

Decision

Statutory decision on interim modifications to the SMCL (July 2027)

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We¹ consulted on proposed modifications to the Smart Meter Communication Licence to:

- Implement our conclusions on the transition to an *ex-ante* cost control arrangements
- Account for the end of the Licence as pertains to Price Control and other regulatory reporting
- Amend the Baseline Margin and External Contract Gain Share mechanisms at the end of the Licence
- Introduce a small number of housekeeping changes

This document outlines our decisions on these proposals following consideration of the responses to our consultation.

¹ The terms 'we', 'us', 'our' refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority

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Executive Summary

DCC is the central communications body licenced to provide the communications, data transfer and management required to support smart metering. It has a pivotal role in ensuring the successful rollout and ongoing operation of smart metering in the GB energy market. As a monopoly service provider, it is vital that appropriate controls are in place over its costs to ensure good quality service and value for money for its customers and energy consumers.

DCC operates under the Smart Meter Communication Licence (the “Licence”) which is due to expire in September 2027. We are running a programme of work (DCC review) to put in place a new regulatory regime under a Successor Licence and to appoint a holder of that licence (“Successor Licensee”). We have decided to modify the Licence in four areas.

Firstly, we have decided to proceed with modifications to give effect to our conclusions on the process for determination of the Successor Licensee’s Allowed Revenue – in particular to place obligations on DCC to prepare and submit a costed Business Plan to Ofgem to cover the first Price Control Period of the Successor Licensee. Our decisions remain unchanged from our statutory consultation.

Secondly, we have decided to modify the Licence dates of Price Control and other regulatory reporting in the final Regulatory Year (expected to commence on 1st April 2026) to account for the fact that Transfer Date² is unlikely to occur on the same date as a Regulatory Year ordinarily finishes (31st March). We have amended our consultation proposal in respect of non-Price Control related reporting to require DCC’s submissions within four months of the Transfer Date. Our proposal in respect of Price Control reporting three months after the Transfer date remains unchanged.

Thirdly, we have decided to make modifications to the Baseline Margin Adjustment and External Contract Gain Share mechanisms to account for the Licence Term coming to an end. Our consultation proposals remain unchanged.

Finally, we have decided to make a small number of housekeeping changes. These remain unchanged from the consultation.

We have reflected some respondents’ feedback on our proposed drafting and made various amendments to better support our policy intent, mitigate against the risk of unintended consequences and to correct inaccuracies and typographical errors.

² Transfer Date has the meaning given to that term in LC 43.7

Introduction

We consulted on Licence amendments in four areas:

- Giving effect to our conclusions on the implementation of the *ex-ante* process for determination of DCC's Allowed Revenue under the Successor Licence
- Amending the dates in respect of certain reporting requirements, including the Price Control submission, in the Licence to account for the Transfer Date
- Amending the Baseline Margin Adjustment and External Contract gain Share mechanisms
- A small number of housekeeping changes

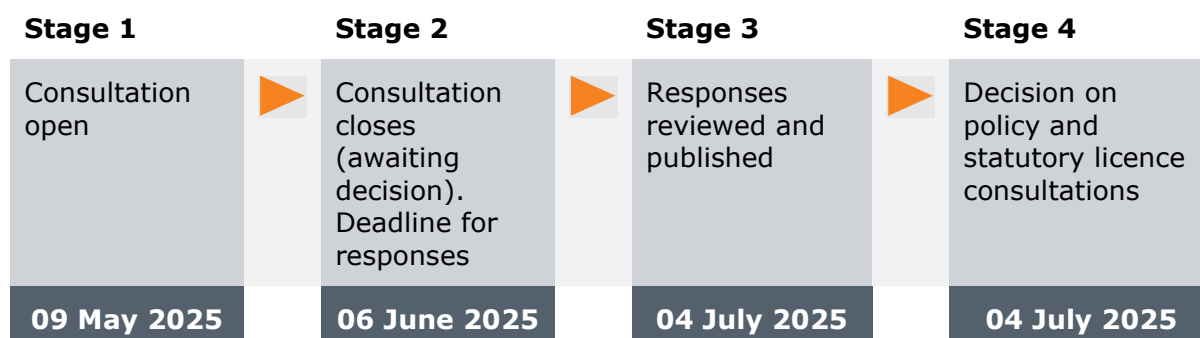
We received five responses to our consultation. We publish non-confidential responses alongside this decision.

