

Guidance

Successor Licensee to the Smart Meter Communication Licence/Data Communications Company (the Licensee): Regulatory Instructions and Guidance (SL RIGs)

Publication date:	17 June 2025
Contact:	Ayena Gupta, Head of DCC Oversight and Regulatory Review
Team:	DCC Oversight and Regulatory Review
Telephone:	020 7901 7000
Email:	dccregulation@ofgem.gov.uk

The Regulatory Instructions and Guidance (RIGs) provide the basis on which the Licensee must report Price Control Information as required under the Smart Meter Communication Licence. This document contains detailed instructions on what to report and offers guidance on how to complete the reporting templates.

© Crown copyright 2025

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the [Open Government Licence](#).

Without prejudice to the generality of the terms of the Open Government Licence the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to: psi@nationalarchives.gsi.gov.uk

Contents

Successor Licensee to the Smart Meter Communication Licence/Data Communications Company (the Licensee): Regulatory Instructions and Guidance (SL RIGs).....	1
Executive Summary	4
New Developments	5
Change from an annual <i>ex-post</i> price control process to an <i>ex-ante</i> multi-annual reporting process	5
External Costs: Introduction of Service Families, Service Family Groups, and ringfencing of budgets	6
Internal Costs: Replacement of Cost Centres by Internal Functions and changes in General Ledger (GL) Code	7
Introduction of Uncertainty Mechanisms	8
New requirement on information to be provided via Supplementary Schedules	9
New requirement on accruals-based vs cash-based reporting.....	10
RIGs annexes	10
1. Introduction.....	11
Context.....	11
Purposes and scope	11
Guidance specific to the Licensee’s first <i>ex-ante</i> Cost Control submission due 31 December 2025	13
Forecasting period	13
Treatment of costs for the period 1 April 2026 to 31 March 2027 (ie “RY26/27”)	14
Sheet name changes between <i>ex-post</i> and <i>ex-ante</i> RIGs	14
Your feedback	15
2. Specified Information – General.....	16
Cover	16
Sign-off.....	16
Version Control	16
Data Change Log	17
Universal Data	17
3. Specified Information – Fixed Data & Summary Data (Sheets 1&2) 19	19
Sheet 1 – Fixed Data.....	19
Sheet 2 – Summary Data.....	20
4. Specified Information – Revenue Reporting (Sheet 3)	21
Procedures for Regulatory Reporting	21
Price base for historical and forecast data	21
Sheet 3 – Revenue Reporting	21
5. Specified Information – Cost Reporting – Smart Energy Service Family Group (Sheets 4, 4a-4e)	26

Procedures for Cost Reporting	26
Price base for historical and forecast data	26
Sheet 4: Smart Energy Costs – Summary	27
Sheets 4a-4e: Smart Energy Service Family Costs	27
Procedures for Cost Reporting	27
Sheet 4a: SMETS1 Service Family	28
Sheet 4b: SMETS2	29
Sheet 4c: 4G	30
Sheet 4d: CRS Service Family	31
Sheet 4e: Volume-Driven Smart Energy Costs	32
6. Specified Information – Cost Reporting – Enabling Services & Testing Service Family Group (Sheets 5, 5a-e)	33
Procedures for Cost Reporting	33
Price base for historical and forecast data	33
Sheet 5: Enabling Services & Testing Costs – Summary	34
Sheet 5a: Meter Data Management Costs	34
Sheet 5b: Privacy & Security Costs	35
Sheet 5c: Service Management Costs	36
Sheet 5d: Testing Services Costs	37
Sheet 5e: Volume-Driven Enabling Services & Testing Costs	38
7. Specified Information – Cost Reporting – Overhead Costs (Sheets 6, 6a-b)	39
Procedures for Cost Reporting	39
Sheet 6: Overhead Costs – Summary	40
Sheet 6a: Service Delivery Overhead Costs – by Design, Build, Run function	40
Sheet 6b: Corporate Overhead Costs	41
8. Other Costs (Sheet 7)	42
Sheet 7: Other Costs	42
9. Financial Statements, Cash Balances, & Resourcing (Sheets 8, 9, 10) 43	
Sheet 8: Financial Statements	43
Sheet 9: Cash Balances	44
Sheet 10: Staff Resourcing and Costs	45
10. Specified Information – Uncertainty Mechanisms (Sheet 11)	47
Sheet 11: Uncertainty Mechanisms	47
11. Supplementary Schedules	49
Required information from Supplementary Schedules	49
Appendices	51
Index	51
Appendix 1 – General Ledger (GL Codes)	52

Executive Summary

The Smart Meter Communication Licence (the Licence)¹ requires the Licensee to submit price control reporting to the Authority.

In support of the transition from the current *ex-post* price control to the *ex-ante* price control process that the Successor Licensee will be subject to, Part A of Condition 34B² of the Licence requires³ the current Licensee⁴ to submit to the Authority the information it requires to calculate the Successor Licensee's⁵ Required Revenue.⁶

This document is the Successor Licensee's Regulatory Instructions and Guidance (SL RIGs) referred to under Part B of Licence Condition 34B. It covers the reporting of Price Control Information by the Licensee to the Authority⁷ under Condition 34B of the Licence.

This document does not replace the guidance document issued for the DCC1's ongoing *ex-post* price control process. DCC1 should instead refer to the latest edition of the current *ex-post* RIGs guidance document for the information required on its submissions for that process.⁸

¹ The Smart Meter Communication Licences granted pursuant to Sections 7AB(2) and (4) of the Electricity Act 1989 and Sections 6(1A) and (1C) of the Gas Act 1986 (such licences together referred to as 'the Licence' throughout).

² Licence Condition 34B is currently subject to consultation. See Ofgem (2025), Modifications to the Smart Meter Communication Licence for transition to ex-ante cost control [...].

<https://www.ofgem.gov.uk/consultation/modifications-smart-meter-communication-licence-transition-ex-ante-cost-control-and-other-changes-required-licence-closure>

³ This document makes several references to interim Licence Conditions currently subject to consultation, whose content (such as dates for specific regulatory milestones) and intent (such as the kinds of information requested from the Licensee) could change between the publication of the consultation accompanying this document and the publication of the finalised interim LCs. This document has been written in a manner which assumes the interim LCs have been incorporated into the Licence exactly as consulted on. The effects on this document, if any, of any changes ultimately made to these LCs will be reflected in the final version of this document.

⁴ Also referred to as "DCC1" in this document.

⁵ "Successor Licensee" is synonymous with "DCC2" in this document.

⁶ "Required Revenue" is defined by Licence Condition 34A.4. This Licence Condition is also currently subject to consultation (see footnote 2).

⁷ The Office of the Gas and Electricity Markets Authority (Ofgem) supports the Gas and Electricity Markets Authority ('the Authority') in its day-to-day work. In this document, 'us/we', 'Ofgem' and 'Authority' are often used interchangeably.

⁸ The latest version of the *ex-post* RIGs is currently subject to consultation and due for publication later in June 2025.

New Developments

This version of the RIGs is subject to significant changes to accommodate the fundamental changes to the operating structure of the Licensee coming with the handover of the Licence from DCC1 to the Successor Licensee.

Change from an annual *ex-post* price control process to an *ex-ante* multi-annual reporting process

This affects the RIGs in the following ways:

- Costs incurred in previous Regulatory Years (RY) are reported up until the final RY of the current Licence (currently RY26/27 ending on the Transfer Date).
- Costs are then forecast by the Licensee for the following three years ahead of the submission period ("Business Plan Submission Forecast")
- The Authority then determines the level of economic and efficient costs to be used to calculate the Allowed Revenue for each RY of the cost control period ("Allowance")
- The Licensee will report its incurred costs for each line item at the end of each RY ("Actual")
- The templates then calculate any differences between the allowed and incurred costs ("Performance"). Any difference between the allowed forecasts and incurred costs will be accounted for and explained by the Licensee via either of the following:
 - Cost fungibility within ringfenced budgets and flexible redeployment of resources⁹
 - Use of Contingency¹⁰
 - Use of Uncertainty Mechanisms (either Automatic Adjustments or Reopeners)¹¹

⁹ Ofgem (2025), DCC Review Phase 2: Determination of Allowed Revenue – conclusions, Chapter 3 Part B. www.ofgem.gov.uk/decision/dcc-review-phase-2-determination-allowed-revenue-conclusions

¹⁰ Ibid. Chapter 3, Part C

¹¹ Ibid. Chapter 3, Part D

External Costs: Introduction of Service Families, Service Family Groups, and ringfencing of budgets

Within the new *ex-ante* price control framework, the fungibility of the Licensee's costs vary depending on the type of cost:

- External Costs will be fungible within individual, pre-defined programmes, each with a ringfenced budget
- Resource and resource-driven Internal Costs will be fungible across programmes, allowing the Successor Licensee to flexibly redeploy its resources
- Non-resource Internal Costs (ie non-resource External Services) are only fungible within their relevant programme by default

To define the degree of fungibility for External Costs (and non-resource External Services Costs), External Service Providers (SPs) are now grouped with other SPs delivering a common functionality or service, referred to as a **Service Family (SF)**. They are designed to be sufficiently independent of each other but internally consistent and we expect clear lines of accountability for their management to exist within Smart DCC and the Successor Licensee's internal organisation.

