCC Review: Phase 1 Decision, paragraph 2.33 and chapter 5.
www.ofgem.gov.uk/decision/dcc-review-phase-1-decision

Chapter 2: Successor Licensee’s strategy and objectives

- 1.7 In Chapter 2, we outline our proposals for a strategy-setting process and a revised set of Licence objectives for DCC2. Specifically, we seek views on the inclusion of a licence condition that would require DCC2 to produce a new strategy document (Business Strategy and Technology Roadmap), its contents and process for approval and revision. We also seek view on a proposed set of objectives for the Successor Licensee.

Consultation questions

- Q1. What are your views on our proposal to set DCC2’s long-term strategy through the proposed Business Strategy and Technology Roadmap document? What are your views on the document’s scope, content and the timeframes?
- Q2. Do you agree with our proposal to amend the approval process for the Procurement Strategy?
- Q3. Do you agree with our proposal to set a Primary Objective for the Successor Licensee? What are your views on its proposed intent and wording?
- Q4. What are your views on the proposed First Supporting Objective? Do you agree that it should focus on enabling competition and innovation and its proposed wording? Do you agree that DCC2 should have an objective to foster competition in the services that it procures when carrying out its Mandatory Business?
- Q5. What are your views on the proposed Second Supporting Objective? Do you agree with its focus on sustainability and the proposed wording?
- Q6. What are your views on the proposed Third Supporting Objective? Do you agree with its focus on consumer impacts and the proposed wording?
- Q7. Do you agree with the proposed transitional objectives and the four proposed aims of this objective? Does this objective sufficiently capture the key expected milestones during the transition?
- Q8. What are your views on the proposed weighting of the objectives and the possible review of the objectives? Do you have any other views on the proposed objectives?

Chapter 3: Operational model

- 1.8 In Chapter 3, we expand on our Phase 1 decision to keep the current operational model primarily outsourced with services procured from External Service

Providers.⁷ We are seeking views on the definition of Fundamental Service Capability and inclusion of new procurement principles. We are also proposing and seeking views on requirements in respect of provision of shareholder services and a requirement on DCC2 to remain the employer of its staff post-Business Transfer to mitigate risk with any future Business Handover.

Consultation questions

- Q9. What are your views on the definition of Fundamental Service Capability? Do you agree that the distinction between fundamental and non-fundamental Relevant Service Capability remains relevant in the new regime? If not, why?
- Q10. What are your views of the proposed additions to the procurement principles for Relevant Service Capability? Do you have any other suggested areas of improvement?
- Q11. Do you agree with our proposal to require shareholder services to be provided on the same terms as other Relevant Service Capability contracts, and the requirement for the Successor Licensee to produce a register of contracts and services that are provided by any Related Undertaking?
- Q12. Do you agree that staff who work on the Authorised Business under the Successor Licence should be employed by the Successor Licensee?

Chapter 4: Scope and governance for the evolution of Authorised Business

- 1.9 In Chapter 4, we are seeking views on the scope of DCC2's Mandatory Business and Permitted Business. We are also looking for views on the proposed ways in which Mandatory or Permitted Business can evolve. We propose the removal of Minimal Services and the addition of a new set of requirements for the Successor Licensee to be able to explore Permitted Business including a route for funding.

Consultation questions

- Q13. Do you agree with the proposed scope of Mandatory Business in the Successor Licence? If not, which specific services or activities should be reclassified, added or removed?
- Q14. What are your views on Additional User Services: Which improvements to Elective Communication Services would be most likely to increase their uptake and deliver

⁷ External Service Provider means any person from whom Relevant Service Capability is procured by the Licensee (including a person from whom such capability is being procured by virtue of paragraph 6 of LC 16) for the purpose of enabling the provision of Mandatory Business Services under or pursuant to the Smart Energy Code or Retail Energy Code.

- good outcomes for consumers? What other on-demand User Services could DCC2 provide?
- Q15. What are your views on the possibility to enable DCC2 to apply for funding to develop new services that could become part of its Mandatory Business if approved via a SEC/REC or licence modification?
- Q16. What are your views on the proposed process for funding and governance of Permitted Business: innovative (public good) initiatives and commercial services?
- Q17. Do you agree with the proposed removal of Minimal Services in lieu of the ringfenced funding?

Context and related publications

- 1.10 In autumn 2022 we consulted on the first, scoping phase of the DCC review. We published our Phase 1 consultation response in August 2023 in which we decided to adopt the following set of key features to form the basis of the new regulatory model:
1. The company Board should be majority stakeholder or independent controlled and include consumer representation.
 2. The Core Mandatory Business should be conducted on a not-for-profit basis.
 3. Costs of activities deemed to be sufficiently stable should be subject to an upfront approval by Ofgem via an ex-ante price control or a budget-setting process.
 4. The operational model will remain primarily outsourced with key contracts procured competitively on the market (decisions made by the Board subject to Licence limitations).
 5. DCC's Core Mandatory Business will remain funded by charges on users.
- 1.11 In November 2023 and February 2024, we hosted stakeholder workshops to test our emerging proposals on the detailed policy design in relation to the future of DCC's governance, cost control and role.
- 1.12 We published our first policy consultation on governance in May 2024. In it we set out our proposals in respect of the Board composition, requirements on directors, the appointment process and incentives. We presented our preferred options including that the future Board should be majority independent-controlled with consumer representation and that customer (user) representation should be assured via requirements on industry experience on the Board, representation in the appointment process and enhanced customer engagement through a

proposed customer satisfaction survey. We published our response on 17 January 2025.⁸ The consultation also sought views on the future arrangements for the Centralised Registration Service (Switching). We published our Switching decision separately on 2 December 2024.⁹

- 1.13 In September 2024 we published our decision to extend the Licence by 24 months to September 2027.¹⁰
- 1.14 We published our second policy consultation on the determination of Allowed Revenue in December 2024. We consulted on a set of policy proposals for the design of an *ex-ante* cost control regime to be implemented under the Successor Licence. We also consulted on proposals for a transition towards *ex-ante* business planning under the current Licence. We published our conclusions on 9 May 2025.¹¹
- 1.15 This consultation on the objectives, operational model and future role of DCC is the third policy consultation, which will conclude Phase 2 (Detailed Design) of the DCC review. The three consultations and decisions should be taken as a whole. They will serve as the basis for the Successor Licence, a draft of which we plan to publish in summer 2025.

⁸ Ofgem (2025) DCC Review Phase 2: Governance arrangements – conclusions.

www.ofgem.gov.uk/decision/dcc-review-phase-2-governance-arrangements-conclusions

⁹ Ofgem (2024) DCC Review Phase 2: Centralised Registration Service arrangements – decision.

www.ofgem.gov.uk/decision/dcc-review-phase-2-centralised-registration-service-arrangements-decision

¹⁰ Ofgem (2024), Decision on the continuation of the Smart Meter Communication Licence.

www.ofgem.gov.uk/decision/decision-continuation-smart-meter-communication-licence-and-rate-shared-service-charge-and-baseline-margin

¹¹ Ofgem (2025) DCC Review Phase 2: Determination of Allowed Revenue – conclusions.

www.ofgem.gov.uk/decision/dcc-review-phase-2-determination-allowed-revenue-conclusions

Consultation stages

- 1.16 This consultation will remain open until 14th July 2025. Responses will then be reviewed, and we expect to make our decision in August 2025, subject to internal governance.

Stage 1	Stage 2	Stage 3	Stage 4
Consultation opens	Consultation closes (awaiting decision).	Responses reviewed and published	Responses reviewed and published
02/06/2025	Deadline for response 14/07/2025	Expected in August 2025	Expected in August 2025

How to respond

- 1.17 We want to hear from anyone interested in this consultation. Please send your response to Jakub Komarek at DCCregulation@ofgem.gov.uk.
- 1.18 We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 1.19 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, your data and confidentiality

- 1.20 You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to any obligations we may have to disclose information. This may include a request under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 1.21 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you **do** wish to be kept confidential and those that you **do not** wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for further information why.

- 1.22 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.
- 1.23 If you wish to respond confidentially, we will keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

- 1.24 We believe that consultation is at the heart of good policy development. We welcome any comments about how we have run this consultation. We would also like to get your answers to these questions:
- Do you have any comments about the overall process of this consultation?
 - Do you have any comments about its tone and content?
 - Was it easy to read and understand? Or could it have been better written?
 - Were any conclusions balanced?
 - Did it make reasoned recommendations for improvement?
 - Any further comments?

Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. Choose the notify me button and enter your email address into the pop-up window and submit.

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Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

Upcoming > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

2. Successor Licensee's strategy and objectives

The first part of this chapter focuses on how the Successor Licensee's overall business strategy should be determined. We are exploring options for the inclusion of a new licence condition to require DCC2 to produce a Business Strategy and Technology Roadmap, which would outline the high-level direction of the Successor Licensee's Authorised Business, with input from Ofgem, DESNZ and industry. We seek views on the scope and the process for approval and review of the strategy, alongside other key documents. This includes the review and approval process of the Procurement Strategy. Our proposals seek to increase stakeholder engagement and ensure that a consistent, agreed upon strategy and delivery plan is in place.

Secondly, we present our proposals for a revised set of objectives for DCC2. We propose to introduce:

- A primary objective focusing on the delivery of Core Mandatory Business
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- A time-bound transitional objective to require DCC2 to: conclude the business handover; ensure that any Transitional Arrangements for services provided by the previous Licensee (or its Affiliated or Related Undertakings) are exited in a timely manner (unless the current Licensee becomes the Successor Licensee); prepare the Business Strategy and Technology Roadmap documents; and undertake a review of the External Service Provider contracts novated from the Previous Licensee

We would like respondents to consider whether the proposed objectives capture the purpose and priorities of DCC and whether there are any risks of unintended consequences.

We also seek views on options to review of the objectives during the Term of the Successor Licence.

Consultation questions

- Q1. What are your views on our proposal to set DCC2's long-term strategy through the proposed Business Strategy and Technology Roadmap document? What are your views on the document's scope, content and the timeframes?
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- Q3. Do you agree with our proposal to set a Primary Objective for the Successor Licensee? What are your views on its proposed intent and wording?

- Q4. What are your views on the proposed First Supporting Objective? Do you agree that it should focus on enabling competition and innovation and its proposed wording? Do you agree that DCC2 should have an objective to foster competition in the services that it procures when carrying out its Mandatory Business?
- Q5. What are your views on the proposed Second Supporting Objective? Do you agree with its focus on sustainability and the proposed wording?
- Q6. What are your views on the proposed Third Supporting Objective? Do you agree with its focus on consumer impacts and the proposed wording?
- Q7. Do you agree with the proposed transitional objectives and the four proposed aims of this objective? Does this objective sufficiently capture the key expected milestones during the transition?
- Q8. What are your views on the proposed weighting of the objectives and the possible review of the objectives? Do you have any other views on the proposed objectives?

A. Strategy-setting

Background

2.1 An efficient regulatory framework requires clarity on the overarching strategy and decision-making framework. Under the current regulatory framework DESNZ, Ofgem, the SEC and the DCC board play the following roles in DCC's strategy and technology decisions:¹²

- The DCC Board is responsible for DCC's business strategy and operational decisions.
- The Smart Energy Code sets out the terms for the provision of the DCC's services and specifies other provisions that govern the end-to-end management of smart metering. In the context of strategy-setting, it contains the technical requirements and specifications that any strategy and technology plan must satisfy. Like other industry codes, Ofgem is responsible for approving any modifications to ensure consumers' interests remain protected.

¹² In addition, Ofgem oversees DCC's compliance with its Licence and assures DCC's costs via an annual *ex-post* price control regime.

- Transitional governance led by DESNZ under the Smart Metering Implementation Programme (SMIP). This includes the power of non-objection in respect of DCC's procurements under LC16.6A-C.¹³
 - Ofgem reviews and approves DCC's procurement strategy and adherence to the procurement principles within LC16.¹⁴
- 2.2 Together, these arrangements have informed the strategic direction of DCC, including addressing key questions such as:
- What technology should be adopted in each communication region? When should existing technology be upgraded/replaced?
 - How to maximise the communications coverage for smart metering?
 - How to deal with non-communicating meters?
 - What procurement principles should the licence be held to? What is the sourcing strategy for Relevant Service Capability?
- 2.3 For the first Licence period, much of DCC's overarching business and service strategy has been determined by the initial services that were procured by DESNZ (then DECC). DESNZ has several ongoing powers which it uses to ensure the realisation and maximisation of benefits of smart metering for consumers. **However, the DESNZ-led governance is expected to reduce as the smart meter rollout concludes and there is no enduring overarching strategy document, decision-owner or a set process for determining DCC's long-term strategy.** While this was not necessarily required for the first DCC Licence (while the DCC service was being set up and scaling and transitional governance was in place), it may not be sufficient for the next Licence period.
- 2.4 **Although DCC1 has been well equipped to make operational decisions and has been responsible for its business development and procurement strategy, it alone cannot decide on matters with whole-system or societal impacts.** The current Licence requires DCC1 to prepare an annual Business Development Plan and a Procurement Strategy:¹⁵

¹³ DESNZ also has an enduring role in relation to management of security risks

¹⁴ Ofgem (2025) Direction to revise DCC Procurement Strategy under Licence Condition 16 Part E. www.ofgem.gov.uk/decision/direction-revise-dcc-procurement-strategy-under-licence-condition-16-part-e

¹⁵ LC 14 (Licensee's future development objectives) related to procurement strategy and LC 16 Part D (Procurement Strategy for Relevant Service Capability)

- The Development Plan sets out the high-level strategic objectives and priorities for a five-year period.¹⁶ It is required to contain relevant information such as the main trends and opportunities and factors likely to affect the Authorised Business, opportunities for developing the infrastructure, systems and processes, the condition of DCC's infrastructure etc.¹⁷ However, DCC1 is not required to take a long-term view and identify or make key decisions in respect of the evolution of the network or its Authorised Business.
- The Procurement Strategy must explain the Licensee's conclusions with respect to the nature and extent of its procurement activities, such as what Relevant Service Capability it needs to procure and its procurement approach.