Related publications

Document	Published	Link
Decision to extend the Term of the DCC Licence by 24 months	September 2024	www.ofgem.gov.uk/decision/decision-continuation-smart-meter-communication-licence-and-rate-shared-service-charge-and-baseline-margin
Consultation on the <i>ex-ante</i> process for determination of the Successor Licensee's Allowed Revenue	December 2024	www.ofgem.gov.uk/consultation/dcc-review-phase-2-determination-allowed-revenue
Decision on the detailed design and implementation of the <i>ex-ante</i> cost control arrangements	May 2025	www.ofgem.gov.uk/publications/dcc-review-phase-2-determination-allowed-revenue-conclusions
Consultation on draft guidance documents to help DCC prepare the first Business Plan and <i>ex-ante</i> cost control submission	May 2025	www.ofgem.gov.uk/publications/draft-terms-reference-customer-challenge-group-and-draft-business-plan-guidance
Consultation on draft Successor Licensee Regulatory Instructions and Guidance	June 2025	www.ofgem.gov.uk/consultation/draft-regulatory-instructions-and-guidance-successor-licensee
The DCC Licence	-	www.ofgem.gov.uk/licences-and-licence-conditions

Our decision-making process

The figure below sets out the timeline that we expect to follow. This timeline allows the Licence changes to be in force by end-August 2025.



General feedback

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

1. Do you have any comments about the overall quality of this document?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Are its conclusions balanced?
5. Did it make reasoned recommendations?
6. Any further comments

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

1. Implementation of the first *ex-ante* Business Plan

Section summary

We proposed modifications to give effect to our conclusions on the process for determination of the Successor Licensee's Allowed Revenue – in particular to place obligations on DCC to prepare and submit a costed Business Plan to Ofgem to cover the first Price Control Period of the Successor Licensee. We consulted on the Licence modifications alone. We have decided to proceed with our proposals.

- 1.1 We proposed to introduce two new Licence Conditions 34A and 34B to underpin our policy conclusions reached in our May 2025 decision on the process for determination of the Successor Licensee's Allowed Revenue; specifically:
- That the first *ex-ante* cost control period under the Successor Licence (the First Price Control Period of the Successor Licensee) will commence on Transfer Date³ and will last until 31st March 2028
 - That the current Licensee will be responsible for preparing and submitting to Ofgem a costed business plan on the basis of which Ofgem will calculate and set the Allowed Revenue for the Successor Licensee in the First Price Control Period
 - That DCC will have to engage with a Customer Challenge Group (CCG) for at least 4 months prior to the Business Plan and cost submission to Ofgem, and seek its views on the draft Business Plan
 - That the CCG will be established under the Smart Energy Code (SEC)
- 1.2 There was a general agreement amongst respondents with the proposed changes to reflect our policy decisions in the transitional period. One respondent specifically welcomed the introduction of LCs 34A and 34B to support the implementation of the first *ex-ante* cost control.
- 1.3 A couple of respondents commented on the interaction of these new obligations with the proposed Terms of Reference (ToR) for a Customer Challenge Group (CCG) and, especially, Business Plan Guidance (BPG).⁴ They asserted that these

³ We will formally set the Transfer Date using powers under LC 43 Part B. We expect to designate the Transfer Date in summer 2025. Our current best assumption is that the Transfer Date will occur before or in November 2026

⁴ Ofgem (2025), Draft Terms of Reference for Customer Challenge Group and draft Business Plan Guidance. www.ofgem.gov.uk/consultation/draft-terms-reference-customer-challenge-group-and-draft-business-plan-guidance

documents should be provided in advance of the new obligations being introduced to allow DCC the time to prepare a draft Business Plan for consultation with the CCG.