There are currently 8 SFs detailed in the SL RIGs. These SFs are further categorised into two groups, referred to as **Service Family Groups (SFGs)**, as follows (alongside their corresponding RIGs sheet number):

- **4: Smart Energy SFG**
 - 4a: SMETS1
 - 4b: SMETS2
 - 4c: 4G and Connectivity
 - 4d: Centralised Registration Service (CRS, ie Switching)
- **5: Enabling Services & Testing SFG**
 - 5a: Meter Data Management
 - 5b: Privacy and Security
 - 5c: Service Management
 - 5d: Testing Services

The Smart Energy SFG reflects the four main types of smart metering services provided by DCC to its users. The Enabling Services & Testing SFG reflects the main types of enabling services supporting the delivery of services in the Smart Energy SFG. Each SF

contains at least one Fundamental Service Provider contract. The specific SPs in each SF is detailed in each SF's section of this document.

Internal Costs: Replacement of Cost Centres by Internal Functions and changes in General Ledger (GL) Code

To date DCC has reported on its Internal Costs via:

- Cost Centres reflecting the internal structure (teams) of the organisation
- General Ledger (GL) codes, which separated costs into the following categories:
 - Payroll (PR)
 - Non-payroll (NP)
 - Recruitment (RC)
 - Accommodation (AC)
 - External Services (ES)
 - Internal Services (IS)
 - Service Management (SM)
 - Transition (TR)
 - IT Services (IT)
 - Office Sundry (OS)

In the SL RIGs, GL codes remain, but with slight modifications:

- **“External Services” (ES) has been split into “External Services (Resource)” (ESR) and “External Services (Non-Resource)” (ESNR):** ESR costs would be fungible with other resource costs; whereas ESNR costs would be allocated to individual SF and would only be fungible within that SF's budget.
- **Internal Services (IS) has been removed:** IS currently include services provided by DCC1's shareholder (Capita). Going forward,¹² any shareholder services provided to the Successor Licensee will have to be procured on the same principles as apply for other External Service Provider contracts. As such, any shareholder services should be reported as External Services (Resource or Non-Resource).

Cost Centres have also been replaced newly defined Internal Functions. This change has been made to reflect the Licensee's current organisational structure and provide more clarity about what internal resources the Licensee requires and the function they serve. Each Internal Function's costs are split by GL code. The use of GL codes ensures that,

¹² Subject to our consultation proposal, see Ofgem (2025), DCC Review Phase 2: Objectives, operational model and future role of DCC, Chapter 3, Part C. www.ofgem.gov.uk/consultation/dcc-review-phase-2-objectives-operational-model-and-future-role-dcc

should internal organisations change in future, Internal Costs remain traceable and consistent with historic reporting.

Internal Functions are summarised on sheet 6 of the template and split into two broad categories (alongside their corresponding RIGs sheet number):

- **Service Delivery Overheads (6a):**
 - Chief Technology Officer (CTO)
 - Service Delivery
 - Operations
 - Lifecycle Management
 - Contract Management
 - Customer Experience
- **Corporate Overheads (6b):**
 - Chief Financial Officer (CFO)
 - Commercial
 - Corporate Management
 - People
 - Security & Enterprise IT
 - Strategy and Regulations
 - Licence Renewal

Service Delivery Overhead Costs reported on tab 6a are then allocated by the Licensee to their respective Enabling Services & Testing SF tabs (5a-5d). This is for information only – these Overhead Costs do not contribute to the overall budget for those SFs.

The Staff Resourcing and Costs sheet (10) has also been updated to incorporate staff reporting against these new Internal Functions.

Introduction of Uncertainty Mechanisms

There are three types of Uncertainty Mechanism (UM) used in the new cost control regime:

- Automatic Adjustment (AA) for Pass-through Costs,¹³ contractual indexation and any pre-agreed (with the Customer Challenge Group and approved by Ofgem) volume-driven costs such as
- An End-of-Year Re-opener to allow the Licensee to apply for an adjustment to the next RY's Allowed Revenue to account for changes in circumstances and assumptions from the business planning stage
- An Emergency Reopener to account for any *force majeure* type events or implementation of urgent changes where contingency funding would not be sufficient

We have published a draft Business Plan Guidance setting out the process for application of these UMs.¹⁴ The SL RIGs have been modified to account for the introduction of UMs in the following ways:

- **Automatic Adjustments (AA):** sheets 4e and 4e are for the Licensee to report any costs agreed to be subject to AA. These are then allocated information to relevant SFs but would not be part of that SF's budget to ensure that effects of volume movements are not used to unduly fund cost overruns. Our current view is that Comms Hubs Monthly Asset Charges, Comms Hub Maintenance Charges, User gateway connections and Explicit Charges could be subject to AA and reported separately. Any additional costs could be added through the business planning process and all costs would have to be approved by the Authority. The process for AA is set out in our draft Guidance.¹⁵
- **Re-openers:** an "Uncertainty Mechanism" line has been included into cost reporting tabs for each SP and each Internal Function. This is be used to insert any additional Allowed Revenue based on the Successor Licensee's application and Ofgem's approval. We have also included a summary tab 11 to capture all reopener costs.

New requirement on information to be provided via Supplementary Schedules

As part of its submission, DCC provides additional information in Supplementary Schedules (SS). We are making the SS a formal part of the SL RIGs. The information required from the Licensee in the SS is covered in its respective section of this document.

¹³ These are currently SECCo and AlthANCo charges and any payments made to the Authority

¹⁴ Ofgem (2025), Draft Business Plan Guidance. www.ofgem.gov.uk/consultation/draft-terms-reference-customer-challenge-group-and-draft-business-plan-guidance

¹⁵ Ibid., paragraphs 6.5-6.7, also 5.17-5.19.

By keeping information of a certain degree of detail in the SS, we ensure we have sufficient information to calculate the Allowed Revenue while also keeping the reporting in Main RIGs template sheets clear and consistent.

We do not mandate a set template for the SS. Instead, we allow the Licensee to report the information in a way that best reflects its internal systems, processes and reporting capabilities. However, the provided information must be complete and accurate.

New requirement on accruals-based vs cash-based reporting

Sheet 3 (Revenue Reporting) has been modified to provide a “bridge” between cash-based and accruals-based reporting by:

- Adding Financing Repayments
- Removing Programme Costs subject to Financing
- Removing Other Costs subject to Financing

We expect this data to be supported by a written explanation from the Licensee of the differences as part of any end-of-year reporting.

RIGs annexes

The current *ex-post* RIGs contain four annexes for the reporting of additional information. However, due to the changes to the price control process, the purposes of these annexes are currently either redundant or yet to be finalised:

- **Annex 1** (Quality of Service Information) and **Annex 2** (Baseline Margin Project Performance Adjustment): these are not required for the purposes of calculating the Successor Licensee’s Allowed Revenue. We will consult on their future form as part of our upcoming consultation on remuneration guidance.
- **Annex 3** (External Costs) and **Annex 4** (Centralised Registration Service): Annex 3 and 4 may be redundant as the information presented therein is now reported via the Main RIGs (via Service Family reporting) and the SS. Therefore, we do not mandate the use of Annex 3 and 4 in the Successor Licensee’s first cost control period (though we may reintroduce them in future). We may consult on a subset of information used to report on Switching performance in Annex 4 as part of our consultation on remuneration guidance.

As a consequence of the above, **no annexes are in use for the for the Successor Licensee’s first cost control submission.**

1. Introduction

Context

- 1.1 The Data Communications Company (DCC)¹⁶ is a central communications body appointed to manage communications and data transfer for smart metering. It is responsible for linking smart meters in homes and small businesses with the systems of energy suppliers, network operators and other companies. DCC develops and delivers data and communications services for smart meters through its External Service Providers.
- 1.2 The price control reporting allows us to monitor DCC's compliance with its licence obligations on price control,¹⁷ and assess the costs incurred with running DCC. The information will help us determine whether DCC incurred costs economically and efficiently, and we may disallow costs or impose special measures¹⁸ on DCC to better manage its costs if we decide this was not the case.
- 1.3 DCC operates under the Smart Meter Communication Licence which is due to expire in September 2027. We are running a programme of work to put in place a new regulatory regime ("the DCC Review") and to appoint a new holder of a Smart Meter Communication Licence ("the Successor Licensee").
- 1.4 As part of this work, we decided that the Successor Licensee shall operate on a not-for-profit (NFP) basis, and our assessment of its costs shall change from the current, annual *ex-post* process to a new, multi-annual *ex-ante* process.
- 1.5 This means that the version of the RIGs currently in use for DCC1 are unsuitable for the Successor Licensee, and new reporting templates and guidance documents are required. This document provides the Licensee with the guidance required to complete the Successor Licensee RIGs (SL RIGs).