2.5 An agreed overarching long-term strategy would benefit DCC2 to be able to continue to effectively deliver its mandate. It would also ensure that wider impacts of the strategic decisions can be considered.

2.6 We are therefore seeking views on the enduring process for long-term strategy-setting under the Successor Licence.

Proposal for future strategy-setting

- 2.7 We propose to pursue an approach where DCC2 itself leads on the development of the overall long-term strategy in consultation with relevant stakeholders including the government, Ofgem and industry. The benefit of this approach is that it allows parties to provide expert input and creates a long-term, shared, agreed upon vision. It also empowers the future majority-independent Board of the Successor Licensee to develop ownership of the strategy while allowing for macro-impacts to be considered.
- 2.8 We therefore propose to introduce a Licence obligation on the Successor Licensee to produce a new **Business Strategy and Technology Roadmap** document, alongside its existing regulatory obligations. Figure 2.1, Table 2.1 and Appendix 1 outline the hierarchy and high-level attributes of the main documents we are proposing to require from DCC2, including the Business Plan for cost control purposes and *ad hoc* business cases developed to assure DCC2 procurements. We discuss these in turn below.

¹⁶ LC 14.3

¹⁷ See LC 14 Part B (Types of information to be included in the Development Plan)

Figure 2.1 Hierarchy of proposed strategy and delivery documents

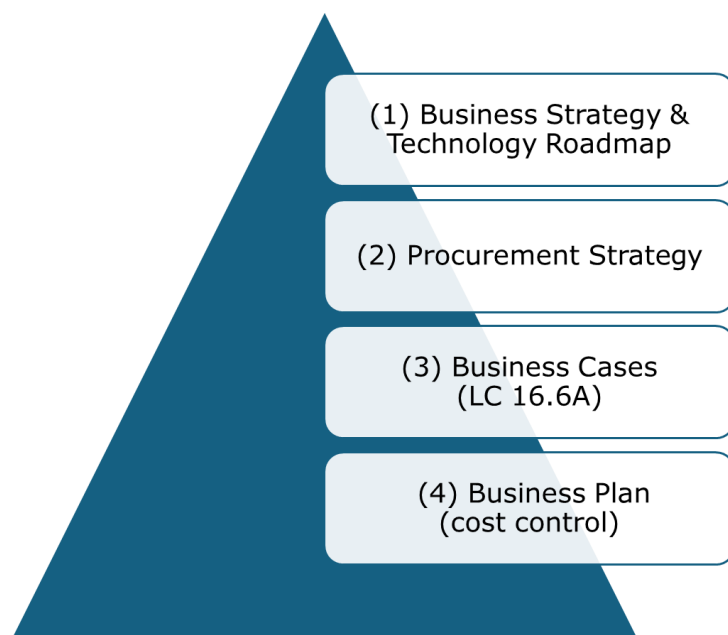


Table 2.1 Overview of the proposed strategy and delivery documents

Document	Purpose	Who approves	Who <u>must</u> be consulted	How often is it produced	New requirement?
(1) Business Strategy & Technology Roadmap	Overall strategy setting out the roadmap for the evolution of DCC2's network and systems	<i>Subject of this consultation</i>	<i>Subject of this consultation</i>	<i>Subject of this consultation</i>	YES – <i>subject of this consultation</i>
(2) Procurement Strategy	DCC2's approach towards delivery of the Business Strategy	<i>Subject of this consultation</i>	<i>Subject of this consultation</i>	<i>Subject of this consultation</i>	NO – existing requirement under LC 16 Parts D-F
(3) Business cases for individual procurement	To assure DCC2's major procurements	DCC2 Board Non-objection required from DESNZ	Expectation of customer engagement on the business needs	As required for procurements that are not subject to an exemption	NO – existing requirement under LC 16.6A-C
(4) Business Plan	Costed delivery plan to set the DCC2's Allowed Revenue	Ofgem	Customer Challenge Group Expectation of wider customer engagement	Ahead of each cost control cycle	YES – introduced in the current Licence under LC 34A ¹⁸

¹⁸ Subject to: Ofgem (2025), Modifications to the Smart Meter Communication Licence for transition to ex-ante cost control and other changes required for Licence closure.
www.ofgem.gov.uk/publications/modifications-smart-meter-communication-licence-transition-ex-ante-cost-control-and-other-changes-required-licence-closure

Business Strategy and Technology Roadmap

- 2.9 We propose to require DCC2 to prepare a new consolidated Business Strategy and Technology Roadmap document. This would replace LC14 of the current Development plan. (Through our consultation on the process for determination of the Successor Licensee's Allowed Revenue, we have decided that the Business Plan prepared for the purposes of *ex-ante* cost control arrangements would contain a development section to continue to update Ofgem, industry and the public on DCC2's operations and strategic outlook, such as live and upcoming programmes and procurements or technology changes.¹⁹) The Business Strategy and Technology Roadmap document would cover a longer timeframe and consider the over-arching business strategy and technology options that the Licensee will have to procure and deliver. As such it will shape the content of the other documents listed in Table 2.1
- 2.10 **Purpose/content:** The purpose of the Business Strategy and Technology Roadmap would be to outline the long-term strategy for DCC2's network and systems, covering an appropriate length of time to capture the proposed contents below. We have considered and seek views on the content of the Business Strategy, which we propose should include:
- (1) Key decisions pertaining to the development of the solution (including network and systems) underpinning the provision of Mandatory Business, which need to be taken during the Licence term and their impacts on the energy networks, suppliers of energy and GB energy consumers; for example which communication technology should be adopted in each communication region or how to maximise the reach of the smart metering network
 - (2) The main trends and factors that are likely to affect the future development and performance of the Authorised Business, in whole or in part
 - (3) The key areas of activity, products and/or services that are delivered under authorised business, and how the Licensee develops the infrastructure, systems, and processes for the provision of services under or pursuant to its Licence condition, the Smart Energy Code or Retail Energy Code

¹⁹ Ofgem (2025), DCC Review Phase 2: Determination of Allowed Revenue – conclusions, paragraphs 2.25 and 2.31-2.34. www.ofgem.gov.uk/publications/dcc-review-phase-2-determination-allowed-revenue-conclusions

- (4) Market analysis which identifies the risk of technology becoming redundant/expiring, and the emergence of any new or evolving technologies that could improve the Licensee's management and operation of the Authorised Business
- (5) How DCC2 will work with relevant Code Managers to deliver their Strategic Direction Statement²⁰
- (6) Where appropriate, a roadmap of the technology that DCC2 plans to acquire, linked to its objectives, Mandatory Business and Procurement Strategy
- (7) Considerations of the life cycle of the existing technology and how to maximise it so that it remains both economic and efficient
- (8) The interaction with other technologies, for example different generations of smart meters or the systems used by DCC users
- (9) The metrics that DCC2 will use to measure the success of the implementation of its strategy, including identification of potential risks associated with technology adoption and usage, and their mitigations

2.11 We are interested in stakeholder views on the proposed contents of the document. We are also interested in views on the length of the period the Business Strategy and Technology Roadmap should cover. We invite stakeholders to consider factors such as the current technology used for data and communication services and the lifetime of smart metering assets (including the recently procured 4G technology and rollout of 4G comms hubs). The Successor Licence could require the Business Strategy and Technology Roadmap to cover a set minimum period; however, it is possible that for certain long-term aspects it may need to span a period longer than the term of the Successor Licence.²¹

2.12 Process for approval: Subject to our proposals under Section B (Future Objectives) the first version of this document would be produced, consulted on and approved under the Transitional Objective on a timeline which Ofgem may direct. The Successor Licensee is unlikely to be in possession of all the

²⁰ Ofgem (2025), Consultation on the preliminary Strategic Direction Statement and governance arrangements for industry codes. www.ofgem.gov.uk/consultation/consultation-preliminary-strategic-direction-statement-and-governance-arrangements-industry-codes

²¹ The Term of the current Licence was 12 years, extended by 2 years by the Authority. We will consult on the Term of the Successor Licence as part of the draft Licence consultation.

information to fully consider wider societal impacts of the strategy and technology decision. We therefore propose to:

- (1) **Require DCC2 to consult at minimum with industry, Ofgem and the Secretary of State (“SoS”) on the content of the Business Strategy and Technology Roadmap.** This would enable Ofgem and the SoS to provide input on issues which the Successor Licensee cannot answer on its own. The Successor Licensee should be able to assess its own costs, benefits and risks, but it should seek external input on wider risks/benefits and impacts on industry and consumers.
- (2) **Require DCC2 to obtain either an approval or a letter of non-objection from Ofgem and/or the SoS for the final version of the document.** This would ensure that there is sufficient review and oversight from a competent authority to assure the contents of the document, especially as pertains to whole-system and societal impacts of the strategy. If the non-objection or approval were withheld, we would expect a letter to be issued to the DCC2 Board outlining the reasons and steps and timeline required to revise the document for resubmission. We are interested in stakeholder views on the merits and risks of both Ofgem’s and DESNZ’s role in the development of the strategy and whether an approval or a letter of non-objection would be appropriate.
- (3) **Reserve the right for Ofgem to direct changes to this document following consultation with DCC2,** as is currently the case with Procurement Strategy.²² This power could allow us to update the strategy document, for example to reflect new requirements on the Successor Licensee, and to function as a backstop to assure the contents of the document.

2.13 **Process for review: We are seeking views on how, and how often, the Business Strategy and Technology Roadmap should be reviewed and updated.** In principle, the Business Strategy would be required to be in place for the whole of the Successor Licence Term (even if potentially providing a longer-term view) and should be capable of being reviewed from time to time. We are considering the merit of **regular** vs **ad-hoc updates** to reflect:

²² LC 16.25

- Major strategic changes in the scope of the Successor Licensee's role, technological or policy landscape
 - Inclusion of new decisions, where a decision could not have been taken earlier (for example, due to a lack of available information at the time)
- 2.14 A regular review could be tied either to a cost control cycle (every 3 years) or a longer period, such as 5 years, on the assumption that evolving technology will require a fresh review. *Ad-hoc* updates could reflect material changes outlined above or immaterial updates, for example to ensure it reflects references to current legislation.
- 2.15 During in-period review, or should DCC2, Ofgem or the SofS believe that there is a material change needed, DCC2 could be asked to initiate a revision by consulting on the relevant changes. This would allow stability in the strategy throughout the Licence term while remaining flexible to unforeseeable landscape changes.

Procurement Strategy²³

- 2.16 **Purpose/content:** We propose that the content of this document would remain the same as the Procurement Strategy requirements under the current DCC1 Licence.²⁴ It should set out DCC2's procurements approach, and how this would aid in the delivery of the Business Strategy and Technology Roadmap.
- 2.17 **Process for approval/review:** We propose that the Procurement Strategy be produced together with the Business Strategy and Technology Roadmap. DCC2 should consult on its contents with DESNZ, Ofgem and SEC/REC parties and Ofgem approval would be required for the initial designation as well as any further changes. It may be appropriate for this document to be subject to more frequent revision than the overall strategy due to a closer link to DCC2's day-to-day operations and we are seeking feedback on the following options:
- **Option 1:** The Procurement Strategy would be subject to annual revisions. DCC2 would be required to consult with DESNZ, Ofgem and SEC/REC parties and seek approval from Ofgem for each revised version. The advantage of this option is that it would ensure that the strategy is kept up to date; however, if the initial strategy is set well, it may not be required. We would expect DCC's Procurement Strategy to have a due regard to the long-term vision and

²³ DCC1's most up to date Procurement Strategy can be found here: www.smartdcc.co.uk/media/yzughv5g/procurement-strategy-v90-final.pdf

²⁴ LC16 Part D

provide predictability for External Service Providers (from whom DCC procures Relevant Service Capability).