- 1.4 We welcome the general support from respondents and we confirm that will proceed with the introduction of LCs 34A and 34B into the SMCL. We present the responses pertaining to the drafting of those two conditions, as well as our conclusions, separately in Chapter 4.
- 1.5 We note the concern raised about the timing of the guidance documents. Our consultation on the draft ToR for the CCG and the BPG closed on 7th June 2025 and we expect to publish the final version of both documents in July 2025 in advance of the deadline for DCC's submission of the draft BP to the CCG on 29th August 2025.

2.Price Control and other regulatory reporting in the final Regulatory Year

Section summary

We have decided to modify the Licence dates of Price Control and other regulatory reporting in the final Regulatory Year (expected to commence on 1st April 2026) to account for the fact that Transfer Date⁵ is unlikely to occur on the same date as a Regulatory Year ordinarily finishes (31st March). We have amended our consultation proposal in respect of non-Price Control related reporting to require DCC's submissions within four months of the Transfer Date. Our proposal in respect of Price Control reporting three months after the Transfer date remains unchanged.

Questions posed at consultation:

Question 1: Do you agree with our proposals to modify Licence deadlines for regulatory submissions in the Licence after 31st July 2026?

Background

- 2.1 We proposed several Licence changes to account for the fact that the Business Transfer date is unlikely to coincide with the regular end-date of a Regulatory Year (31st March).
- 2.2 Firstly, we propose to amend the obligation on DCC to submit the Price Control Information for the final RY (lasting from April 2026 up to the Transfer Date) from 31st July to a date which is no later than 3 months following the Transfer Date. We explained that this change was needed to ensure that the final Price Control can be concluded by the expiry of the Licence Term in September 2027. The impacted Licence Conditions were: 32.4(b) and 37.3.
- 2.3 As part of this we proposed to modify the definition of a "Regulatory Year" (hereafter "RY") such that the final RY ends with the Transfer Date, instead of 31st March.
- 2.4 Secondly, we proposed to make the same modification in respect of a number of other reporting requirements which fall on 31st July in each RY, *ie* require DCC to make its final submissions no later than three months following the Transfer Date. The impacted Licence Conditions were: 7.4, 30.10(c), 30.13, 30.14(b), 34.3, 36.20, and Appendix 1, A5(a) and (c), of Condition 39. We proposed to

⁵ Transfer Date has the meaning given to that term in LC 43.7

exempt Conditions 14.2, 24.14(b) and 25.7, which we instead proposed to disapply using power of direction under LC43.24 once no longer required.

Overview of responses

- 2.5 Most respondents agreed that deadlines in the Licence for regulatory submissions require modifications to account for the Transfer Date. One respondent welcomed a pragmatic approach to regulatory reporting in the final RY.
- 2.6 Three respondents agree with our proposal to require the regulatory submissions within three months of the Transfer Date. One noted that aligning reporting deadlines to fall within three months of the Transfer Date was a pragmatic and proportionate approach, given that the final Regulatory Year is likely be shorter and therefore less administratively intensive.
- 2.7 DCC recommended that the deadline for the submission of regulatory reporting and price control be extended to 4 months after the Transfer Date to allow sufficient time for internal governance, reviews, sign-offs and audits to conclude. DCC noted that its third party auditor contracts are based on expected completion of activities within a four-month period. DCC argued that a change to make the period one month shorter would require new commercial agreements at potentially higher cost as the auditors would require more resource. Similarly, DCC suggested that if the price control information was required within 3 months, then it should be simplified, eg by increasing materiality threshold for variances to be justified or reducing the scope of assessment by removing some elements of spend.
- 2.8 DCC also commented on the interdependencies between RY25/26 and 26/27 submissions. For example it noted that if Ofgem only issues its final decision on RY25/26 in February 2027, then the decision on forecasts for 26/27 will not be available in time for the RY26/27 Price Control submission.
- 2.9 Two respondents commented on and agreed with the proposed disapplication of LC14.2 (Development Plan) after 31st July 2025 on account of the *ex-ante* Business Plan submission to be produced in 2025.
- 2.10 However, one respondent expressed concerns about a potential disapplication of LC24.14(b) (Availability of Resources) and LC25.7 (Undertaking by Ultimate Controller). They argued that these requirements mitigate risks that will not disappear because the Licence is coming to an end. They suggested amendments to:

- LC24.14(b) to require the final provision of relevant certificates within three months of the Transfer Date (as opposed to on 31st July 2026)
 - Appendix 1 and 2 to LC 24 to ensure that Certificates of financial resources and operational resources are valid until at minimum the Transfer Date
- 2.11 In relation to LC25.7 (provision of the annual schedule of undertakings), they suggested that any disapplication after 31st July 2026 should not remove the requirement on the Licensee under LC25.2 to obtain such undertakings even after 31st July 2026.

Our decision

- 2.12 We welcome the support from stakeholders for our policy rationale and we confirm that we will proceed with modifications to the Licence to align reporting requirements in respect of Price Control and other regulatory reporting to the Transfer Date in the final RY.
- 2.13 We accept DCC’s argument about the timing of regulatory reporting where third party independent auditors are contracted to complete requisite work in four months following the end of each RY. Consequently, we have decided to amend our consultation position and will require the following submissions no later than four months following the Transfer Date:
- LC 7.4 (Provision of corporate governance statement)
 - LC 30.10(c) (Delivery of Regulatory accounts and auditor’s report)
 - LC 30.13 (Agreed Upon Procedures for the Appropriate Auditor)
 - LC 30.14(b) (Publication of Regulatory Accounts)
- 2.14 However, we have decided to maintain our proposal to require Price Control and other related reporting within three months of the Transfer Date. This includes the reporting requirements under the following Conditions:
- LC 32.4(b) (Licensee’s obligations in respect of reporting [of Price Control Information])
 - LC 34.3 (Provision of Annual Service Report)
 - LC 36.20 (Over-recovery of Allowed Revenue)
 - LC 37.3 (Submission of annual report on cost performance)
 - LC 39 App.1: A5(a),(c) (Adjustment mechanism for the ECGS term: submission of a notice proposing Relevant Adjustment)

2.15 We maintain that it is proportionate to require DCC to submit the Price Control Information and associated reporting (including the Annual Service Report, explanation for over-recovery of Allowed Revenue and Baseline Margin and External Contract Gain Share applications) within three months of the Transfer Date:

- Requiring a submission within three months post-Transfer Date will help ensure that there is sufficient time for the Price Control review, including a consultation, to conclude before the end of the Licence Term in September 2027
- The final ex-post price control is expected to cover a period of less than 12 months,⁶ which should reduce the amount of information provided – for example, the number of contract variations to be justified can be expected to be less than in a full 12-month period.
- In addition, DCC will not be submitting any forecast costs in the final Price Control, which will further reducing the amount of information reported.
- We would further observe that, following the Transfer Date, the responsibility for carrying out the Authorised Business will transfer to the Successor Licensee; this means that DCC will be able to focus fully on preparing its Price Control submission.

2.16 We nonetheless expect the final submission to contain appropriate justifications in line with our Price Control Processes and Procedures Guidance and disagree that the quality of the submission should be compromised.⁷ As per established process, DCC will also have opportunity to engage and provide further information through the consultation period.