Purposes and scope

- 1.6 In preparation for the transfer of the License from DCC1 to the Successor Licensee, the Licence has been updated with new conditions outlining the

¹⁶ DCC is the holder of the Smart Meter Communication Licence granted pursuant to Sections 7AB(2) and (4) of the Electricity Act 1989 and Sections 6(1A) and (1C) of the Gas Act 1986, and in this document may be referred to as DCC or as 'the Licensee'.

¹⁷ Chapter 9: Conditions 35 to 41 set out the price control conditions of the Licence.

¹⁸ These powers are set out in Condition 37 of the Licence.

Specified Information DCC1 must prepare in its initial *ex-ante* cost control submission. Licence Condition 34B requires DCC1 to provide the Authority with this Specified Information on or before 31 December 2025 to enable it to calculate the Successor Licensee's Required Revenue.

1.7 The purpose of this document is to provide instructions and guidance to enable DCC to provide Price Control Information in accordance with its Licence and specifically Condition 34B (which regards the SL RIGs).

1.8 This document alongside the Main RIGs reporting template provides:

- a complete statement of the Specified Information which the Licensee is required to report;
- instructions and guidance on the Authority's requirements for the systems, processes, and procedures for the recording and provision of Specified Information to the Authority;
- instructions and guidance on the standards of accuracy and reliability that are applicable to recording the Specified Information (including different classes of Specified Information);
- explanations of the meaning of words and phrases used in defining Specified Information;
- requirements for how the Specified Information must be recorded, and given to the Authority; and
- how the Authority expects to monitor and assess the Licensee's compliance with the RIGs.
- Sections 2 and 3 cover general and fixed information which is specified in the supporting regulatory reporting templates to these RIGs.
- Section 4 covers the reporting of the Smart Energy Service Family Group's External and Internal Cost information.
- Section 5 covers the reporting of the Enabling Services & Testing Service Family Group's External and Internal Cost information.
- Section 6 covers reporting Overhead Cost information.
- Section 8 covers reporting Financial Statements, cash balances, and information on resourcing.
- Section 8 provides specified Price Control Information related to reconciliations between:
- Section 9 provides information on Uncertainty Mechanism reporting.

- Section 10 provides information on the use and content of the Licensee's Supplementary Schedules.
- 1.9 This document should be read in conjunction with the Licence conditions. The terms used in the RIGs have the same meaning as is defined in the Licence, unless it is expressly stated otherwise. The RIGs will not change, alter, or amend, any definition or obligation contained within the Licence. In the event of any inconsistency between the Licence conditions and this document the Licence conditions will take precedence, except where expressly stated otherwise. Where changes or corrections need to be made to the Licence we will address these through Licence modifications.
- 1.10 If any of the guidance contained in this document is unclear, DCC should contact Ofgem for further guidance and to discuss potential changes to the RIGs and supporting reporting templates which might be required.

Guidance specific to the Licensee's first *ex-ante* Cost Control submission due 31 December 2025

- 1.11 This document is intended to provide enduring guidance to the Successor Licensee for the completion of the Main RIGs reporting template. However, due to unique aspects of the very first *ex-ante* submission of Price Control Information which the DCC1 must make by 31 December 2025, some elements of the guidance change slightly. These changes are covered in this section, and this section will be removed in the next edition of this document.

Forecasting period

- 1.12 The template has been designed for the Licensee to submit its Price Control Information for the three future Regulatory Years succeeding the year of the submission period (totalling 36 months). However, as an exception, the Licensee's first *ex-ante* price control submission will only cover an 18-month period, comprising:
- an initial c.6-month regulatory year spanning from the Transfer Date¹⁹ to 31 March 2027, referred to as RY26/27; and
 - 1 April 2027 to 31 March 2028 (ie RY27/28 or reporting year 2028).

¹⁹ Transfer Date has the meaning given to that term in LC 43.7.

- 1.13 To ensure consistency with future reporting templates, the 'Business Plan Submission Forecast', 'Allowance', 'Actual', and 'Performance' segments of sheets 2, 3, 4, 4a-e, 5, 5a-e, 6, 6a-b, 7, 8, and 11 contain three years' worth of columns. However, the Licensee is only required to provide forecasts for the first two of these columns, ie 2027 and 2028. **No data should be provided for the third columns pertaining to 2029.**

Treatment of costs for the period 1 April 2026 to 31 March 2027 (ie "RY26/27")

- 1.14 Related to the above, the Regulatory Year 2026/27 is effectively split in two by the Transfer Date and introduction of the *ex-ante* price control procedure for the Successor Licensee. Therefore, there are two distinct reporting periods both referred to as '2027' in the sheets 2, 3, 4, 4a-e, 5, 5a-e, 6, 6a-b, 7, 8, and 11:
- '2027' in the 'Historical' reporting section of sheets (column U on each sheet) refers to the period 1 April 2026 up to the day before Transfer Date. Costs incurred²⁰ by DCC1 are to be reported in this section of the sheets. These costs are not subject to the *ex-ante* price control process.
 - '2027' in the 'Business Plan Submission Forecast', 'Allowance', 'Actual' and 'Performance' sections of sheets (columns W, AA, AE, and AI respectively on each sheet) refers to the costs of the period starting on the Transfer Date and ending on 31 March 2027. These costs are subject to the *ex-ante* price control process.

Sheet name changes between *ex-post* and *ex-ante* RIGs

- 1.15 Sheet 11 from the *ex-post* Main reporting template (Staff Resourcing and Costs) is now sheet 10 following the removal of the Shared Services sheet from the reporting template.
- 1.16 Sheet 11 in this template is now the new Uncertainty Mechanisms summary sheet.

²⁰ While these costs will not have been incurred at the time of the Licensee's first *ex-ante* price control submission (due 31 December 2025), and thus the costs input in its will technically be forecasts, they are 'historical' in the sense that they relate to the operations of DCC1 subject to an *ex-post* price control, rather than those of the Successor Licensee subject to the *ex-ante* price control.

Your feedback

1.17 We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this guidance. We'd also like to get your answers to these questions:

- Do you have any comments about the overall quality of this guidance?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Any further comments?

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

2. Specified Information – General

Section summary

This section describes the first six sheets of the main reporting template. These sheets contain sign-off procedures, logs and universal data requirements for the rest of the reporting template.

Cover

- 2.1 This sheet sets out requirements, guidance and a colour-coded key for the reporting template.

Sign-off

- 2.2 The input cells on the sign-off sheet are to be completed by a director of the Licensee once all other data has been collected in the return and immediately prior to submission of the return to the Authority. The director making the declaration must have taken adequate steps to ensure they are satisfied that they are able to make the declaration shown on that tab.

Version Control

- 2.3 This logs revisions of the reporting template by the Authority. Changes are logged with date, successive version number, and a short description of the amendment.
- 2.4 If the Licensee identifies an error in the reporting template, eg a cell incorrectly linking to another cell or an incorrect formula, it must notify us of the error as soon as possible. We will subsequently confirm if there is an error and notify the Licensee. If there is adequate time before the submission deadline, we will instruct the Licensee to correct the error in the reporting template before it is submitted. We will decide whether adequate time exists based on the materiality of the error and by consulting with the Licensee.
- 2.5 Once we confirm the error, the change will be logged in the “Version Control” worksheet.

Data Change Log

- 2.6 The reporting pack requires data to be submitted for historical years. The Licensee must provide this data in the relevant schedules.
- 2.7 At each submission the Licensee may resubmit values included in previous submissions. Changes to historical values may be:
- Due to finding an error in the recording or reporting of information.
 - To take account of a direction by Ofgem to revise allowed expenditure. This ensures that the data in the RIGs is kept up to date and in line with Ofgem's price control determinations.
- 2.8 Where a previously submitted value has been changed the Licensee must notify us of this change and the reason for it by recording it in the "data change log".

Universal Data

- 2.9 **Company number:** this should be the official company registration number issued by Companies House upon incorporation of the Licensee.
- 2.10 **Company name:** this should be the official name of the company as reported on filings submitted to Companies House. In the event that the name of the company has changed during the year then the name reported in this tab should be the name as at year end, ie 31 March.
- 2.11 **Company short name:** this should be a standard abbreviation of the name of the Licensee which should be used whenever the name of the Licensee is to be abbreviated.
- 2.12 **Reporting year:** this is the most recent Regulatory Year for which data is being submitted. The Regulatory Year runs from 1 April to 31 March.²¹ The convention when naming reporting years is to use the name of the year in which the Regulatory Year ends. For example, the reporting year for the Regulatory Year which started on 1 April 2025²² and ended on 31 March 2026 is referred to as 'reporting year 2026'.

²¹ It is anticipated that where Licence grant does not coincide with the start of the Regulatory Year the first reporting period will be for a period of less than 12 months (ie to next 31 March).

²² The Licence was granted to DCC on 23 September 2013, however Licence Condition 1.4 definition of 'Regulatory Year' states that the first Regulatory Year was deemed to start on 1 April 2013.