- **Option 2:** The Procurement Strategy would be subject to revision when there is a material change and after consultation with DESNZ, Ofgem and SEC/REC parties. (Immaterial changes could include, for example, updates to ensure it reflects references to current legislation.) Should DCC2 believe that a material change is required, it would consult on changes and seek Ofgem’s approval. We would reserve the right to direct changes to the Strategy upon consultation with DCC. This would allow stability in the strategy throughout the licence term while remaining flexible. However, there is a risk in version control if DCC2 alters the strategy over time by making multiple “immaterial” changes.

2.18 The Procurement Strategy is currently revised according to option 2 (although without the requirement to consult with industry). Our preferred approach going forward is Option 1 to mitigate the risk of non-transparent version control. Nevertheless, we acknowledge that this may lead to an increased regulatory burden and seek your views on the process for approval and review, including the frequency of wider consultations.

Business cases

- 2.19 As set out above, the Licensee is required to seek a letter of non-objection from the SofS in respect of its procurement of Relevant Service Capability under LC 16.6A-C. In practice, this means that the Licensee typically prepares three-stage business cases in line with the HM Treasury Greenbook.²⁵ This process has been provided assurance of key strategic decisions, and our current view is that a continuation of this Licence provision would be appropriate in the Successor Licence while DESNZ retains this role.
- 2.20 The Licence provides that the SofS may transfer the power to the Authority.²⁶ We therefore propose to retain LC16.6A-C in the Successor Licence in the current form and work with DESNZ on transitioning of the oversight responsibilities at the time of the SMIP conclusion. We would review the suitability and continued need for this Licence provision at the time. All procurements will remain subject to price control assessment by Ofgem.

²⁵ The Green Book and accompanying guidance can be accessed here:

www.gov.uk/government/collections/the-green-book-and-accompanying-guidance-and-documents

²⁶ LC 16.6D

Business plan (cost control)

2.21 We consulted on a move to a full *ex-ante* cost control regime for DCC2. We have decided to require DCC1 to submit to us a costed Business Plan to provide the basis for our upfront approval of DCC2's costs in the first cost control period (from Transfer Date to March 2028). We have decided to include the contents of the existing Development Plan into the wider Business Plan.²⁷ We have also decided to introduce a Customer Challenge Group under the Smart Energy Code (SEC) to have a role in the cost control process by providing feedback and challenge to DCC on its Business Plan. In the context of strategy-setting, the Business Plan would function as a costed delivery plan for a cost control period – it should be aligned to the overall Business Strategy and Technology Roadmap (once in place). The introduction of the First Business Plan requirement is subject to our conclusion on modifications to the current Licence.²⁸

B. Future objectives

Background

2.22 The Licensee's objectives are currently set out within LC 5 and include one interim and two enduring objectives.

2.23 In considering the new objectives we have taken into account:

- The policy intent behind the current set of objectives²⁹
- The suitability of the existing objectives in the context of our stated principles and outcomes of the review to underpin the future role of DCC2
- Feedback we have received through industry workshops in November 2023 and October 2024
- Objectives for Central Service Delivery Bodies and that of the future code managers introduced through the code reform
- Input from the current Licensee and DESNZ

²⁷ Ofgem (2025), DCC Review Phase 2: Determination of Allowed Revenue – conclusions.

www.ofgem.gov.uk/publications/dcc-review-phase-2-determination-allowed-revenue-conclusions

²⁸ Ofgem (2025), Modifications to the Smart Meter Communication Licence for transition to *ex-ante* cost control and other changes required for Licence closure.

www.ofgem.gov.uk/publications/modifications-smart-meter-communication-licence-transition-ex-ante-cost-control-and-other-changes-required-licence-closure

²⁹ DECC (2012) Consultation on the Draft DCC Licence and Licence Application Regulations, paragraphs 4.30-4.56. www.gov.uk/government/consultations/smart-meter-data-and-communications-company-dcc-licence-conditions-and-licence-application-regulations-data-and-communications-company-dcc-licence-conditions-and-licence-application-regulations

2.24 The current Licensee’s objectives were framed in 2012 to reflect the Government and stakeholder priorities at the time of the initial development and roll-out phase of GB smart metering. DECC’s original rationale for the objectives included:

- A desire to align the Licensee’s objectives with the general legislative duties placed on network licensees in the Gas and Electricity Acts in relation to economic, efficient and coordinated operation.³⁰
- As DCC1 became more established it would be expected to become more proactive in developing its service offerings, moving into elective and then, potentially, Value Added Services.
- DCC1’s potential role in facilitating the development and operation of smart grids, with smart metering as an enabling technology. The objective was framed more widely, as an objective to “facilitate innovation in the design and operation of energy networks”.
- To reflect that where the DCC1 provides Value Added Services and there is a reduction in the charges it levies in providing Mandatory Business services as a consequence of this, such arrangements were considered consistent with DCC’s objectives.

2.25 While the Licensee’s network has matured and is established there has been no materialisation of Value Added Services and innovation activities have been limited.

2.26 In our Phase 1 decision,³¹ in line with stakeholder feedback, we said we would consider the following changes:

- Amend part c) of the Second Enduring General Objective under LC 5.10(c)
- Remove the Interim General Objective in recognition that the Completion of Implementation is expected to occur by the end of the Licence term as per LC 5.6³²
- Consider whether a new net zero objective linked to the provision of Mandatory Business would be appropriate

³⁰ Gas Act 1986 and Electricity Act 1989

³¹ Ofgem (2023) DCC Review: Phase 1 Decision, paragraph 4.45. www.ofgem.gov.uk/decision/dcc-review-phase-1-decision

³² LC 5 Part A. The Interim General Objective will be defunct as of Completion of Implementation, which is expected to occur before the end of the current Licence Term.

- 2.27 In our Phase 2 Governance Arrangements decision,³³ we noted that we would seek feedback on whether to include a consumer-focused objective to reflect that consumers are the ultimate funders of DCC and DCC's service impacts on consumer experience.
- 2.28 We are proposing that the Successor Licence will include one Primary Objective, three Supporting Enduring Objectives and one Transitional Objective.
- 2.29 We invite respondents' views primarily on the rationale and intended outcome of the future objectives. We would like respondents to consider whether the proposed objectives:
- Capture the purpose and priorities of DCC2
 - Are mutually exclusive and collectively exhaustive
 - May lead to unintended consequences
- 2.30 To help respondents consider these questions, we have provided a possible draft text of each objective. However, it should be noted that we will consult on the wording of these objectives separately as part of the draft Successor Licence.

Primary Objective

- 2.31 We propose that DCC2's Primary Objective should be to continue to focus on the provision of Mandatory Business in an efficient, economical, co-ordinated, and secure way. This is in agreement with the feedback we have consistently received from stakeholders through our Phase 1 consultation and further engagement via industry workshops, as well as our agreed principles of the DCC review in particular Principle 1 (Drive delivery of a quality, cost-efficient and secure service).³⁴
- 2.32 Retaining this as a "primary objective" in the Licence would provide a clear framing for the Licensee's activities and reduce ambiguity about the weighting of different objectives. Primary focus on the provision of Mandatory Business will complement a shift towards a purpose-driven, not-for-profit organisation under the Successor Licence.³⁵

³³ Ofgem (2025), DCC Review Phase 2: Governance arrangements – conclusions, paragraph 3.26, (www.ofgem.gov.uk/decision/dcc-review-phase-2-governance-arrangements-conclusions)

³⁴ Ofgem (2023) DCC review: Phase 1 Decision. www.ofgem.gov.uk/decision/dcc-review-phase-1-decision

³⁵ Ofgem (2024) DCC Review Phase 2: Determination of Allowed Revenue chapter 4. www.ofgem.gov.uk/consultation/dcc-review-phase-2-determination-allowed-revenue. See also:

- 2.33 We therefore propose to largely maintain the current First Enduring General Objective as the Successor Licensee's Primary Objective with a possible draft text as follows: **"The Primary Objective of the Licensee is to carry on the Mandatory Business in the manner that is most likely to ensure the ongoing development, operation, and maintenance of an efficient, economical, co-ordinated, and secure system for the provision of Mandatory Business Services under the Smart Energy Code and (where relevant) the Retail Energy Code."**

Supporting Objectives

- 2.34 We are proposing to introduce three Supporting Objectives, mirroring the structure of the existing three-pronged Second Enduring General Objective.

First Supporting Objective

- 2.35 We propose that the First Supporting Objective should focus on DCC2's role in facilitating innovation and competition in the energy market. As concluded through our Phase 1,³⁶ DCC2 should continue to be an *enabler of innovation* through an effective provision of its Mandatory Business. Although as a monopoly central system body it may not be appropriate for DCC itself to carry out additional activities where parties operating in a competitive environment are better placed to do so, DCC has an important role as a platform where its users can innovate or offer new products and services, using smart metering consumption and system data. We are consulting in Chapter 4 on ways in which the Successor Licensee's Authorised Business can evolve, including in enabling innovative services, for example by providing Additional User Services.
- 2.36 As part of this objective, we are also seeking views on whether:
- DCC2 should be encouraged to reduce barriers to entry for new users to facilitate access to its systems and data in order to facilitate competition and innovation in the energy market, and whether this should be explicitly included in this First Supporting Objective.
 - DCC2's role in facilitating competition should extend to the services that it procures. Over 70% of DCC's costs are External Costs associated with the main External Service Provider contracts which DCC procures on the market in

Ofgem (2024), DCC Review Phase 2: Governance and Centralised Registration Service arrangements. www.ofgem.gov.uk/consultation/dcc-review-phase-2-governance-and-centralised-registration-service-arrangements

³⁶ Ofgem (2023) DCC review: Phase 1 Decision, paragraph 4.45. www.ofgem.gov.uk/decision/dcc-review-phase-1-decision

line with procurement principles set out in Condition 16 of the Licence. DCC is expected to ensure that these contracts provide value for money and that all associated costs are economic and efficient. The primary tool available to DCC to drive value for money is through an effective competition in line with principles set out in LC 16. To reinforce this, we are therefore considering whether DCC2's objectives should explicitly ask it to drive competition in the services it procures. For example, this could mean that DCC2 should consider how to structure its procurements to ensure that it attracts competitive bids and avoids limited competition. On the other hand, there may be a risk of unintended consequences should this approach lead to solutions which are overall less efficient. The emphasis on economic and efficient procurement can also flow from the proposed Principal Objective. We invite views on the possible merits/risks of introducing such an expectation into this First Supportive Objective.

- 2.37 A possible draft text of this Objective may be as follows: **"The First Supporting Objective of the Licensee is to carry on the Mandatory Business in the manner that is most likely to facilitate innovation by its Users and effective competition between [*External Service Providers from whom Relevant Service Capability is procured and*] persons engaged in, or in Commercial Activities³⁷ connected with, the Supply of Energy under the Principal Energy Legislation."**

Second Supporting Objective

- 2.38 We propose that the Second Supporting Objective should focus on sustainability. In our phase 1 decision we considered a net zero objective.³⁸ We said we would consider whether a new net zero objective linked to the provision of Mandatory Business would be appropriate. However, upon further consideration, we propose to focus on sustainability instead of a wider net zero objective. In our view DCC already contributes to net zero through an efficient delivery of its Mandatory Business. The communication infrastructure for smart metering, which DCC is responsible for, is a key building block for many of the market reforms we need to deliver net zero.

³⁷ Defined in the Licence as "includes, in particular, Energy Efficiency Services, Energy Management Services, Energy Metering Services, and Energy Price Comparison Services, in each case in relation to the Supply of Energy (or its use) under the Principal Energy Legislation."

³⁸ Ofgem (2023) DCC review: Phase 1 Decision. sec 4.45. www.ofgem.gov.uk/decision/dcc-review-phase-1-decision

- 2.39 We are concerned that an explicit net zero objective may be too broad for DCC, ambiguous in its requirements and could prove to be a distraction. Arguably, DCC does not have the macro-economic information to make decisions on what would further net zero goals from whole-system or societal perspective. While in Chapter 4 Part B we propose that DCC could be *permitted*, with Ofgem’s approval, to participate in or support public good initiatives; our current view is that Ofgem and DENSZ may be better placed to determine whether there are additional *duties* that DCC could be asked to provide in support of net zero. If so, Ofgem or DESNZ could provide that as part of their input to the development of the Strategy and Technology Roadmap Document, with any formalised additional duties subject to a consultation and inclusion into the Successor Licence.³⁹
- 2.40 The intent of the Third Supporting Objective would be to: retain the original scope within the existing Second Enduring General Objective and ensure that the Successor Licensee considers the environmental impacts of the contracts it procures, the decisions it takes and the services it delivers to customers.⁴⁰ To that end, we also propose an additional procurement principle under LC 16 to require considerations of sustainability. We discuss this further in Chapter 3 (paragraph 3.13).
- 2.41 Please consider the following draft text: **“The Second Supporting Objective of the Licensee is to carry out the Mandatory Business in the manner that will best contribute to the delivery of a sustainable and secure Supply of Energy under the Principal Energy Legislation.”**

Third Supporting Objective

- 2.42 We propose that the Third Supporting Objective should focus on consumer impacts.
- 2.43 This objective would require DCC2 to consider consumer impacts of its decisions. As we discussed in our Governance decision,⁴¹ we recognise that DCC is not a consumer facing organisation and is a step removed from the impact of its decisions on consumers. However, consumers ultimately pay DCC’s costs and

³⁹ As previously outline in our Phase 1 decision. See Ofgem (2023), DCC Review: Phase 1 Decision, paragraphs 4.47-4.49. www.ofgem.gov.uk/decision/dcc-review-phase-1-decision

⁴⁰ This would include the impacts of AI as per Ofgem’s recently published guidance. See: Ofgem (2025), Ethical AI use in the energy sector. www.ofgem.gov.uk/publications/ethical-ai-use-energy-sector

⁴¹ Ofgem (2025), DCC Review Phase 2: Governance arrangements – conclusions. www.ofgem.gov.uk/decision/dcc-review-phase-2-governance-arrangements-conclusions

have a direct experience of many of the DCC's services, for example being impacted by the quality of DCC's system performance.

- 2.44 Furthermore, DCC's customer interests and consumer interests are not always aligned. For those reasons we have decided to introduce a requirement on the Successor Licensee to appoint a Sufficiently Independent Director with consumer advocacy experience and are proposing this consumer-facing objective.⁴²
- 2.45 We recognise that there may be a risk of conflicting interpretation on how best to protect current and future consumers. We believe that this risk can be mitigated by Ofgem providing a clear communication of what we consider is in the best interest of consumers (in line with our statutory duty); for example, through consultation on the Business Strategy or approval process of DCC2's Business Plan under the cost control.
- 2.46 Please consider the following draft text: **"The Third General Objective of the Licensee is to carry out its Mandatory Business in the manner that will best contribute to the delivery of consumer-focused Mandatory Business Services."**

Transitional Objective

- 2.47 Finally, we propose to introduce a time-bound Transitional Objective for DCC2 which would focus on achieving the following outcomes following the Business Transfer Date (limbs *a.* and *b.* are relevant unless the current Licensee becomes the Successor Licensee):
- a. Carry out and conclude the transfer of Authorised Business in a manner most likely to ensure an effective business handover, and with no material adverse impact on the quality and efficiency with which services are delivered
 - b. Ensure that any Transitional Arrangements⁴³ for services provided by Smart DCC Ltd or its Affiliated or Related Undertakings are exited in a timely manner
 - c. Prepare the Business Strategy and Technology Roadmap document
 - d. Undertake a review of the External Service Provider contracts novated from the Previous Licensee with a focus on driving efficiencies and cost reduction

⁴² Ibid, 3.11-3.13.

⁴³ Transitional Arrangements are agreements for continued provision of services to the Successor Licensee from the Previous Licensee (Smart DCC Ltd) or its Related Undertakings (especially Capita Plc); in particular those which had not been subject to a competitive procurement

- 2.48 While we do not propose at this point to impose a date by which the Transitional Objective must be completed, we are proposing that the Licence would include a provision that allows Ofgem to set a completion date for each outcome via a direction.
- 2.49 We expect that most of the Transitional Objective activities under part *a.* will be completed by the outgoing Licensee as part of the existing licence requirements on Business Handover (LC43). Although an approved Business Handover Plan is not yet in place, it is clear from the information submitted by DCC to date that Transition Service Agreements (“TSA”) are likely to be needed. Therefore, we consider there is value in having a transitional objective to conclude the business handover to ensure it is completed effectively and as a priority in the new licence term.
- 2.50 In respect of the proposed part *b.*, we believe it will be important for the Successor Licensee to minimise reliance on any TSA inherited from DCC1. Capita⁴⁴ is currently providing certain shareholder services into DCC, some of which may continue to be provided on a temporary basis under TSAs following the Business Transfer Date. The proposed transitional objective would require the Successor Licensee to put in place an enduring solution, procured either competitively on the market or provided from own resources to ensure the most economic and efficient provision. We discuss proposals in respect of the provision of shareholder services further in Chapter 3, Part C.
- 2.51 Subject to our proposals in Part A (Strategy-setting) of this chapter, part *c.* of the Transitional Objective would underpin the proposed obligation on DCC2 to produce a Business Strategy and Technology Roadmap. DCC2 may only be able to develop this fully once having a complete sight of DCC1’s operations which will only happen in the lead-up to the Transfer Date. However, it would be imperative that DCC2 begin to develop these plans as quickly as possible in the new Licence term in order to provide an overarching direction for the Authorised Business.
- 2.52 Finally, we are proposing that the Successor Licensee should complete a full review of the contracts that are transferred via novation from Smart DCC Ltd. In preparing the Business Strategy and the Technology Roadmap we would expect DCC2 to review the operations of the Authorised Business. We are not proposing to reopen all contracts but consider it prudent to ask the Successor Licensee to conduct a holistic review of its inherited contractual landscape and identify where

⁴⁴ Capita Business Services Ltd, company number 02299747, (“Capita”).

efficiencies can be gained. We are seeking feedback on the role of stakeholders in this exercise and the appropriate forum for conducting the review.

- 2.53 We recognise that the operational model will be dominated in the immediate future by the existing service provider contracts, which are required to be novated (in accordance with the current Licence provisions) as part of Business Handover to the Successor Licensee. Nevertheless, the DCC2 Board will be able to have transparency of, and have influence over, the management of these contracts, and will be able to exercise control over the procurement of new and replacement contracts, subject to any requirements or provisions within the Licence.
- 2.54 Upon achieving all four of the outcomes in the transitional objectives, the Authority would determine if it has been delivered. We seek stakeholder views on the merits/risks of the Transitional Objective and its four objectives.

Review and weighting of objectives

- 2.55 The Licence currently requires DCC to regard its objectives in the round, weighing them as appropriate in each particular case.⁴⁵ Our proposal for a Primary Objective with Supporting Objectives would mean that the former would take priority over and above other objectives. The Supporting Objectives should continue to be regarded in the round and weighed appropriately.
- 2.56 The current Licence objectives have not been reviewed since the Licence was awarded and there is no in-built mechanism for review (although Ofgem has the power to modify the conditions of the DCC Licence). We are seeking views on whether in line with our review principles (#4 - allowing DCC's role to evolve in an uncertain environment) the Successor Licence should contain one of the following:
- Option A: No specific review clauses. Ofgem will have the powers to review and change the objective via modifications to the Successor Licence (subject to statutory consultation). This would be sufficient to enable a review if necessary; however, it does not incentivise or require the Successor Licensee to review its own objectives.
 - Option B: Include a licence clause requiring the Successor Licensee to review its objectives at certain points, for example, after two cost control cycles, or at a mid-point of the Licence term, and propose any amendments to Ofgem

⁴⁵ LC 5.12

for consideration. Ofgem would still be able to change the objectives at any time via licence modifications (subject to statutory consultation). This is our current preferred option as it requires the Successor Licensee to consider its role and function and suggest changes to its objectives to better fulfil its long-term strategy.

3. Operational model

This chapter discusses 'how' the Successor Licensee should carry out the Authorised Business in its operating model. DCC is primarily a contract management company with most of its costs arising from contracts with third-party service providers. We outline the different types of contracts DCC manages, and our proposals in respect of their procurement.

The first type of contracts are the Fundamental Service Capability (FSC) contracts. In Phase 1 we concluded that the Successor licensee and its Related Undertakings will continue to be prohibited from carrying these out. We are seeking views on the definition of FSC in the Successor Licence.

The second type of contracts are those which are considered Non-Fundamental Relevant Service Capability (RSC). We are proposing to introduce additional procurement principles to consider sustainability and consumer impacts to support the new objectives in chapter 2 whilst retaining the principles which exist in the current Licence.

The third type of services are those received from the Licensee's Related Undertaking (parent company). We are proposing that under the Successor Licence these services must be procured on the same conditions and under the same requirements as those of other third-party contracts. We also propose to require DCC2 to regularly report on these contracts to Ofgem to help us monitor compliance.

Finally, we propose to introduce a Licence requirement to mandate that the Successor Licensee be the employer of its staff.

Consultation questions

- Q9. What are your views on the definition of Fundamental Service Capability? Do you agree that the distinction between fundamental and non-fundamental Relevant Service Capability remains relevant in the new regime? If not, why?
- Q10. What are your views of the proposed additions to the procurement principles for Relevant Service Capability? Do you have any other suggested areas of improvement?
- Q11. Do you agree with our proposal to require shareholder services to be provided on the same terms as other Relevant Service Capability contracts, and the requirement for the Successor Licensee to produce a register of contracts and services that are provided by any Related Undertaking?
- Q12. Do you agree that staff who work on the Authorised Business under the Successor Licence should be employed by the Successor Licensee?

Background

- 3.1 The current operational model requires the Licensee to primarily procure services from External Service Providers. The Licence defines this as “Relevant Service Capability”, or a capability that is used (or is to be used) for the purposes of securing the provision of Mandatory Business Services under or pursuant to the Smart Energy Code or Retail Energy Code.
- 3.2 Some of Relevant Service Capability is defined as Fundamental Service Capability (or Fundamental Registration Service Capability for Switching). Fundamental Service Capability (FSC) must be provided by third party External Service Providers and cannot be carried out by the Licensee or any of its Related Undertakings (in particular its shareholder).⁴⁶ The Licensee is permitted to provide non-fundamental Relevant Service Capability (RSC) from its own resources or procure it from an Affiliate or Related Undertaking or elsewhere, subject to limitations imposed by the Licence.⁴⁷
- 3.3 In our Phase 1 decision we confirmed⁴⁸ that we intend to retain the Licence requirements on the procurement of FSC from External Service Providers on a competitive basis, while retaining the flexibility to deliver some non-FSC capability in-house where this would result in the most economic and efficient outcome (or be immaterial within the overall context of the Mandatory Business). We also said we would review the guiding procurement principles.
- 3.4 As outlined in chapter 2, we propose to retain the current LC16.6 A-C powers in the Successor Licence. This will ensure that there is a continued oversight over procurements and contract changes.

A. Definition of Fundamental Service Capability

- 3.5 As per our Phase 1 decision, we will retain the existing Licence requirement on DCC to procure Fundamental Service Capability on a competitive basis from External Service Providers. Competitive procurement of key services is an essential means of ensuring value for money and driving quality service and we consider this a key underlying principle of DCC’s operational model. However, we are seeking views on the definition of the FSC in the Successor Licence.

⁴⁶ LC 16.5

⁴⁷ LC 16.6

⁴⁸ Ofgem (2023) DCC review: Phase 1 Decision. Key feature 4, pp.66-70.
www.ofgem.gov.uk/decision/dcc-review-phase-1-decision

- 3.6 The definition of FSC in the current Licence is set out in LC16.40 and expanded under Schedule 1. FSC is defined as RSC which is provided under:⁴⁹
- Legacy Procurement Contracts: contracts which have been entered into by the Secretary of State before the Licence commencement date; those adopted pursuant to a decision under the SEC Adoption Process (under LC16 Part I); or those for the purpose of providing communication or data services with respect to any SMETS1 Smart Metering System
 - Network Evolution Arrangement contracts
 - Any contracts which amend, supplement, revise, or replace the above⁵⁰
- 3.7 The current list of the FSC contracts, based on information provided by DCC1, is provided in Appendix 3. (NB, for Price Control purposes, the costs associated with these contracts are referred to as External Costs.)
- 3.8 We are seeking views on the following options for defining the FSC in the Successor Licence:
- **Option A:** Retain the current definition of FSC through an updated list of FSC Contracts in Schedule 1 (including any future extensions, amendments or replacements)
 - **Option B:** Review the Legacy Procurement Contracts and define FSC through the scope and function of the services included within these contracts.
- 3.9 **Option A is our preferred option.** We consider the current approach to be fit for purpose in the Successor Licence as it will continue to allow the evolution of DCC2's role while retaining the underlying principle that key services should be procured externally. Under the requirements of LC 43, all contracts are expected to be novated to the Successor Licensee as part of Business Handover. DCC2's role will continue to be centred around the efficient management, and where necessary, further procurement of these contracts. Whereas the current Licence refers separately to Legacy Procurement Contracts and Network Evolution Contracts, it may be appropriate for the Successor Licence to define all FSC contracts novated to the Successor Licensee as the new "Legacy Contracts" to provide the baseline FSC. Any amendment, extension or replacement (including disaggregation) to these contracts by a new or amended contract would also continue to constitute FSC. This would build on the existing practice – by way of

⁴⁹ SMCL, Schedule 1, Part A

⁵⁰ SMCL, Schedule 1, 1.10

example, new contracts entered into for the provision of a disaggregated DSP solution will remain in scope of FSC as a replacement for the Legacy DSP contract entered into by the Secretary of State.

- 3.10 We have considered Option B as an alternative approach to achieve the same principle. It would require analysis of all the existing contracts to define the activities within them and then establishing which types of functions the Successor Licensee should always procure externally. This approach may better accommodate technological change, but it could also have unintended consequences in unduly limiting (or expanding) the scope of activities that the Licensee may be permitted to provide in-house (or from a Related Undertaking). Nonetheless, we are interested in stakeholders' views on the merits of this option and what functions may best describe FSC.