- 2.13 **Version (Number):** where cost reporting templates have been resubmitted for any reason each submission should be separately identified by its version number. The version numbers should be successive positive integers such that the first submission is always version 1 and any subsequent resubmissions will be labelled version 2, 3, 4 etc.
- 2.14 The Authority's agreement is required before any resubmission of information set out in a report produced in accordance with these RIGs can be made, and in any such instance the report concerned must be resubmitted in full. The resubmission must be accompanied by a letter signed by a director where significant changes have been made and the Authority or the Licensee decides if such a letter is required.
- 2.15 In addition, for each resubmission a separate explanation must be provided listing each and every cell that has been amended and sufficient commentary to explain the reasons for the changes.
- 2.16 **Submitted date:** Licence Condition 32 requires that the completed cost reporting templates are submitted by 31 July following the end of the Regulatory Year to which the information relates. However, for the first *ex ante* submission, Licence Condition 34B requires the Licensee to submit this no later than 31 December 2025. This cell should specify the date on which the RIGs reporting templates are sent to the Authority.
- 2.17 **Date to which last statutory accounts were compiled:** this is the date to which accounts were prepared or are being prepared for submission to Companies House. This should be the most recent such date which fell within the reporting year. For example, if a Licensee were to prepare its statutory accounts to 31 May each year, then in the reporting year 2026 the 'Date to which last statutory accounts were compiled' ought to be 31 May 2025 (since 31 May 2026 does not fall within the reporting year 2026).

3. Specified Information – Fixed Data & Summary Data (Sheets 1&2)

Section summary

This section describes Sheet 1 and 2 of the main reporting template. These are:

- the fixed data sheet (Sheet 1) which holds data which is common across the reporting template;
- and the summary data sheet (Sheet 2) which summarises the components of the Licensee's Allowed Revenue given in the Licence, replicating the equation found in the Licence.

Sheet 1 – Fixed Data

PURPOSE: This sheet contains data that is common across worksheets.

- 3.1 **Year of licence term:** this is a successive integer numbering of the years of the Licence. The first year of the Licence is 1, the second year 2, etc.
- 3.2 **Regulatory Year:** a Regulatory Year runs from 1 April to 31 March.²³ The most recent Regulatory Year is referred to as the reporting year. The convention when naming reporting years is to use the name of the year in which the Regulatory Year ends. For example, the reporting year for the Regulatory Year which started on 1 April 2013²⁴ and ended on 31 March 2014 is referred to as 'reporting year 2014'.
- 3.3 **Average Specified Rate:** as defined in Licence Condition 35.
- 3.4 **Month – reference:** this is a successive integer numbering of the months within a reporting year. The month April is 1, May is 2, etc.
- 3.5 **Month – date:** this is the list of calendar months within a reporting year. The Regulatory Year runs from 1 April to 31 March.
- 3.6 **General Ledger (GL) Accounting Codes for Internal Costs:** these are the categories the Licensee must use for its Internal Costs wherever these costs are

²³ Where Licence grant does not coincide with the start of the Regulatory Year then the first reporting period will be for a period of less than 12 months (ie to next 31 March).

²⁴ The Licence was granted to DCC on 23 September 2013, however Licence Condition 1.4 definition of 'Regulatory Year' states that the first Regulatory Year was deemed to start on 1 April 2013.

required. Other sheets copy the GL code list from the box on this sheet to ensure consistency. This box should not be edited.

Sheet 2 – Summary Data

PURPOSE: This sheet provides a summary of the components of the Principal Formula of the Allowed Revenue.

- 3.7 This worksheet is linked to information on other worksheets of the RIGs reporting templates. No information should be entered on this worksheet.

4. Specified Information – Revenue Reporting (Sheet 3)

Section summary

This section describes the Specified Information for revenue reporting based on the current Licence. It describes the calculations performed on Sheet 3 of the main reporting template – which is primarily the Principal Formula of the Allowed Revenue.

Procedures for Regulatory Reporting

- 4.1 All revenue data should be reported on an accruals basis unless otherwise specified.
- 4.2 All monetary amounts should be reported in £m and to three decimal places.

Price base for historical and forecast data

- 4.3 The Specified Information in the revenue reporting template is designed to capture the data across multiple RYs of the Licence period. As a consequence, all previous RYs are to be completed with the outturn figures and all future RYs are to be completed with forecasts.
- 4.4 All historical expenditure should be input in nominal terms ie, in the prices of the year to which the data relates.
- 4.5 Reporting of forecast expenditure should be in the price base of the Regulatory Year t , as defined in the Licence.
- 4.6 When considering the impact of real price effects, the Licensee should reference economy-wide inflation as measured by the retail prices index (RPI). These RIGs include a supporting question for the Licensee to explain real price effects and any assumptions it has included in its forecasts.

Sheet 3 – Revenue Reporting

PURPOSE: This sheet reproduces the calculations of the Principal Formula for the Allowed Revenue.

- 4.7 This worksheet follows the Principal Formula defined in Licence Condition 36. Calculations of sub-formulae of the Principal Formula are provided for reference. Information should only be provided in the input cells.

- 4.8 **Allowed Revenue:** the term 'Allowed Revenue' and all subsequent terms used in its calculation are defined in Licence Condition 36. Allowed Revenue is defined in that Condition as:

$$AR_t = EC_t + IC_t + CRSR_t + PTC_t + BM_t + BMPA_t + ECGS_t - VASC_t + K_t$$

where each of the terms is explained below including the cross references to the relevant clauses in the Licence Conditions where the detailed terms are defined.

The Licensee should note the following with regards to how Allowed Revenue calculation is incorporated into the SL RIGs:

- This Allowed Revenue formula only applies for historic costs up to DCC1's final price control Regulatory Year RY26/27. This information is included in the SL RIGs to provide a historic frame of reference to the Successor Licensee's Required Revenue.²⁵²⁶
 - The formulas from the *ex-post* RIGs which drew the BM, BMPA, and ECGS values from sheet 6 have been replaced with cells for the Licensee to input hard-coded values for these terms. The Licensee should copy these values from the latest version of the *ex-post* RIGs as calculated there.
- 4.9 **Total Costs:** states the sum of the costs incurred and forecast by the Licensee – External Costs, Internal Costs, CRS Total Costs and Pass-Through Costs.
- 4.10 **External Costs (ECt):** shall include, for the specified Regulatory Year, the costs that were (or are expected to be) economically and efficiently incurred by the Licensee in procuring Fundamental Service Capability for that period. Within the regulatory reporting templates, External Costs in the revenue reporting worksheet are linked to other worksheets on cost reporting as detailed in Section 5. As specified in Licence Condition 36.8, External Costs for all historical years are those reported by the Licensee, except to such extent (if any) as may be otherwise directed by the Authority acting under Part B of Condition 37.

²⁵ The Licence Condition which defines the Successor Licensee's 'Required Revenue' as a formula will be specified in the future Smart Meter Communication Licence to be issued to the Successor Licensee (due for publication later in 2025) and referred to in a future edition of this guidance document.

²⁶ 'Required Revenue' is defined non-formulaically in the provisional interim Licence Condition 34A.4 as "equal to the costs likely to be incurred during the 1st SL Price Control Period to economically and efficiently carry on the Authorised Business of the Successor Licensee."

- 4.11 **Incentive payments to External Service Providers:** states the total amount of incentive payments to external service providers which is included within the External Costs.
- 4.12 **Performance related refunds from external Service Providers:** states the total amount of performance related refunds that was set off against External Costs. This amount is shown as a negative amount.
- 4.13 **Internal Costs (ICt):** shall include, for the specified Regulatory Year, the sum of costs (excluding External Costs, CRS costs and Pass-Through Costs) that were economically and efficiently incurred by the Licensee for the purposes of the provision of Mandatory Business Services under or pursuant to the Smart Energy Code (SEC). As with External Costs, Internal Costs in the revenue reporting worksheet are linked to other worksheets on cost reporting as detailed in Section 5. As specified in Licence Condition 36.8, Internal Costs for all historical years are those reported by the Licensee, except to such extent (if any) as may be otherwise directed by the Authority acting under Part B of Condition 37.
- 4.14 **Centralised Registration Service Revenue (CRSRt):** shall include, for the specified Regulatory Year, revenue for Centralised Registration Services calculated in accordance with part D of Condition 36. This should be copied from the output from Annex 4 – Centralised Registration Service Revenue.²⁷
- 4.15 **CRS Total Costs:** means the total costs incurred by the Centralised Registration Service (CRS) programme. This should be copied from the output from Annex 4.²⁸
- 4.16 **Pass-Through Costs (PTCt):** means the sum of total amounts paid (or expected to be paid) by the Licensee to the Authority in respect of its Licence fee ("Licence fee paid by the Licensee"), to AlthANCo Ltd for the purposes associated with the Alt HAN Arrangements ("Payments to Alt Han Co."), and to SECCo for purposes associated with the governance and administration of the SEC ("Payments by Licensee to SECCo Ltd – CIO assessments", "Payments by Licensee to SECCo Ltd – administrative costs").

²⁷ As calculated by the latest version of the *ex-post* RIGs from the latest edition of the Licensee's *ex-post* price control submission for historic values.

²⁸ ²⁸ As calculated by the latest version of the *ex-post* RIGs from the latest edition of the Licensee's *ex-post* price control submission for historic values.