B. Procurement principles for Relevant Service Capability

- 3.11 Firstly, we have reviewed the existing procurement principles set out in LC 16 Part B ("Principles that are applicable to procurement activities"). We consider that they remain relevant and fit for purpose to underpin the operational model of the Successor Licensee, which should continue to be based around fair, transparent and competitive procurement of RSC. Consequently, **we propose to retain these principles in the Successor Licence**. While we do not propose any changes to the underlying policy intent, we may review the wording as part of our licence development, and we will duly consult on the draft text.
- 3.12 Nonetheless, we seek views on the inclusion of two new principles to support our proposed Second and Third Supporting Objectives (as per our proposal in Chapter 2, Part B).
- 3.13 The first is a **sustainability principle**. The intent behind this proposed principle is to ensure that the Successor Licensee takes account of the potential environmental impacts of the products or services it procures throughout their life cycle. We have considered the following ways to frame this requirement:
- The Successor Licensee could be asked consider if it is likely that there would be a material impact on Greenhouse Gas Emissions as a result of the proposed procurement, and (if so) to assess such impacts. This mirrors the requirements within the SEC change process.⁵¹

⁵¹ SEC code section D9 A.5. Accessible at: <https://smartenergycodecompany.co.uk/the-smart-energy-code/>

- Alternatively, the Successor Licensee could be asked to carry out a life-cycle assessment of the procurement linked to relevant ISO standard. In this case, we have identified ISO 14040 as a possible standard to adopt but we are seeking views on whether other standards should be considered.⁵²
 - The Successor Licensee could be asked to have regard to the sustainability assessment when making decisions about procurements.
- 3.14 Ofgem has recently published a guidance for the ethical use of AI, which includes a sustainability principle. We would expect DCC to follow this guidance.⁵³
- 3.15 We are seeking views on whether to include a sustainability procurement principle and, if so, how to frame it.
- 3.16 The second is a **consumer impact principle**. This would require the Successor Licensee to consider the likely impacts of its procurement decisions on the end-consumer, including in relation to cost, consumer experience of the smart metering technology or implications for different groups of consumers (eg PPM, SMETS1, SMETS2 etc). For example, the Successor Licensee should consider whether procurement of a new technology would result in site visits at cost to DCC customers and with impact on consumer experience. We would expect the Successor Licensee to engage and consult with industry, Ofgem, and DESNZ, as appropriate, and to reflect its considerations in a business case. The requirements to consider customer and consumer impact drive principle 2 of the DCC review (be customer-centric and consumer-focused).

C. Matters relating to shareholder services

- 3.17 The current Licensee receives a number of different services from its shareholder (a Related Undertaking). We are proposing to introduce changes in the Successor Licence to address three issues related to these arrangements set out in table 3.1 below.

⁵² ISO 14040:2006 - Environmental management — Life cycle assessment — Principles and framework. Accessible at: www.iso.org/standard/37456.html

⁵³ Ofgem (2025), Ethical AI use in the energy sector. www.ofgem.gov.uk/publications/ethical-ai-use-energy-sector

Table 3.1 Identified issues and proposed solutions in relation to shareholder services

#	Identified issue	Proposed solution
1	Some shareholder services are provided on the basis of directly negotiated inter-company agreements rather than standard commercial contracts. Some of them lack exit provisions or novation clauses.	Require that any services provided to the Successor Licensee by a Related Undertaking must be procured in line with procurement principles (currently set out in LC 16, subject to changes proposed in the consultation)
2	Not all shareholder services are reported transparently, including through Price Control	Require DCC2 to include in its Register of Relevant Business Assets complete information in relation to all contracts, including all those awarded to any Related Undertakings
3	The Licensee is not the employer of its staff. All staff are employed by the shareholder creating a risk to business continuity in case of Business Handover (either as a result of Licence expiry or revocation)	Require DCC2 to be the employer of its staff working on the Authorised Business under the Successor Licence

Provision of shareholder services

3.18 The current Licensee, Smart DCC Ltd, receives certain services needed to carry out its Authorised Business from Capita under an Inter-Company Agreement (ICA) and two Master Service Agreements (MSA). These services include HR, IT support, as well as billing systems. A subset of these services are funded through the overhead (Shared Service) charge which is calculated as a mark-up on DCC's Internal Costs and paid to the shareholder as a cost. We have already decided to reduce the level of return allowed on these services in the remainder of the Licence Term to ensure continued value for money.⁵⁴ However, we remain concerned about the transparency of these services in the absence of a competitive procurement and are seeking views on our proposal for stricter requirements around the provision of shareholder services under the Successor Licence.

⁵⁴ Ofgem (2024), Decision on [...] the rate of Shared Service Charge and Baseline Margin. www.ofgem.gov.uk/decision/decision-continuation-smart-meter-communication-licence-and-rate-shared-service-charge-and-baseline-margin

3.19 We recognise that the ability of a large and established shareholder to provide shared corporate services could in some instances reduce the total cost and drive value for money. However, we are concerned about the use of inter-company agreements which are not subject to a standard competitive procurement process and do not align to a standard commercial contract, as they may not provide sufficient transparency and assurance around continued value for money due to difficulty in market comparison.⁵⁵ These arrangements also introduce risk for Business Handover, including lock-in effects due to a lack of appropriate novation and exit clauses and availability of transitional service arrangements. We therefore propose to introduce new requirements in the Successor Licence. The Successor Licensee would still be able to contract with its shareholder (or other Related Undertaking) for the provision of services (but no Fundamental Service Capability); any such services must be procured on the same principles as apply for other RSC External Service Provider contracts, including containing suitable novation and exit clauses. In our view this would preserve the ability of DCC2 to draw on the corporate resources of its shareholder where this provides best value, while mitigating against the risks set out above. In particular, we believe that this approach would increase transparency, allow market benchmarking and underwrite the importance of competitive procurements to ensure value for money.

Reporting of shareholder services

3.20 DCC1 is currently required to produce a Register of Relevant Business Assets ("Register") containing, among other things, all of the External Service Provider Contracts to which the Licensee is, or is likely to become, a party in accordance with Condition 16. DCC1 has to keep the Register under review and submit updated copies to the Authority at least annually.⁵⁶ We propose to maintain this requirement in the Successor Licence to ensure transparency. Nevertheless, the current Register is limited in scope as it relates only to the disposal of assets and does not require disclosing the value of the External Service Provider contracts. We propose that under the Successor Licence:

- All contracts, to which the Licensee is, or is likely to become, a party, including those entered into with a Related Undertaking, must be reported in the Register

⁵⁵ Ofgem (2023), DCC Price Control: Regulatory Year 22/23. www.ofgem.gov.uk/consultation/dcc-price-control-consultation-regulatory-year-202223

⁵⁶ LC 28, Part B (Duty to maintain a Register of Relevant Business Assets)

- Each contract reported in the Register must include information on its initial, current, and total value, and the most up to date information on its duration including any extensions
- 3.21 We propose that DCC2 would continue to update it at least annually and provide a copy to Ofgem following any such review. We believe these proposals are justified and proportionate to ensure we are able to monitor the Successor Licensee's compliance with licence obligations.

Employment of staff

- 3.22 Our third concern relates to the employment of staff. Currently, all employees who work on the Authorised Business under the Licence are not employed by Smart DCC Ltd but by Capita and contracted to Smart DCC Ltd through the ICA and the resourcing MSA. This gives the shareholder a significant amount of influence over staffing and introduces risks, including to business continuity, that need to be mitigated during Business Handover.
- 3.23 To mitigate these risks in the future, we propose to introduce a requirement on the Successor Licensee to be the employer of its staff working on the Authorised Business. We expect this to be the case following the TUPE transfer to DCC2 at the Transfer Date. Our proposal would ensure that the Successor Licensee would continue to directly employ its staff. This requirement will help ensure that DCC2 has full control over its staff and a potential future Business Handover is derisked from a business continuity perspective.
- 3.24 For clarity, DCC2 would still be capable of hiring temporary contractors or consultants, subject to business needs.

4. Scope and governance for the evolution of Authorised Business

In this chapter we discuss, in turn, the scope and governance for the evolution of DCC2's Mandatory Business and Permitted Business.

Mandatory Business

Firstly, we seek to confirm the scope of DCC2's Mandatory Business as including: Core Communication Services, Enabling Services, Mandated Business Services (requirements included in the Licence by the Authority or the Secretary of State), Additional User Services, and other Licence or SEC/REC requirements. We are not proposing to remove any existing Mandatory Business Services from the Successor Licence.

Secondly, we seek views on the scope of Additional User Services which we propose to comprise Elective Communication Services (with improvements) and other User Services that DCC2 could provide on a bilateral basis to its customers on demand.

Thirdly, we confirm the ways in which Mandatory Business can evolve, principally by amendments to the Licence or the codes. In our conclusions on the process for determination of Allowed Revenue we concluded that the Successor Licensee will be able to apply for ringfenced funding for Additional Mandatory Business and Permitted Business.⁵⁷ We seek views on enabling DCC2 to apply for funding to develop new services that could become part of its Mandatory Business if approved via a SEC or licence modification.

Permitted Business

We set out a proposed method of governance for applying for ringfenced funding for a potential development of Permitted Business services, including:

- Innovative (public good) initiatives, including use of system data
- Commercial re-use (Value-Added Services) which could generate revenue to offset user charges. We propose high-level criteria that must be satisfied for the Successor Licensee to explore these activities.

We propose to remove the concept of "Minimal Services" from the Successor Licence, which would be replaced by ringfenced funding provisions.

⁵⁷ Ofgem (2025) [DCC Review Phase 2: Determination of Allowed Revenue - conclusions](https://www.ofgem.gov.uk/decision/dcc-review-phase-2-determination-allowed-revenue-conclusions).
www.ofgem.gov.uk/decision/dcc-review-phase-2-determination-allowed-revenue-conclusions

Consultation questions

- Q13. Do you agree with the proposed scope of Mandatory Business in the Successor Licence? If not, which specific services or activities should be reclassified, added or removed?
- Q14. What are your views on Additional User Services: Which improvements to Elective Communication Services would be most likely to increase their uptake and deliver good outcomes for consumers? What other on-demand User Services could DCC2 provide?
- Q15. What are your views on the possibility to enable DCC2 to apply for funding to develop new services that could become part of its Mandatory Business if approved via a SEC/REC or licence modification?
- Q16. What are your views on the proposed process for funding and governance of Permitted Business: innovative (public good) initiatives and commercial services?
- Q17. Do you agree with the proposed removal of Minimal Services in lieu of the ringfenced funding?

Background

- 4.1 The Licence establishes the regulatory regime that the Licensee must follow in delivering the 'Authorised Business'. The current Licence separates the Authorised Business into two categories:
- (1) Mandatory Business
 - (2) Permitted Business
- 4.2 The key defining feature of Mandatory Business is that the Licensee *must* provide these services. As currently defined, it comprises: Core Communication Services; Enabling Services; Elective Communications Services; incorporation, delivery and provision of the Centralised Registration Service ("Switching"); and the provision of the Interoperability Checker Service.⁵⁸ Other requirements are set out in the SEC/REC and various parts of the Licence and are implicitly part of the Mandatory Business but they are not included in the Licence definition.
- 4.3 The key defining feature of Permitted Business is that the Licensee *may* provide these services but is not required to. Permitted Business currently comprises: Value Added Services (VAS) and Minimal Services. To date no VAS has been approved and delivered, and Minimal Services have been used in a limited way.

⁵⁸ LC 6.5

- 4.4 DCC1 has also been undertaking certain “Permitted Purpose” activities to which Ofgem has given a consent under LC 9.6(c). These relate in particular to certain public good initiatives, such providing data for participation in trials.
- 4.5 Through our proposals in this chapter we seek to confirm the scope of the Successor Licensee’s Authorised Business by, primarily:
- Confirming the scope of the Successor Licensee’s Mandatory Business and ways for its evolution
 - Seeking views on the scope and governance process for any Successor Licensee’s Permitted Business

What have we concluded to date?

- 4.6 In our Phase 1 consultation and conclusion we introduced the concept of “Core Mandatory Business” and “Additional Mandatory Business” to help conceptualise the scope of “what” DCC does and investigate whether certain aspects of the Mandatory Business should change.⁵⁹ Table 4.1 below sets out the categorisation from our Phase 1 decision. The intent of this categorisation was to provide clarity about the types of activities the Successor Licensee may deliver, and its role and the service requirements in relation to those categories of activities.