- Any additional Pass-Through Costs, as defined in Licence Condition 36.8, which are not suitably described by the available rows should be added using the extra row provided ("Other – please specify"). If further rows are required, this extra row should be duplicated. The summation of the Pass-Through Costs should capture all additional rows.

4.17 **Value Added Services Contribution (VASC_t):** this is to be determined in accordance with Licence Condition 40.

4.18 The effect of the application of the VASC term in Licence Condition 36 is to provide, where relevant, that some part of the net benefit that arises as a result of the Licensee's provision of Value Added Services is reflected in a reduction in the price that would otherwise be payable for Mandatory Business Services.

4.19 It is determined as follows:

$$VASC_t = \sum_{all\ k} (CVAS_{k,t})$$

4.20 **CVAS_{k,t}:** means the share of the net benefit arising in Regulatory Year t from the Licensee's provision of Value Added Service k that was agreed with the Authority when it approved the provision of that service in accordance with Part D of Licence Condition 6 (Authorised Business of the Licensee). The CVAS term is an input in the revenue regulatory reporting worksheet.

4.21 **Correction factor (K_t):** for the Regulatory Year 2013/14 the Correction Factor shall have a value of 0 and in each subsequent Regulatory Year is calculated in accordance with the following formula:²⁹

$$K_t = (AR_{t-1} - RR_{t-1} - BDC_{t-1}) \times \left[1 + \frac{(ASR_t)}{100} \right] + ((AR_{t-1} - RR_{t-1} - BDC_{t-1}) \times F_t) \times \left(\frac{INT_t}{100} \right)$$

4.22 **Regulated Revenue (RR):** means in relation to each Regulatory Year the actual revenue, measured on an accruals basis, received by the Licensee through Service Charges as defined in Part B of Licence Condition 35. The RR term in the revenue reporting worksheet is linked to Sheet 8.

²⁹ The value for ASR and INT should be entered rather than as a percentage or decimal, for example 0.5% should be entered as 0.5.

- 4.23 **Bad Debt Contribution (BDC):** means the contribution to bad debt within the Licensee's Internal Costs as defined in Part G of Licence Condition 36. This is expected to be zero except where the Licensee has failed to comply fully with its obligations under or pursuant to the SEC in relation to the management of SEC Parties' credit cover and recovery of bad debt.
- 4.24 **Proportion Factor (F_t):** this is to be determined by the Authority as defined in Licence Condition 36.19 in relation to the penalty interest rate for over-recovery of revenue.
- 4.25 **Interest rate adjustment (INT_t):** this is to be determined in accordance with the provisions of Licence Condition 36.19.
- 4.26 **Commentary on the Correction Factor (K_t):** This should include commentary explaining significant components of the Correction Factor. Where appropriate the commentary should refer to, inter alia, prudent budget, performance related refunds from service provider performance, un-triggered service provider incentive payments, and interest received on cash holdings.

5. Specified Information – Cost Reporting – Smart Energy Service Family Group (Sheets 4, 4a-4e)

Section summary

This section describes the Specified Information for cost reporting. It describes the inputs required and calculations performed on sheets 4 (Smart Energy Costs – Summary) and its subsidiary sheets (4a-4e) of the main reporting template.

Procedures for Cost Reporting

- 5.1 All cost data should be reported on an accruals basis unless otherwise specified.
- 5.2 All monetary amounts should be reported in £m and to three decimal places. Where possible the data requested should be provided. Where it is not possible for any reason to provide the data in the detail required this should be explained in a commentary submitted alongside the reporting pack.
- 5.3 The template includes 'spare' rows to cater for some variation in the way business activities are accounted for (for example under different accounting treatments). The Authority welcomes the opportunity to engage with the Licensee to further develop the reporting pack in this regard.

Price base for historical and forecast data

- 5.4 The Specified Information in the cost reporting templates are designed to capture the data across multiple RYs of the Licence period. As a consequence, all previous RYs are to be completed with the outturn figures and all future RYs are to be completed with forecasts.
- 5.5 All historical expenditure should be input in nominal terms, ie in the prices of the year to which the data relates.
- 5.6 Reporting of forecast expenditure should be in the price base of the Relevant Regulatory Year as defined in the Licence. Forecasts should therefore include the expected impact of real price effects, but not the expected impact of economy-wide inflation.
- 5.7 When considering the impact of real price effects, the Licensee should reference economy-wide inflation as measured by the retail prices index (RPI). These RIGs

include a supporting question for the Licensee to explain real price effects and any assumptions it has made in its forecasts.

Sheet 4: Smart Energy Costs – Summary

PURPOSE: This sheet summarises the Costs of the Smart Energy Service Family Group.

- 5.8 This worksheet is linked to information on other worksheets (sheets 4a-4e) of the RIGs reporting templates. No information should be entered on this worksheet.
- 5.9 The Smart Energy Service Family Group (SFG) is one of two SFGs detailed in the RIGs (the other being Enabling Services & Testing). It comprises the following Service Families:
- SMETS1 (sheet 4a)
 - SMETS2 (sheet 4b)
 - 4G (sheet 4c)
 - CRS (sheet 4d)
- 5.10 Additionally, a range of volume-sensitive costs subject to Automatic Adjustment relating to these SFs is detailed on sheet 4e. These costs do not contribute to their related SF's budget.

Sheets 4a-4e: Smart Energy Service Family Costs

PURPOSE: These sheets provide the cost details of the Service Providers within each of the Smart Energy Service Families.

Procedures for Cost Reporting

- 5.11 Each of the subsidiary sheets of sheet 4a-4d follow the same two-section structure.
- 5.12 The first section comprises the Direct Costs for a given SF which contribute to its overall budget. The costs comprising this budget vary by SF and are detailed in each SF's respective section of this document. These costs are summed at the top of each sheet. This total comprises the budget for that Service Family for each reporting year.
- 5.13 The second section contains further costs relating to the SF. These costs do not contribute to the SF's overall budget – they are provided for the Authority's

information only. The costs detailed in this section vary by SF and are detailed in each SF's respective section of this document.

Sheet 4a: SMETS1 Service Family

5.14 **1. SMETS1 Costs Constituting SF Budget:** the SMETS1 Service Family comprises the following SPs:

- S1SP_1
- S1SP_2
- S1_CSP_1
- S1_CSP_2
- S1SP_3a
- S1SP_3b

As well as the other following cost areas:

- SMETS1 Programmes

5.15 The Direct Costs constituting the SMETS1 Service Family budget in section 1 of the sheet are:

- The External Costs for all Service Providers within the Service Family; and
- The non-resource External Services (ESNR) Costs relating to the Service Family's BAU operations and any additional change programmes within the Service Family.

5.16 The External Costs for each SMETS1 Service Provider are broken down as follows:

- Set-up Costs
- Operational Costs
- Licensee-led Project & Programme Costs
- SEC-led Project & Programme Costs
- Testing Costs
- Other Costs
- Performance related refunds
- Uncertainty mechanism

5.17 **2. SMETS1 Related Costs:** the Related Costs detailed in section 2 of the sheet for information are:

- [none]

These costs are for information only and do not contribute to the budget calculated in section 1 of the sheet.

Sheet 4b: SMETS2

5.18 **1. SMETS2 Costs Constituting SF Budget:** the SMETS2 Service Family comprises the following SPs:

- CSP_N
- CSP_C
- CSP_S

As well as the following cost areas:

- SMETS2 Programmes

5.19 The External Costs for each SMETS2 Service Provider are broken down in section 1 of the sheet as follows:

- Set-up Costs
- Operational Costs
- Licensee-led Project & Programme Costs
- SEC-led Project & Programme Costs
- Testing Costs
- Other Costs
- Performance related refunds
- Uncertainty mechanism

5.20 The Direct Costs constituting the SMETS2 Service Family budget in section 1 of the sheet are:

- The External Costs for all SPs within the SMETS2 SF; and
- The non-resource External Services (ESNR) Costs relating to the SF's BAU operations and any additional change programmes within the SF.

5.21 **2. SMETS2 Related Costs:** the Related Costs reported in section 2 of the sheet are:

- Comms Hub Costs for CSP_N, CSP_C, and CSP_S
- Catalogue Services for CSP_C and CSP_S

These costs are pulled from sheet 4e. They are reported here for information only and do not contribute to the budget calculated in section 1 of the sheet.

Sheet 4c: 4G

5.22 **1. 4G Costs Constituting SF Budget:** The 4G Service Family comprises the following SPs:

- 4G WAN
- 4G Device Manager
- 4G Component Integrator
- 4G Comms Hubs
- 4G Integration Assurance
- 4G Hosting

As well as the following cost areas:

- 4G Programmes

5.23 The External Costs for each 4G Service Provider are broken down as follows:

- Set-up Costs
- Operational Costs
- Licensee-led Project & Programme Costs
- SEC-led Project & Programme Costs
- Testing Costs
- Other Costs
- Performance related refunds
- Uncertainty mechanism

5.24 The Direct Costs constituting the 4G SF budget in section 1 of the sheet are:

- The External Costs for all SPs within the 4G SF; and
- The non-resource External Services (ESNR) Costs relating to the 4G SF's BAU operations and any additional change programmes within the 4G SF.

5.25 **2. 4G Related Costs:** The Related Costs reported in section 2 of the sheet are:

- 4G Comms Hub Costs
- Catalogue Services for 4G Comms Hubs

These costs are pulled from sheet 4e. They are reported here for information only and do not contribute to the budget calculated in section 1 of the sheet.

Sheet 4d: CRS Service Family

5.26 **1. CRS Costs Constituting SF Budget:** the CRS Service Family comprises the following SPs:

- AMSRS
- SMT
- CSI
- CSA
- SN

As well as the other following cost areas:

- CRS Programmes

5.27 The External Costs for each CRS SP are broken down as follows:

- Set-up Costs
- Operational Costs
- Licensee-led Project & Programme Costs
- REC-led Project & Programme Costs
- Testing Costs
- Other Costs
- Performance related refunds
- Uncertainty mechanism

5.28 The Direct Costs constituting the CRS SF budget in section 1 of the sheet are:

- The External Costs for all SPs within the CRS SF; and
- The non-resource External Services (ESNR) Costs relating to the CRS SF's BAU operations and any additional change programmes within the CRS SF.

5.29 **2. CRS Related Costs:** the Related Costs reported in section 2 of the sheet are:

- CRS Internal Operating Costs

The Licensee should detail here the Internal Operating Costs for the CRS SF, split by GL accounting code. They are reported here for the information of the Authority only and do not contribute to the CRS SF budget calculated in section 1 of the sheet, nor do they factor into any aggregated Internal Cost calculations on any summary sheets. The costs detailed here should not be subtracted from the Internal Cost reporting elsewhere in the document.

Sheet 4e: Volume-Driven Smart Energy Costs

5.30 **1. Volume-Driven Costs:** of this sheet details the costs within the Smart Energy SFG which have been agreed by the Authority to be volume-driven and thus subject to Automatic Adjustment.

5.31 Currently, this sheet contains the following costs:

- Comms Hub Costs for CSP_N, CSP_C, CSP_S, and 4G Comms Hubs
- Catalogue Services for DSP, CSP_C, CSP_S, and 4G Comms Hubs

Comms Hub Costs are further split by:

- Comms Hub Monthly Asset Charge
- Comms Hub Maintenance
- Uncertainty mechanism

Catalogue Services Costs are further split by:

- Test hubs/remote test labs
- Other Explicit charges
- Uncertainty mechanism

5.32 The sheet also contains a series of rows for additional Volume-Driven Costs for their inclusion once agreed upon between the Licensee and Authority. A column to the right of the cost rows contains boxes for the Licensee to detail which SP(s) and which SF(s) each additional Volume-Driven Cost relates to where required. Section 2 of the sheets of these SFs should be updated to cross-reference these costs once they have been added to the sheet.

5.33 **2. Comms Hub Volumes:** The Licensee should populate these rows with the total number of SMETS1 and SMETS2 Comms Hubs in operation (or forecasted to be in operation) at the end of each relevant reporting year.

5.34 The proportion of each Comms Hub generation in operation (as a percentage) will be calculated in the rows below using the figures input in the Comms Hub Volumes rows.

6. Specified Information – Cost Reporting – Enabling Services & Testing Service Family Group (Sheets 5, 5a-e)

Section summary

This section describes the Specified Information for cost reporting. It describes the inputs required and calculations performed on sheet 5 (Enabling Services & Testing Costs – Summary) and its subsidiary sheets (5a-5e) of the main reporting template.

Procedures for Cost Reporting

- 6.1 All cost data should be reported on an accruals basis unless otherwise specified.
- 6.2 All monetary amounts should be reported in £m and to three decimal places. Where possible the data requested should be provided. Where it is not possible for any reason to provide the data in the detail required this should be explained in a commentary submitted alongside the reporting pack.
- 6.3 The template includes 'spare' rows to cater for some variation in the way business activities are accounted for (for example under different accounting treatments). The Authority welcomes the opportunity to engage with the Licensee to further develop the reporting pack in this regard.

Price base for historical and forecast data

- 6.4 The Specified Information in the cost reporting templates are designed to capture the data across multiple RYs of the Licence period. As a consequence, all previous RYs are to be completed with the outturn figures and all future RYs are to be completed with forecasts.
- 6.5 All historical expenditure should be input in nominal terms, ie in the prices of the year to which the data relates.
- 6.6 Reporting of forecast expenditure should be in the price base of the Relevant Regulatory Year as defined in the Licence. Forecasts should therefore include the expected impact of real price effects, but not the expected impact of economy-wide inflation.
- 6.7 When considering the impact of real price effects, the Licensee should reference economy-wide inflation as measured by the retail prices index (RPI). These RIGs

include a supporting question for the Licensee to explain real price effects and any assumptions it has made in its forecasts.

Sheet 5: Enabling Services & Testing Costs – Summary

PURPOSE: This sheet summarises the costs of the Enabling Services & Testing Service Family Group.

- 6.8 This worksheet is linked to information on other worksheets (sheets 5a-5e) of the RIGs reporting templates. No information should be entered on this worksheet.
- 6.9 The Enabling Services & Testing (ES&T) Service Family Group comprises the following SFs:
- Meter Data Management (sheet 5a)
 - Privacy & Security (sheet 5b)
 - Service Management (sheet 5c)
 - Testing Services (sheet 5d)
- 6.10 Additionally, sheet 5e details any volume-sensitive costs relating to ES&T SFs agreed upon by the Authority. These costs do not contribute to their related SF's budget.

Sheet 5a: Meter Data Management Costs

- 6.11 **1. Meter Data Management Costs Constituting Budget:** the Meter Data Management Service Family comprises the following SPs:
- DSP_1
 - DSP_SI
 - DSP_MF
 - DSP_NW
 - DSP_DUIS
- As well as the other following cost areas:
- Meter Data Management Programmes
- 6.12 The Direct Costs constituting the Meter Data Management SF budget in section 1 of the sheet are:
- The External Costs for all SPs within the SF; and

- The non-resource External Services (ESNR) Costs relating to the SF's BAU operations and any additional change programmes within the SF.

6.13 The External Costs for each Meter Data Management SP are broken down as follows:

- Set-up Costs
- Operational Costs
- Licensee-led Project & Programme Costs
- SEC-led Project & Programme Costs
- Testing Costs
- Other Costs
- Performance related refunds
- Uncertainty mechanism

DSP_1 has an additional line to report incentive payments.

6.14 **2. Meter Data Management Related Costs:** the Related Costs reported in section 2 of the sheet are:

- Meter Data Management Internal Operating Costs

The Licensee should detail here the Internal Operating Costs for the SF, split by GL accounting code. They are reported here for the information of the Authority only and do not contribute to the SF budget calculated in section 1 of the sheet, nor do they factor into any aggregated Internal Cost calculations on any summary sheets. The costs detailed here should not be subtracted from the Internal Costs reported elsewhere in the document.

Sheet 5b: Privacy & Security Costs

6.15 **1. Privacy & Security Costs Constituting Budget:** the Privacy & Security Service Family comprises the following SPs:

- S1_DCOa
- S1_DCOb
- S1_DCOc
- ECoS Hosting and Managed Service
- ECoS Application Build/IT Solution
- PKI-E

As well as the other following cost areas:

- GBCS Programme
 - Other Privacy & Security Programmes
- 6.16 The Direct Costs constituting the Privacy & Security SF budget in section 1 of the sheet are:
- The External Costs for all SPs within the SF; and
 - The non-resource External Services (ESNR) Costs relating to the SF's BAU operations and any additional change programmes within the SF.
- 6.17 The External Costs for each Privacy & Security SP are broken down as follows:
- Set-up Costs
 - Operational Costs
 - Licensee-led Project & Programme Costs
 - SEC-led Project & Programme Costs
 - Testing Costs
 - Other Costs
 - Performance related refunds
 - Uncertainty mechanism
- 6.18 **2. Privacy & Security Related Costs:** the Related Costs reported in section 2 of the sheet are:
- Privacy & Security Internal Operating Costs

The Licensee should detail here the Internal Operating Costs for the SF, split by GL accounting code. They are reported here for the information of the Authority only and do not contribute to the SF budget calculated in section 1 of the sheet, nor do they factor into any aggregated Internal Cost calculations on any summary sheets. The costs detailed here should not be subtracted from the Internal Costs reported elsewhere in the document.