Table 4.1 Conceptualisation of Mandatory Business services under the Smart Meter Communication Licence (from Ofgem’s Phase 1 conclusions)

Category	Types of services	Scope	Examples
Core Mandatory Business	Core Communication Services	Services provided on the DCC User Interface Embedded in the Licence and defined in the SEC (esp. Appendix E)	Messages sent/received to and from smart meters
Core Mandatory Business	Enabling services and other requirements	Services and requirements strictly necessary for the provision of Core Communication Services. Defined in the Licence with detailed requirements enshrined in the SEC (esp. Section H)	Updating and maintaining security of the network, Enrolment service, Incident management, Processing service requests, onboarding of new customers etc.
Additional Mandatory Business	Mandated Business Services	As instructed by the Authority or the Secretary of State and included in the Licence (with relevant provisions in the SEC/REC for the relevant code manager to require delivery)	Centralised Registration Service (Switching)

⁵⁹ Ofgem (2023) DCC Review: Phase 1 Decision, Sec 4.41-4.57. www.ofgem.gov.uk/decision/dcc-review-phase-1-decision

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Category	Types of services	Scope	Examples
Additional Mandatory Business	Ancillary Services	As agreed with users and defined in the SEC/REC through a code-change process	Potentially contestable services improving system efficiency or coordination to leverage economies of scale
Additional Mandatory Business	Additional User Services	Bespoke capability offered to users on request	Elective communication services and DCC boxed

4.7 In our Phase 1 conclusions we also said that:

- The Successor Licensee’s primary role will continue to be the delivery of Mandatory Business (we referred to the “Core Mandatory Business” in particular)
- To accommodate uncertainty, the framework will include a mechanism for a controlled change in the Licensee’s Mandatory Business (we referred to provisions for “Additional Mandatory Business”)
- The Successor Licence will include provisions for the commercial re-use of the DCC infrastructure subject to agreed measures in the areas of maturity level, governance, funding, risk & reward distribution, and competition
- We would consult on either the retention with modifications, or discontinuance of Minimal Services

4.8 In our May 2025 decision on the process for determination of the Successor Licensee’s Allowed Revenue we concluded that:

- All of the Successor Licensee’s Authorised Business should be carried out on a not-for-profit basis⁶⁰
- In principle, the Successor Licensee should be able to apply for ringfenced funding for exploratory work for additional business as part of its Business Plan submission; we set out the following areas:⁶¹

(1) Development of additional user services with a potential to become Mandatory Business in future, subject to a positive proof of concept – *a proposal which we develop further in this consultation.*

⁶⁰ Ofgem (2025), DCC Review Phase 2: Determination of Allowed Revenue – conclusions, Chapter 4, Part A. www.ofgem.gov.uk/decision/dcc-review-phase-2-determination-allowed-revenue-conclusions)

⁶¹ Ibid, paragraph 4.25.

(2) “Public good” initiatives – *We said that we will allow DCC to apply for these services in its First Business Plan submission and in this consultation are focusing on the governance process.*

(3) Commercial re-use (Value-Added Services) of the network for financial gain (to be used to offset user charges) – *We said that we may “switch on” this opportunity in a future cycle and in this consultation are focusing on the governance process.*

What is outside the scope of this consultation?

4.9 There are several areas of work that impact on the smart metering ecosystem but which we do not address in this consultation as much of this work falls outside of the scope of the Licence review and/or is being carried out by other teams within Ofgem, DESNZ, code bodies or other parts of industry. These are detailed in the table 4.2 below.

Table 4.2 Examples of areas outside of the scope of DCC review

Area	Description	Ongoing work
Review of charging (SEC parties)	DCC has initiated a SEC code modification “DP218 Review of the SEC Charging Methodology” to carry out a review of the current SEC charging methodology and how costs are apportioned between different types of DCC Users. ⁶²	DCC has consulted on proposed changes to its charges. This closed on 3 February 2025. DCC is expected to publish a summary of consultation responses in due course; ⁶³ whereafter SECAS and DCC will be able to determine the appropriate next steps.
Consumer Consent	Ofgem is exploring a mechanism for consumers to grant and manage their consent permissions to share their energy data securely with trusted market participants, who can provide them with energy services to lower their bills, as well as their carbon footprint.	Following a public consultation, Ofgem has decided to appoint RECCo as the delivery body for a new system wide digital Consumer Consent Solution. ⁶⁴

⁶² SEC modification DP218, accessible at: smartenergycodecompany.co.uk/modifications/review-of-the-sec-charging-methodology

⁶³ DCC (2025), DP218 ‘Review of the SEC Charging Methodology’ – Consultation on proposed changes to DCC charges. www.smartdcc.co.uk/consultations/dp218-review-of-the-sec-charging-methodology-consultation-on-proposed-changes-to-dcc-charges

⁶⁴ Ofgem (2025), Consumer Consent decision. www.ofgem.gov.uk/decision/consumer-consent-decision

Area	Description	Ongoing work
Enhancing the onboarding of DCC users	DCC has raised a concern that some parties who have been interested in becoming DCC Users lose interest due to the timing and cost of the onboarding process new users.	DCC is considering ways to simplify, automate, and digitise DCC's on-and-off boarding journey. ⁶⁵
Use of consumption data	The smart metering system is a rich source of energy related data (consumption, price, demand, voltage etc) but this data is distributed across the millions of meters that generate and store it. A single secure cloud-based repository of smart meter energy data would offer potential consumer benefits including those related to flexibility services and other energy data-related services.	The Smart Meter Energy Data Repository (SMEDR) programme is run by DESNZ which aims to support innovation to determine the technical and commercial feasibility of a smart meter energy data repository. ⁶⁶
Use of AI	As AI technology develops, DCC, Ofgem and industry are exploring its increased use to support consumers and industry.	Ofgem has published a guidance for ethical AI use in the energy sector for energy companies and organisations, industry stakeholders and consumer groups. ⁶⁷

A. Scope, definition and governance of Mandatory Business

Scope

4.10 In our Phase 1 decision,⁶⁸ we set out a detailed view of what we considered should be included under the Mandatory Business by reference to existing activities and programmes undertaken by the current Licensee. We stated that we would consult on whether two areas should remain within the scope of Mandatory Business:

- Communications Hubs service (including order management and delivery of Hubs to users)
- Testing services

⁶⁵ DCC (2024), Business & Development Plan, p.80. www.smartdcc.co.uk/about-dcc/business-development-plan/

⁶⁶ DESNZ (2022), Smart Meter Energy Data Repository Programme.

www.gov.uk/government/publications/smart-meter-energy-data-repository-programme

⁶⁷ Ofgem (2025), Ethical AI use in the energy sector. www.ofgem.gov.uk/publications/ethical-ai-use-energy-sector

⁶⁸ Ofgem (2023) DCC review: Phase 1 Decision. Appendix 2: Overview of DCC's Authorised Business. www.ofgem.gov.uk/decision/dcc-review-phase-1-decision

- 4.11 Under the current arrangements DCC procures comms hubs on behalf of energy suppliers who then install them in consumer homes. Whilst in theory suppliers could be responsible for sourcing their own comms hubs assets, the Communications Hubs services have been centralised to ensure a coordinated roll-out and economies of scale. Although the smart meter rollout has now significantly progressed with 66% of all meters being smart or advanced meters at the end of 2024,⁶⁹ the rollout of the 4G comms hubs is about to begin. (DCC1 had entered into a contract for the provision of 4G Comms Hubs with Toshiba.) In our view, it will therefore remain appropriate for this activity to be delivered centrally by the Successor Licensee. We have not seen evidence that the benefit of changing the arrangements would at this time outweigh the risks to the 4G rollout and, therefore, the wider smart metering programme. We thus propose to retain the Comms Hub service as part of the Successor Licensee's Mandatory Business. However, there may be another opportunity for a review once the 4G rollout is near completion.
- 4.12 DCC1 also carries out a range of testing services, including testing of devices to assure connectivity and interoperability, user integration and others. We recognise that some of DCC's customers may have the facilities or ability to carry out some of the testing from their own resources but we have not seen evidence that would suggest a benefit to change the arrangements. Our current view is that testing facilities should be made available to all users to drive economies of scale and ensure standardisation. We understand that some stakeholders have suggested reviewing the charging of testing and consider a usage-based charge. This would allow for DCC Users with their own testing capabilities to benefit from lower charges. Our view remains that this does not impact the position of testing services within the Successor Licensee's Mandatory Business. The Successor Licensee may work with the SEC community to undertake a review to explore the merits of a different charging model but this remains outside the scope of our review.
- 4.13 **Following further engagement with the SEC Panel, industry stakeholders and the current Licensee, we do not propose to remove any services or activities from the Mandatory Business and we propose to carry forward the full scope of the Mandatory Business into the Successor Licence.** In

⁶⁹ DESNZ (2025), Smart Meter Statistics in Great Britain: Quarterly Report to end December 2024. https://assets.publishing.service.gov.uk/media/67d95f7c4ba412c67701ed58/Q4_2024_Smart_Meters_Statistics_Report.pdf

Appendix 1 we set out the proposed categorisation by reference to detailed activities. We are interested in views if any area has been missed or categorised incorrectly.

Definition

4.14 Although we are not proposing to amend the scope of the Mandatory Business, we propose to update the Licence definition to recognise the evolution of Mandatory Business throughout the current Licence Term. Building on our Phase 1 conclusions (see table 4.1 above), we propose that the Successor Licensee's Mandatory Business will be defined as the provision, for and on behalf of parties to the Smart Energy Code, where relevant, the Retail Energy Code, of:

- (1) Core Communication Services
- (2) Enabling Services
- (3) Additional User Services
- (4) Mandated Business Services
- (5) Other Services defined within SEC/REC or the Licence

Core Communication Services

4.15 Core Communication Services would continue to constitute services provided on the DCC User Interface, embedded in the Licence and defined in Appendix E to the SEC. These are the messages sent and received to and from smart meters.

Enabling Services

4.16 Enabling Services would continue to capture services and requirements necessary for the provision of Core Communication Services. Appendix 1 sets out our view of the scope of Enabling Services. They are principally enshrined in Section H of the SEC.

Additional User Services

4.17 Additional User Services would comprise Elective Communication Services (ECS) and other User Services offering bespoke capability. These services are distinguished from the other Mandatory Business Services in that they are provided by DCC to a customer on a bilateral basis and attract an elective charge. We discuss our proposals for the reform of ECS and options for other User Services below (see 4.26-4.32).

Mandated Business Services

4.18 This category of Mandatory Business would seek to capture any additional requirements included into the Licence by Ofgem or the SofS. An existing example is the provision of the Centralised Registration Service (Switching).

Other Services defined within SEC/REC

4.19 This additional provision would help ensure that services mandated under the industry codes, which are not explicitly defined as “Enabling Services”, continue to unambiguously fall within the definition of Mandatory Business. This may include new requirements or new services included into the codes via the code modification process.

Clarifications

4.20 We do not propose to distinguish between “Core Mandatory Business” and “Additional Mandatory Business” in the Successor Licence. The Successor Licensee will be expected to carry out all of its Mandatory Business regardless of its classification; we therefore do not consider this split to be necessary.

4.21 We propose to use the concept of “ancillary services” as a provision for possible Mandatory Business evolution, as opposed to a Licence category of Mandatory Business. We discuss our proposal in paragraphs 4.33-4.37 below.

Governance and evolution of Mandatory Business

4.22 Table 4.3 below sets out the change process for evolution of each aspect of Mandatory Business.

Table 4.3: Overview of the change process and funding for Mandatory Business

Types of services	Change process	Funding
Core Communication Services	SEC modification to Appendix E	Fixed charges apportioned among Charging Groups
Enabling Services	SEC modification (or Licence modification)	Fixed charges apportioned among Charging Groups
Additional User Services	On-demand – provision under a bilateral agreement	Elective or Explicit charges to cover the cost (or funding via cost control arrangements subject to our proposal in 4.28)
Mandated Business Services	Licence amendment by Ofgem or the SofS	Fixed charges apportioned among Charging Groups

Other Services defined within SEC/REC	SEC/REC modification	Fixed charges apportioned among Charging Groups or Explicit charges
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4.23 As per table 4.3, this evolution is intended to happen in a transparent way via changes to industry codes, the Successor Licence or driven by customer demand. Below we discuss expected near changes to the Mandatory Business and seek views on two additional concepts for Mandatory Business evolution: via Additional User Services and possible development of additional services.

Anticipated new Mandated Business

4.24 DCC does not hold the consumption data exchanged over the smart meter communications network;⁷⁰ however, it does have access to system data. System data refers to the information about the message on the network; for example, where it was sent and to which device, at what time and whether it arrived safely. System data is retained centrally within the DCC's system and visible to manage the performance of the network.⁷¹ Unlike consumption data, system data can be anonymised and provided at a sufficiently aggregated level, such that it is not considered personal data and can be exposed.

4.25 Better use of system data could provide benefits to consumers and industry. Handling of data for the benefits of consumers and the energy system, and improvements in the digitalisation of the energy sector is a key Ofgem priority included in the Preliminary Strategic Direction Statement and Forward Work Programme.⁷² Ofgem's primary tool for achieving this is the Data Best Practice Guidance (DBPG), a series of 11 principles which underpin the way we require obligated parties to work with data.⁷³ Ofgem plans to consult on amending licence conditions to obligate code bodies, as well as DCC, to follow these principles. This has been worked through in the Cross Codes Digitalisation Steering Group, which DCC is a member of. If implemented, the obligations arising from the DBPG would

⁷⁰ Consumption data refers to the message content sent to or from devices connected to the smart metering systems within premises, eg the amount of energy consumed or amount added to a prepayment meter.