Sheet 5c: Service Management Costs

- 6.19 **1. Service Management Costs Constituting Budget:** the Service Management Service Family comprises the following SPs:
- FSM_SP
- As well as the other following cost areas:
- MHHS Programme
 - Other Service Management Programmes

- 6.20 The Direct Costs constituting the Service Management SF budget in section 1 of the sheet are:
- The External Costs for all SPs within the SF; and
 - The non-resource External Services (ESNR) Costs relating to the SF's BAU operations and any additional change programmes within the SF.
- 6.21 The External Costs for each Service Management Service Provider are broken down as follows:
- Set-up Costs
 - Operational Costs
 - Licensee-led Project & Programme Costs
 - SEC-led Project & Programme Costs
 - Testing Costs
 - Other Costs
 - Performance related refunds
 - Uncertainty mechanism
- 6.22 **2. Service Management Related Costs:** the Related Costs reported in section 2 of the sheet are:
- Service Management Internal Operating Costs

The Licensee should detail here the Internal Operating Costs for the SF, split by GL accounting code. They are reported here for the information of the Authority only and do not contribute to the SF budget calculated in section 1 of the sheet, nor do they factor into any aggregated Internal Cost calculations on any summary sheets. The costs detailed here should not be subtracted from the Internal Costs reported elsewhere in the document.

Sheet 5d: Testing Services Costs

- 6.23 **1. Testing Services Costs Constituting Budget:** The Testing Services Service Family comprises the following SPs:
- TAF
- As well as the other following cost areas:
- Testing Services Programmes
- 6.24 The Direct Costs constituting the Testing Services SF budget in section 1 of the sheet are:

- The External Costs for all SPs within the SF; and
 - The non-resource External Services (ESNR) Costs relating to the SF's BAU operations and any additional change programmes within the SF.
- 6.25 The External Costs for each Testing Services Service Provider are broken down as follows:
- Set-up Costs
 - Operational Costs
 - Licensee-led Project & Programme Costs
 - SEC-led Project & Programme Costs
 - Testing Costs
 - Other Costs
 - Performance related refunds
 - Uncertainty mechanism
- 6.26 **2. Testing Services Related Costs:** the Related Costs reported in section 2 of the sheet are:
- Testing Services Internal Operating Costs

The Licensee should detail here the Internal Operating Costs for the SF, split by GL accounting code. They are reported here for the information of the Authority only and do not contribute to the SF budget calculated in section 1 of the sheet, nor do they factor into any aggregated Internal Cost calculations on any summary sheets. The costs detailed here should not be subtracted from the Internal Costs reported elsewhere in the document.

Sheet 5e: Volume-Driven Enabling Services & Testing Costs

- 6.27 **1. Volume-Driven Costs:** of this sheet details the costs within the Enabling Services & Testing SFG which have been agreed by the Authority to be volume-driven and thus subject to Automatic Adjustment.
- 6.28 Currently, this sheet does not contain any specified costs. The sheet contains a series of rows for Volume-Driven Costs for their inclusion once agreed upon between the Licensee and Authority. A column to the right of the cost rows contains boxes for the Licensee to detail which SP(s) and which SF(s) each additional Volume-Driven Cost relates to where required. Section 2 of the sheets of these SFs should be updated to cross-reference their respective Volume-Driven Costs on 5e once they have been added to the sheet.

7. Specified Information – Cost Reporting – Overhead Costs (Sheets 6, 6a-b)

Section summary

This section describes the Specified Information for cost reporting. It describes the inputs required and calculations performed on sheet 6 (Overhead Costs) and its subsidiary sheets (6a-6b) of the main reporting template.

Procedures for Cost Reporting

- 7.1 All monetary amounts should be reported in £m and to three decimal places. Where possible the data requested should be provided. Where it is not possible for any reason to provide the data in the detail required this should be explained in a commentary submitted alongside the reporting pack.
- 7.2 The Internal Costs of all Overhead Cost functions across Sheet 6, 6a, and 6b are to be reported across the following General Ledger (GL) codes:
- Payroll Costs (PR)
 - Non-payroll Costs (NP)
 - Recruitment (RC)
 - Accommodation (AC)
 - External Services (Resource) (ESR) –
 - Only ES *resource* costs should be reported under this GL code. All *non-resource* ES costs should be reported under the ESNR GL code within the sheets for the respective Service Families to which they relate (4a-e, 5a-e)
 - This GL code now incorporates any Resource Costs which would have formerly been categorised as Internal Services (IS)
 - External Services (Non-Resource) (ESNR)
 - Any ESNR Costs which can be apportioned to a SF must instead be reported on that given SF's reporting sheet, as ESNR Costs contribute to their respective SF's budget which cannot be used elsewhere
 - This GL code now incorporates any Non-Resource Costs which would have formerly been categorised as Internal Services (IS)
 - Transition (TR)

- IT Services (IT)
- Office Sundry (OS)

7.3 The GL codes are described in Appendix 1 of this document.

Sheet 6: Overhead Costs – Summary

PURPOSE: This sheet summarises the Licensee's Overhead Costs.

7.4 This worksheet is linked to information on sheets 6a and 6b of the RIGs reporting templates. No information should be entered on this worksheet.

7.5 **1. Total Overhead Costs:** section 1 reports the Licensee's total Overhead Costs for each Internal Function. The data is pulled from sheets 6a and 6b.

7.6 **2. Total Overhead Costs by main GL accounting code:** section 2 reports the Licensee's Overhead Costs for each Internal Function split by GL code. This data is pulled from sheets 6a and 6b.

Sheet 6a: Service Delivery Overhead Costs – by Design, Build, Run function

PURPOSE: This sheet summarises the Licensee's Service-Related Overhead Costs.

7.7 **1. Summary of Overhead Costs:** this section sums the costs input in section 2 of the sheet.

7.8 **2. Service-Related Overhead Costs:** this section reports the Licensee's Internal Costs for the following Internal Functions, split by GL code:

- CTO
- Service Delivery
- Operations
- Lifecycle Management
- Contract Management
- Customer Experience

7.9 **3. Overhead Costs by main GL accounting code:** this section sums the Licensee's Service Delivery Overhead Costs by GL code. It is automatically calculated based on the values input in section 2.

Sheet 6b: Corporate Overhead Costs

PURPOSE: This sheet summarises the Licensee's Overhead Costs for its internal functions.

7.10 **1. Summary of Overhead Costs:** this section sums the costs input in section 2 of the sheet.

7.11 **2. Service-Related Overhead Costs:** this section is for the Licensee to report its Internal Costs for the following Internal Functions, split by GL code:

- CFO
- Commercial
- Corporate Management
- People
- Enterprise IT
- Strategy and Regulations
- Licence Renewal

At the bottom of this section is a row for the Licensee to input historic Shared Services Cost data for past Regulatory Years.

7.12 **3. Overhead Costs by main GL accounting code:** this section sums the Licensee's Corporate Overhead Costs by GL code. It is automatically calculated based on the values input in section 2.

8. Other Costs (Sheet 7)

Section summary

This section describes the Specified Information for cost reporting required in sheet 7 (Other Costs) of the main reporting template.

Sheet 7: Other Costs

PURPOSE: This sheet summarises the Licensee's Other Costs.

- 8.1 This sheet is for the Licensee to report any Internal and External Costs that have been agreed by the Authority to be ringfenced and separated from other Service Family or Overhead Cost budgets. This means that under- or over-spend in these areas does not factor into budget fungibility elsewhere.
- 8.2 Both the Internal Costs and External Costs reported in this sheet are factored into calculations of the Licensee's Total Internal Costs and Total External Costs on sheets 2 and 3 of the reporting template. This means that any costs reported on this sheet should be excluded from reporting on any other sheets, to avoid double-counting. For example, any Innovation Fund Internal Costs should be removed from any Internal Costs reported in sheets 6a or 6b.
- 8.3 **1. Other Costs – Total:** this section sums the costs input in sections 2 and 3 of the sheet.
- 8.4 **2. Other Internal Costs:** this section is for the Licensee to report its Other Internal Costs, split by GL code, for the specific functions agreed upon between it and the Authority. These are:
- Innovation Fund
- There are additional rows for further ringfenced cost areas for inclusion as and when agreed upon by the Authority.
- 8.5 **3. Other External Costs:** this section is for the Licensee to report its Other External Costs. Currently, no specific External Cost areas have been agreed upon by the Authority. The section contains rows for the Licensee to report on such costs in future if required.

9. Financial Statements, Cash Balances, & Resourcing (Sheets 8, 9, 10)

Section summary

This section describes the Specified Information for cost reporting required in Sheet 8, 9, and 10 of the main reporting template. These are:

- Financial statements (Sheet 8) requires the Licensee to prepare and report on financial statements – comprising the Cash-flow Statement, the Balance Sheet and Income Statement;
- Cash balances (Sheet 9) requires the Licensee to report cash balances for the current Regulatory Year and the forthcoming Regulatory Reporting Year by month;
- Staff Resourcing and Costs (Sheet 10) requires the Licensee to provide information about staff resources, grades and costs.

Sheet 8: Financial Statements

PURPOSE: This sheet requires the Licensee to prepare and report on financial statements.

- 9.1 **1. Cash-flow Statement:** all items in the Cash-flow Statement are to be reported in accordance with the Generally Accepted Accounting Principles (GAAP) shown at the top of the sheet. If there are items which the Licensee needs to report in the Cash-flow Statement which do not currently have row headings then the Licensee should inform Ofgem of this matter.
- 9.2 **2. Balance Sheet:** all items in the Balance Sheet are to be reported in accordance with the GAAP shown at the top of the sheet.
- 9.3 If there are items which the Licensee needs to report in the Balance Sheet which do not currently have row headings then the Licensee is to discuss the matter with Ofgem. Row sub-headings have been included for the Licensee to populate with the main headings of the Balance Sheet.
- 9.4 **3. Income Statement:** the headings for the Income Statement are:
- **Revenue:** should be reported in accordance with the GAAP specified at the top of the worksheet.
 - **Regulated Revenue:** should be populated as defined under the Licence condition 35 Part B.