⁷¹ DCC (2023), Data for good: Smart meter data access, p.9.

www.smartdcc.co.uk/media/4hokqnx/d/data-for-good-smart-meter-data-access.pdf

⁷² Ofgem (2025), Preliminary Strategic Direction Statement for industry codes, Objective 14. Accessible at: www.ofgem.gov.uk/consultation/consultation-preliminary-strategic-direction-statement-and-governance-arrangements-industry-codes.

Ofgem (2025), Forward Work Programme 2025-2026. www.ofgem.gov.uk/about-us/our-strategy/forward-work-programme

⁷³ Ofgem (2023), Decision on updates to Data Best Practice Guidance and Digitalisation Strategy and Action Plan Guidance. www.ofgem.gov.uk/decision/decision-updates-data-best-practice-guidance-and-digitalisation-strategy-and-action-plan-guidance

become part of DCC's Mandatory Business. We are considering how Additional User Services could support the implementation of the DBPG in the DCC Licence. We are also proposing to permit the Successor Licensee to go further and use system data to support "public good" initiatives. We discuss our proposal in Part B of this chapter (Permitted Business).

Additional User Services

- 4.26 Unlike other aspects of the Mandatory Business provision, the evolution of Additional User Services would be exclusively customer-driven as DCC would offer these services on demand. The requestor would also be expected to fund them directly.
- 4.27 We discuss in turn Elective Communication Services (ECS) and our proposal for introduction of other User Services to include the existing product of "DCC Boxed" and potential provision of advisory services for system data in support of the DBPG implementation.
- 4.28 **ECS** provide an opportunity for a customer to request a tailored communication service from DCC. To date, there has been little to no uptake of these services, due to limited use-cases, unclear funding and technical barriers.⁷⁴ We have considered three possible reforms to the ECS:
- **Option A:** Increase the "exclusivity period". Currently, the Licensee must report details of a requested ECS to the SEC after providing the service for 6 months. This reporting requirement effectively removes the exclusivity of the service for the requestor as any other SEC party would be able to request the same service. Increasing the length of the "exclusivity period" from the current 6 months to 12 months could give the requestor more time to develop a competitive business offering
 - **Option B:** The costs of developing the ECS could be socialised among more parties if more users request the service following the end of the "exclusivity period". Currently the entire cost of developing ECS is borne by the requestor. The Successor Licensee could charge any further users an appropriate proportion of the cost of the ECS and refund the initial requester. This would mitigate the risk that the requester is disadvantaged vis-à-vis its competitors.

⁷⁴ Ofgem (2023), DCC review: Phase 1 Decision, paragraph 4.54.
www.ofgem.gov.uk/decision/dcc-review-phase-1-decision

- **Option C:** Funding for the development of ECS could be allocated via the ex-ante cost setting. The Successor Licensee would have access to pre-agreed funding to work with users to develop new propositions and reduce the initial cost of ECS development. *See paragraphs 4.33-4.37 for further details on this proposal.*
- 4.29 We are interested in views on which improvements to the ECS would be most likely to increase their uptake and deliver good outcomes for consumers.
- 4.30 Beyond ECS, the Successor Licensee could also provide **other on-demand User Services** for an elective or explicit charge. We propose that these would include **access to simulated test environments (“DCC boxed”)** and the **provision of advisory services in respect of data interpretation or analysis**.
- 4.31 Our consultation proposal builds on principle 4 of the Data Best Practice Guidance (“Enable potential data users to understand the data assets by providing supporting information”). Under this principle, if implemented, throughout the lifecycle of a Data Asset DCC would be expected to, at minimum, make available supporting information that Data Users require for the benefits to be gained by consumers, stakeholders and the Public Interest.⁷⁵ DCC could offer additional advisory services to help those accessing the data to better understand or analyse it. We would not expect this to require procurement of additional resource or building of in-house data science function; rather, DCC2 could leverage its existing knowledge to provide additional service to users on demand. (If going beyond the DBPG minimum requirements and incurring additional costs, for example in employee time, DCC2 could levy a charge to cover the cost of providing that service.)
- 4.32 Indeed, to protect against the risk of undue diversification, we propose to limit any Additional User Services to such services which leverage the Licensee’s existing capability and relate to the provision of Mandatory Business without impairing it. The intent is not for DCC2 to build additional in-house functions. We are interested in views on the proposal to allow the Successor Licensee to provide such services, thoughts on the inclusion of “DCC boxed” and (subject to DBPG implementation) system data advisory services, and what other potential on-demand services may be beneficial to DCC customers.

⁷⁵ Ofgem (2023), Data Best Practice Guidance, paragraph 3.14.

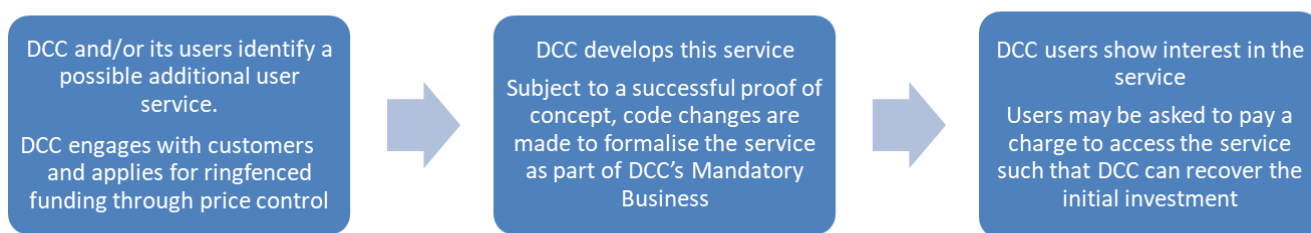
Development of additional Mandatory Business using ringfenced funding

- 4.33 To enable flexibility, while maintaining transparency, in the evolution of the Successor Licensee's Mandatory Business, we have also considered development of additional services using ringfenced funding agreed with customers through the business planning process.
- 4.34 This could lead to the development of Additional User Services (including Elective Communication Services as per paragraph 4.28(c) above) or proposals for new ancillary-type services (classified as Enabling Services or Other SEC requirements), which could be approved via code modification subject to a successful proof of concept.
- 4.35 There is currently no formal method for the development of Additional User Services. The only service that has been developed during the current Licence Term is DCC Boxed. Charges on users of the service have been used to cover the initial development costs. Our proposal would help to formalise the process to address and provide more customer input and scrutiny.
- 4.36 Figure 4.1 below outlines the process for approving Additional User Services. Its intent is to allow the scope of licenced activities to evolve while ensuring clear and controlled approval, change and funding processes: DCC2 could apply for a ringfenced funding through its *ex-ante* cost control submission. Details of the process would be set out in our Business Plan Guidance⁷⁶ and DCC2 would be required to engage with stakeholders and have the proposed fund scrutinised by the Customer Challenge Group.⁷⁷ If granted, should DCC2 and its users identify an Additional User Service that would be beneficial to develop, DCC2 would use the fund to develop the early concept of this service. Should the initial development of proof of concept prove successful, a SEC or REC modification could incorporate the service into DCC2's Mandatory Business. DCC2 could offer the service as an Additional User Service and recoup the cost of the initial investment via elective/explicit charges for its use.
- 4.37 As set out in our *ex-ante* conclusions document, we do not intend to enable this for the first Business Plan Cycle but are interested in stakeholder views on whether this is something that could be unlocked in the future. We are interested in stakeholder views on the process and if there are any missing steps or checks.

⁷⁶ Draft version of the BPG for the first cost control period can be found here: Ofgem (2025), Draft Business Plan Guidance. www.ofgem.gov.uk/consultation/draft-terms-reference-customer-challenge-group-and-draft-business-plan-guidance

⁷⁷ Draft Terms of Reference for Customer Challenge Group, Ibid.

Figure 4.1 Possible route for approval and funding of Additional Services



B. Scope and governance for the evolution of Permitted Business

4.38 Permitted Business forms part of the Authorised Business but DCC is not *required* to carry it out; rather it *may* do so, subject to limitations imposed by the Licence.⁷⁸ We are seeking views on three proposals in relation to Permitted Business:

- Governance of “innovative services” or DCC’s participation in “public good” initiatives, currently provided under Permitted Purpose or Minimal Services
- Principles and governance for potential future Value Added Services (VAS) or commercial re-use
- The removal of Minimum Services from the Successor Licence

Innovative services/Public good initiatives

4.39 DCC has to date engaged in several “public good” initiatives, such as providing data for participation in government-sponsored trial for identification of energy poverty. We said in our *ex-ante* cost control decision⁷⁹ that we recognise that these initiatives have the potential to deliver consumer benefits without requiring significant investment and that approval of a ringfenced fund, agreed on in consultation with industry, could provide a transparent, structured way for benefits realisation. Consequently, we decided to allow DCC to apply for funding for these services in its First Business Plan submission. We have already set out

⁷⁸ LC 6, Parts C,D,E

⁷⁹ Ofgem (2025), DCC Review Phase 2: Determination of Allowed Revenue – conclusions, 4.25. www.ofgem.gov.uk/decision/dcc-review-phase-2-determination-allowed-revenue-conclusions

the process for application for the ringfenced funding in our draft Business Plan Guidance.⁸⁰

4.40 However, to date these initiatives have either required Ofgem’s consent as “Permitted Purpose” activities outside the scope of Mandatory Business⁸¹ or have been provided as Minimal Services, using a provision in the Licence which permits the Licensee to carry out activities which do not exceed a turnover of £500,000 per annum and which are not provided to any material extent from the capability or resources the License DCC uses to carry out the Mandatory Business.⁸² Going forward we propose to accommodate these more transparently via the Permitted Business with a clear governance process.

4.41 We outlined above the expected inclusion of the Data Best Practice Guidance into the DCC Licence, which would make provision of system data part of DCC’s Mandatory Business. This outlined route would capture any initiatives which require more granular data provision or a bespoke process and which would not fall under the DBPG principles. We propose that DCC2’s participation in individual initiatives or delivery of specific innovative services under Permitted Business should continue to require Ofgem’s approval to ensure transparency and assure data protection.

Commercial re-use (Value-Added services)

4.42 In relation to **VAS** the Licence currently:

- Requires the Licensee to seek approval from Ofgem by outlining the details of the proposal (including costs, technical efficiency, security impacts and its consistency with the Licence’s General Objectives). The Licensee can only provide the service once Ofgem has issued a direction approving the proposal on the basis of terms and conditions specified in the application⁸³
- Has no requirement for any approval by stakeholders
- Prohibits the Licensee or its shareholder/s from funding them⁸⁴

4.43 As previously noted and set out in our Phase 1 decision and further in our *ex-ante* policy conclusions, we believe there is a merit in retaining the opportunity for a

⁸⁰ Ofgem (2025), Draft Business Plan Guidance, section 3.30.

www.ofgem.gov.uk/consultation/draft-terms-reference-customer-challenge-group-and-draft-business-plan-guidance

⁸¹ under LC 9.6(c)

⁸² LC 6.8(b)

⁸³ LC 6, Part D

⁸⁴ LC 11, Part B

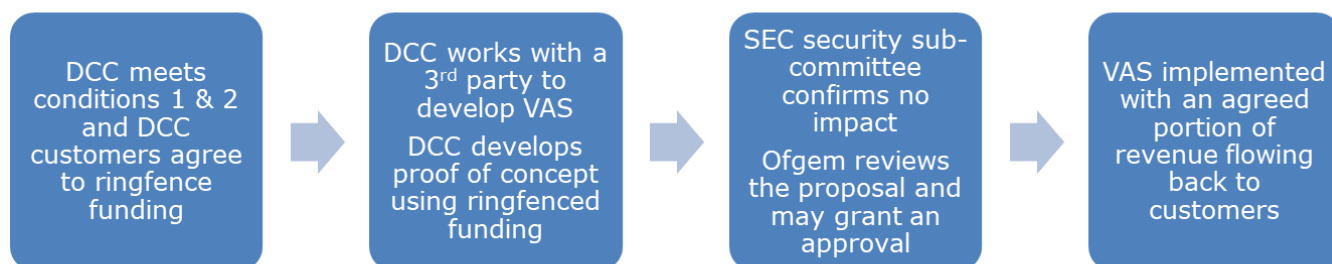
potential future provision of VAS which could help offset costs to users. As per our *ex-ante* cost control conclusions, in principle the Successor Licensee could apply for a ringfenced budget for the development of VAS through the cost control arrangements. However, we said we would not “switch” this opportunity on in the first cycle. If brought in at a later date, we would expand on the proposed process for ringfenced funding for innovative services outlined above.