- **Other operating income:** should be reported in accordance with the GAAP specified at the top of the worksheet.
- **Operating costs:** should be reported in accordance with the GAAP specified at the top of the worksheet. Where these figures are reported under the same headings as under the Allowed Revenue formula and Internal and External Cost sheets then the figures should agree.
- **Exceptional items:** items that the Licensee considers should be separately disclosed from other cost or profit items.
- **Interest income and similar income:** these figures should be reported in accordance with the GAAP specified at the top of the worksheet.
- **Interest expense and other finance costs:** these figures should be reported in accordance with the GAAP specified at the top of the worksheet.
- **Taxation:** these figures should be reported in accordance with the GAAP specified at the top of the worksheet
- **Other comprehensive income:** the Licensee should report here any items which are to be recognised directly in equity.

Sheet 9: Cash Balances

PURPOSE: This sheet requires the Licensee to report, on a monthly basis, cash balances for the current Regulatory Reporting Year and the forthcoming Regulatory Reporting Year.

9.5 Parts 1 and 2 of the sheet require the Licensee to:

- Populate incoming cash-flows on a monthly basis for the Regulatory Year (incoming cash) with the reported monthly totals for the Regulatory Year.
- Populate outgoing cash-flows on a monthly basis for the Regulatory Year, with the reported monthly totals for the Regulatory Year.
- Report cash balances on a monthly basis for the Regulatory Year, with the reported monthly totals for the Regulatory Year.
- Cash-flow metrics: where appropriate the Licensee should provide supplementary commentary on high or low cash balances.

9.6 Part 3 of the cash balances worksheet requires the Licensee to report qualitative information and commentary on the cash balances of the Licensee's business and its prudent budgeting assumptions.

Sheet 10: Staff Resourcing and Costs

PURPOSE: This sheet is intended to provide information about staff resources, grades and costs in the current reporting year and the two following reporting years, as well as for the previous regulatory reporting year.

9.7 This sheet requires the Licensee to report Specified Information on the resourcing of its regulated business and the associated Internal Costs. The worksheet is split into four sections:

- 1: Full-time equivalents (FTEs) resourcing by function
- 2: FTEs Resourcing by grade
- 3: average staff costs by function
- 4: average staff costs by grade

9.8 For all four sections, information should be provided for:

- the previous regulatory reporting year;
- the current regulatory reporting year;
- the regulatory reporting year one year ahead of the current regulatory reporting year; and
- the regulatory reporting year two years ahead of the current regulatory reporting year.

9.9 **1: FTEs resourcing by function:** this section requires the Licensee to provide information on FTEs. FTEs should be classified as permanent employment, temporary employment, or contractors. FTE information should be reported for each of the DCC Internal Functions in sheets 6a and 6b.

9.10 **2. FTE resourcing by grade:** this section requires the Licensee to report FTE information by the following job grades:

- Director
- Senior Manager
- Manager
- Base Grade
- Assistant

There is additional space for a spare grade if some FTEs do not fit into one of the above categories.

- 9.11 **3. Average staff costs by function:** this section requires the Licensee to report average staff costs (£s per annum – nominal) for each of the Licensee's Internal Functions.
- 9.12 **4. Average staff costs by grade:** this section requires the Licensee to report average staff costs (£s per annum – nominal) for each of the job grades used in section 2.

10. Specified Information – Uncertainty Mechanisms (Sheet 11)

Section summary

This section describes the Specified Information for cost reporting. It describes sheet 11 (Uncertainty Mechanisms) of the Main reporting template.

Sheet 11: Uncertainty Mechanisms

PURPOSE: This sheet is for the Licensee to report its adjustments to allowances following application to Ofgem in the price control period. This worksheet also reports the performance based on the difference between the DCC's in period allowance and Ofgem's final decision on the allowance.

- 10.1 This sheet provides a summary of any Uncertainty Mechanism applications across the Licensee's various Costs across the three-year cost control period.
- 10.2 Each SF's uncertainty mechanism allowance is broken down into the application year in which it was applied for (in the rows) and the forecast year for which the additional allowed Costs have been applied for (in the columns), further broken down in the following way:
- Columns H-J ('Allowance approved at price control') summarise the additional allowed Costs approved by the Authority at the start of the cost control period for the first, second, and third³⁰ year of the cost control period.
 - Columns L-N ('In-period Licensee proposed allowance') summarise the Licensee's in-period proposals for additional allowed Costs per SF period for the first, second, and third year of the cost control period.
 - Columns P-R ('Ofgem decision on amended allowance') summarise the Authority's decision on any amended allowances resulting from the Licensee's application for the first, second, and third year of the cost control period.
 - Columns T-V ('Performance') calculate the difference between the Licensee's proposed allowances and the allowances ultimately made by the Authority.

³⁰ As per the 'Guidance specific to the Licensee's first ex-ante Cost Control submission due 31 December 2025' section of this document, there is no third year for the Licensee's initial *ex-ante* price control submission due 31 December 2025.

- 10.3 The Licensee should ensure that the total additional allowances it has applied for as input on this sheet equal the allowances it has applied for as input across the rest of the SL RIGs.

11. Supplementary Schedules

Section summary

This section describes the Specified Information for cost reporting in the Supplementary Schedules. These are separate from the Main RIGs reporting template to which the rest of this guidance document relates.

Required information from Supplementary Schedules

- 11.1 The Supplementary Schedules now form a formal part of the SL RIGs. However, as before, we do not mandate a specific template or format for the information we require from them. This is to enable to Licensee to report the information in a way which best reflects its internal systems, processes, and reporting capabilities.
- 11.2 We expect the following information from the Supplementary Schedules:
- **Breakdown of External Services, split by Resource and Non-Resource**, with, for each External Service:
 - information on the provider;
 - a description of the Service provided;
 - cost of Service;
 - duration of Service (including start- and end-dates);
 - whether the Service is a new contract or an extension to an old contract; and
 - where relevant, the SF(s) which the Service's costs have been apportioned to in the RIGs.
 - **Breakdown of all roles**, with the following information per role:
 - Internal Function the role sits within;
 - SF the role sits within (if the role is one that is internally appointed to a given SF);
 - Change Programme the role sits within, *within* the given SF (as above, if applicable);
 - sub-team;
 - role ID;
 - job title;

- permanent/temporary status; and
 - % of FTE in each RY across the cost control period.
- **Breakdown of External Costs by Change Requests (CRs), Project Requests (PRs)**, further broken down by:
 - SF(s) the CR/PR relates to;
 - FSC contract(s) involved in the CR/PR;
 - CR/PR number;
 - CR/PR description; and
 - the cost of the CR/PR across each RY in the cost control period.
- **Breakdown of all contracts provided by DCC1's parent company**
- **Breakdown of all Transitional Service Agreements between the Successor Licensee and DCC1**, or its Related Undertakings, including:
 - description;
 - value; and
 - duration of each.
- **Breakdown of volume drivers** and any other information in support of proposed costs to be subject to the Automatic Adjustment mechanism, including, for each Volume-Driven Cost identified and agreed for inclusion in sheets 4e and 5e of the RIGs:
 - detail of the cost type (eg defined capacity, purchased capacity, unit cost, etc);
 - detail of relevant volume driver(s) impacting the Cost (with data, eg Comms Hub volume forecasts); and
 - detail of the SP(s) and SF(s) the cost relates to.

Appendices

Index

Appendix	Name of Appendix	Page No.
1	General Ledger (GL) Codes	52

Appendix 1 – General Ledger (GL Codes)

Title	GL Code	Description
Payroll costs	PR	Cost of salaries, day rates, overtime, bonuses, car allowances, healthcare, National Insurance, pensions and other allowances.
Non-payroll costs	NP	Cost of travel, subsistence, mobile phone and training expenses.
Recruitment	RC	Cost of procuring internal and external resources.
Accommodation	AC	All premises cost such as rent, rates, office maintenance.
External Services (Resource)	ESR	Cost of third-party resource. This includes resource which would have previously been categorised as Internal Services (ie those provided by DCC1's parent company).
External Services (Non-Resource)	ESNR	Cost of third-party non-resource services. This includes non-resource costs which would have previously been categorised as Internal Services (ie those provided by DCC1's parent company).
Service Management	SM	Cost of providing a first line service desk. This includes the Service Management System.
Transition	TR	Cost of setting up DCC and mobilising the business.
IT Services	IT	This category is where all IT costs are reflected. This includes: BIMi, Billing, Document Management, FABRIC, FTP and Networks, Hosting,

Title	GL Code	Description
		Programme and Architectures, Desktop support, Telephony and Website.
Office Sundry	OS	Costs related to the office that are small in amount and relatively rare in occurrence.