- 4.44 Akin to the innovative services, we propose to retain the requirement on Ofgem’s approval prior to any VAS being developed (even with a ringfenced funding in place). As part of this, we are seeking views on three preconditions that we propose would have to be satisfied for Ofgem to approve any VAS application.
- 4.45 **Condition 1 = “Maturity” level.** The Successor Licensee would be required to demonstrate a continuously satisfactory level of performance and network stability for Mandatory Business.⁸⁵ We propose that this should be evidenced using reporting to the SEC on system performance, validated by the SEC Panel.
- 4.46 **Condition 2 = Network capacity and security.** The application should provide evidence that the network has the capacity and technical readiness to accommodate any additional service without impact on Mandatory Business. We propose that the Successor Licensee should engage the SEC Security Sub-Committee on the proposal to ensure it would not impact on the security of the network.
- 4.47 **Condition 3 = Funding & fair risk and benefits distribution.** Currently, VAS funding can only be secured from 3rd party investor. We would expect that any ringfenced funding would only be used for an initial engagement and development of a proof of concept but that the 3rd party investor would provide a substantial portion of the funding for the full development. As part of its application, the Successor Licensee should outline the expected benefits and their apportionment between the 3rd party investor and DCC (and by extension, its customers).
- 4.48 We would consider whether the conditions should be embedded within the Successor Licence or contained in guidance documentation.
- 4.49 Figure 5.2 below illustrates a possible route for applying for, funding and implementing VAS. We would allow the Licensee to apply under the cost control

⁸⁵ Ofgem (2025), DCC Review Phase 2: Governance arrangements - conclusions chapter 4, section C. www.ofgem.gov.uk/decision/dcc-review-phase-2-governance-arrangements-conclusions

for ringfenced funding and to develop VAS Proof of Concepts or Alphas. Following the initial development, the Licensee will be required to seek Ofgem's approval and the application should include details for how generated revenue would flow back to DCC customers. We invite views on the proposed process and criteria.

Figure 4.2: Illustrative route for approval, funding and implementation of VAS



Minimal Services

4.50 Minimal Services are a provision within the current Licence permitting the Licensee to carry out activities which do not need to be approved by Ofgem but which must not exceed a total turnover value of £500,000 in any Regulatory Year and may not be provided to any material extent from within capability or resources available to the Mandatory Business.⁸⁶ In the context of our other proposals, we propose to remove this from the Successor Licence. We believe that the initiatives currently provided under Minimal Services would be captured under the Mandatory Business (via DBPG) or Permitted Business (via Innovative services) and to fund them via Minimal Service is no longer required on account of DCC2 being able to apply for ringfenced funding. We seek views on this proposal, including if there might be any unintended impacts of removing Minimal Services.

⁸⁶ LC 6.8(b)

Appendices

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Appendix 1 – Overview of proposed strategy and planning documents

Document	Purpose	Who approves	Who <u>must</u> be consulted	How often is it produced	New requirement?
Business Strategy and Technology Roadmap	Overall strategy setting out the roadmap for the evolution of DCC's network and systems	Ofgem and/or DESNZ – <i>Subject of this consultation</i>	Ofgem, DESNZ, SEC and REC parties – <i>Subject of this consultation</i>	On a timeline directed by Ofgem under a Transitional Objective with regular reviews and/or ad-hoc review – <i>Subject of this consultation</i>	YES – <i>Subject of this consultation</i>
Procurement Strategy	DCC's approach towards delivery of the Business Strategy	Ofgem – <i>Subject of this consultation</i>	Ofgem, DESNZ, SEC and REC parties – <i>Subject of this consultation</i>	Alongside the Business Strategy with regular reviews – <i>Subject of this consultation</i>	NO – existing requirement under LC 16 Parts D-F
Business cases under LC 16.6A-C	To assure DCC's major procurements	DCC Board Non-objection letter required from DESNZ	Expectation of customer engagement on the business needs	As required for procurements that are not the subject of an exemption	NO – existing requirement under LC 16.6A-C
Business Plan (cost control)	Costed delivery plan to set DCC's Allowed Revenue	Ofgem	Customer Challenge Group Expectation of customer engagement	Ahead of each cost control cycle (every 3 years)	YES – introduced in the current Licence under LC 34A

Appendix 2 – Proposed categorisations of the Successor Licensee’s Authorised Business

This table provides an overview of the proposed scope of the Successor Licensee’s Authorised Business with reference to the proposed categorisation of Mandatory Business set out in Chapter 4 Part A.

We propose to classify those services set out in Section H of the SEC as Enabling Services and those in other sections as “Other Services defined within SEC/REC”.

We propose to classify those obligations mandated by Ofgem or the Secretary of State via the Licence as “Mandated Business Services”.

DCC Services Provided	Regulatory reference	Categorisation within Mandatory Business
Core communication services to and from smart meters NB, not all service request processing services are in Appendix E, e.g. enrolment service – are there any other? YES	LC 6.5(a) DCC User Interface Service Schedule (Appendix E)	Core communication services
Communications Hubs service (including order management and delivery of CH to users)	LC 6.6(b), F5-10, CHHSM, CHIMSM	Enabling Services
Testing services	H14, F10 (Test Comms Hub), CTSD, SVTADs, Section P (production proving)	Enabling Services
DCC Boxed	H14	Additional User Services
Updating and maintaining security of the network	Section G	Other Services defined within SEC
PKI (public key infrastructure) related services: SMKI, DCCKI, IKI, incl. SMETS1 PKI	Section L, (numerous appendices)	Other Services defined within SEC

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DCC Services Provided	Regulatory reference	Categorisation within Mandatory Business
Enrolment services and smart metering inventory	LC 6.6(a), H5, IEDP (App AC)	Enabling Services
Ongoing maintenance (e.g. firmware updates)	[Cross-cutting obligations] LC13B	Enabling Services
DCC User Interface and managing demand	H3, DCC User Interface Code of Connection, DUIS	Enabling Services
Processing Service Requests	H4, SRPD	Enabling Services
Decommissioning, Withdrawal and Suspension of Devices	H6, IEDP	Enabling Services
Onboarding service for new customers – administrative	H1	Enabling Services
Service Management, Self-Service Interface and Service Desk	H8, SSI Access Control Specification; SSI Code of Connection (Appendix AI)	Enabling Services
Incident Management	H9, Incident Management Policy	Enabling Services
Business Continuity and Disaster Recovery Testing	H10.11-12B	Enabling Services
Parse and Correlate Software	H11	Enabling Services
Intimate Comms Hubs Interface specifications	H12	Enabling Services
DCC Gateway Connections	H15, DCC Gateway Connection Code Connection (Appendix G)	Enabling Services
Interoperability Checker Service	H16.8-14	Enabling Services
Provision of Registration Data and RDP Interface maintenance	Section E; Registration Data Interface Specification; Registration Data Interface Code of Connection	Other Services defined within SEC
Enduring Change of Supplier (ECoS)	LC 13A, ECoS TMAD	Mandated Business Services

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DCC Services Provided	Regulatory reference	Categorisation within Mandatory Business
Modifying the services that are provided in response to SEC or REC changes	Licence Part 1 Section F: Mods	Other Services defined within SEC
MHHS	LC 21 Part H	Mandated Business Services
Providing the Centralised Registration Service (Switching) under the Retail Energy Code in a secure and coordinated manner	LC15	Mandated Business Services
Providing services ancillary to the Central Registration Service under the REC	LC15	Mandated Business Services
Elective Communication Services	LC 6.5(b)	Additional User Services
Minimal Services	LC 6.8(b)	<i>Proposed to remove</i>
Innovative Services	<i>Subject of this consultation</i>	<i>Proposed to classify as Permitted Business</i>
Value Added Services/commercial re-use	LC 6.8(a)	Permitted Business
Reporting Activity	LC 29 or any reporting under the SEC	Other Services defined within SEC/REC or Licence

Appendix 3 – List of Fundamental Service Capability contracts

Please note, this list is effective at the publication date of this consultation and is based on the information provided by the Licensee

	Supplier	Eco-system	Service Description
1	CGI IT UK LTD T/A CGI INC	DSP	Agreement for the provision of data services in relation to the Smart Metering Programme (DSP)
2	ARQIVA SMART METERING LTD	SMETS2	(CSP North) Agreement for the provision of communication services in relation to the Smart Metering Programme
3	TELEFONICA O2 UK LTD	SMETS2	(CSP Central) Agreement for the provision of communication services in relation to the Smart Metering Programme
4	TELEFONICA O2 UK LTD	SMETS2	(CSP South) Agreement for the provision of communication services in relation to the Smart Metering Programme
5	CGI IT UK LTD T/A CGI INC	SMETS1	Agreement for the Provision of Services in Respect of the SMETS1 Smart Metering Programme
6	VODAFONE GLOBAL ENTERPRISE LIMITED	SMETS1	Vodafone SMETS1 Enhanced Operational Support
7	SECURE METERS (UK) LIMITED	SMETS1	Agreement for the Provision of Services in Respect of the SMETS1 Smart Metering Programme.
8	TELEFONICA UK LTD	SMETS1	CSP contract including delivery of enduring CS provision of SIMs within the MDS meter cohort.
9	TRILLIANT NETWORKS OPERATIONS (UK) LTD	SMETS1	DCCT0063 - Agreement for the Provision of Services in Respect of the SMETS1 Smart Metering Programme
10	ENTSERV UK LTD	SMETS1	Agreement for the Provision of Services in Respect of SMETS1 Programme (DCCT0063)

	Supplier	Eco-system	Service Description
11	CAPGEMINI UK PLC	SMETS1	AGREEMENT FOR THE PROVISION OF THE HOSTING AND SERVICE MANAGEMENT FOR THE DUAL CONTROL ORGANISATION IN RESPECT OF THE SMETS1 SMART METERING PROGRAMME
12	CRITICAL SOFTWARE LTD	SMETS1	AGREEMENT FOR THE PROVISION OF THE APPLICATION MAINTENANCE FOR THE DUAL CONTROL ORGANISATION SERVICES IN RESPECT OF THE SMETS1 SMART METERING PROGRAMME
13	ACCENTURE (UK) LIMITED	ECoS & Other	ECoS Lot 2 & Lot 3 Support Services (DCCT0216)
14	CRITICAL SOFTWARE LTD	ECoS & Other	Provision of ECoS Application Support Services
15	CAPITA IT SERVICES LTD	ECoS & Other	DCC0135 (Extension of OneData Support) - Capita MSA (Child Contract, Parent Contract is DCCT0112)
16	HCL TECHNOLOGIES UK LTD	ECoS & Other	DCCT0280 - Test Automation and Robotics Framework relating to the Smart Metering Programme
17	ACCENTURE (UK) LIMITED	CH&N	Agreement for the provision of services in respect of the Network Evolution Programme - Component integration (CH&N)
18	ACCENTURE (UK) LIMITED	CH&N	Agreement for the provision of services in respect of the Network Evolution Programme - device Manager (CH&N)
19	TOSHIBA EUROPE LIMITED	CH&N	Agreement for the provision of services in respect of the Network Evolution Programme - Devices (CH&N)
20	VODAFONE LIMITED	CH&N	Agreement for the provision of services in respect of the Network Evolution Programme - WAN (CH&N)
21	CRITICAL SOFTWARE LTD	SMETS2	Various Testing Tools
22	NORDCLOUD LIMITED	CH&N	Azure Billing Subscriptions and Support for Device Manager RUN
23	CAPGEMINI UK PLC	CH&N	FSM

	Supplier	Eco-system	Service Description
24	CGI IT UK LTD T/A CGI INC	DSP	Responsible for providing systems integration services across the DSP Programme, including end-to-end testing, assurance and programme governance.
25	IBM UNITED KINGDOM LTD	DSP	DSP MSA IBM
26	VODAFONE LIMITED	DSP	Responsible for the design, build and testing for the new network connectivity services required to support the Core DSP Platform.
27	NETCOMPANY UK LTD	DSP	SOW for the Provision of Modular DUIS and Monolithic DUIS, and Message Mapping Catalogue (MMC)
28	BRITISH TELECOMMUNICATIONS PLC	SMETS2	Azure - Agreement for the Provision of Smart Meter Key Infrastructure (SMKI) Services
29	LANDMARK INFORMATION GROUP LTD	Switching	Agreement for the Provision of Services in Respect of the Switching Programme
30	CAPGEMINI UK PLC	Switching	Agreement for the Provision of Service Management Tools in Respect of the Switching Programme
31	NETCOMPANY UK LTD	Switching	Agreement for the Provision of Services in Respect of the Switching Programme
32	EXPLEO TECHNOLOGY UK LTD	Switching	Agreement for the Provision of Central Switching Assurer Services in Respect of the Switching Programme

Appendix 4 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

(Include here all organisations outside Ofgem who will be given all or some of the data. There is no need to include organisations that will only receive anonymised data. If different organisations see distinct set of data, then make this clear. Be as specific as possible.)

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for (be as clear as possible but allow room for changes to programmes or policy. It is acceptable to give a relative time e.g. 'six months after the project is closed')

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data.
- access your personal data.

- Have personal data corrected if it is inaccurate or incomplete?
- ask us to delete personal data when we no longer need it.
- ask us to restrict how we process your data.
- get your data from us and re-use it across other services.
- object to certain ways we use your data.
- be safeguarded against risks where decisions based on your data are taken entirely automatically.
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content, and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use "the Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this".

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system. (If using a third-party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

10. More information for more information on how Ofgem processes your data, click on the link to our "Ofgem".