2.17 We note DCC’s concerns about the interdependencies between the penultimate and final Price Control cycles. We will engage further with DCC to find a pragmatic way forward for reporting of variances in the final submission. However, in respect of forecast cost reporting, we would note that the issue DCC highlights is partly a feature of existing arrangements, regardless of the changes we are making to administer the final Price Control. As DCC submits the Price Control Information only at the end of July of the RY following the end of the RY it is

⁶ Our current best estimate is that the Transfer Date will occur on or before November 2026. This means that the final Price Control would only cover the period of seven months.

⁷ Ofgem (2022), DCC Price Control Guidance: Processes and Procedures 2022. www.ofgem.gov.uk/publications/dcc-price-control-guidance-processes-and-procedures-2022

reporting on, the “forecast costs” for the forthcoming year are already being incurred by DCC.⁸

- 2.18 We note one respondent’s suggestions in respect of LC24. As per Appendices 1 and 2,⁹ the certificates in relation to financial resources and operational resources are forward looking, covering a period of “12 months from the date of [each relevant] certificate”. This means that certificates submitted on 31st July 2026 will be expected to provide assurance for the entirety of RY26/27, regardless of when the Transfer Date occurs. We will consider whether to disapply the requirement to report again on 31st July 2027 once a Transfer Date has been designated and has either occurred or is likely to occur as designated. However, we do not consider a modification to this LC is required.
- 2.19 With respect to LC25, we would observe that this Condition places a general obligation (under Part A) on the Licensee to procure undertakings and a separate obligation (under Part D) to provide on or before 31st July in each RY an annual schedule of undertakings to the Authority. Having regard to the Transfer Date, we will consider whether to disapply Part D of LC25 after 31st July 2026, which would require the provision of an annual schedule of undertakings by 31st July 2027 (which may no longer be required). However, in any case, we agree with the respondent that the general obligation on the Licensee to procure the undertakings under Part A would continue to apply and we may require evidence of these undertakings at any point during the Handover Process using our powers under LC29.

⁸ For illustration, in July 2024 DCC submitted its Price Control reporting for RY23/24. In it DCC provided forecast costs for RY24/25; however, in practice these costs were already being incurred by DCC for 4 months. By the time we published our decision on RY23/24 (including determination of forecast cost for 24/25), only one month remained of RY24/25. We therefore do not consider this to be a practical issue

⁹ LC 24 Appendix 1 (Certification of Financial Resources), Appendix 2 (Certification of Operational Resources)

3. Baseline Margin (BM) and External Contract Gainshare (ECGS)

Section summary

We have decided to make modifications to the Baseline Margin Adjustment and External Contract Gain Share mechanisms to account for the Licence Term coming to an end. Our consultation proposals remain unchanged.

Questions posed at consultation:

Question 2: What are your views on our proposals to amend the Baseline Margin Adjustment and External Contract Gain Share Mechanisms in the remainder of the Licence Term?

Background

- 3.1 DCC will be able to earn BM and ECGS until the end of the current Licence on 22 September 2027; after that, the Successor Licensee will operate under a new Licence framework, which will be not-for-profit, meaning the financial incentive for the parent company will be removed.
- 3.2 We proposed changes to the current Licence arrangements to ensure that:
- DCC is able to serve a Notice to the Authority for proposing a Relevant Adjustment to the BM term for the final RY 2026/27. To facilitate this, we propose that DCC can do this within a period of three months beginning with the Transfer Date.
 - The Authority is able to determine all Relevant Adjustments that DCC proposes to the BM term (including for the final RY 2026/27) before the expiry of the Licence on 22 September 2027
- 3.3 We explained that failure to implement these changes would prevent DCC from earning the BM that it is permitted to (including any relevant adjustments it wishes to apply for), under the existing Licence, until the end of the Licence term.

Overview of responses

- 3.4 Respondents agreed with our policy rationale, that changes will be required to facilitate the policy objectives and that the proposal was practical and proportionate to allow the Licensee to make use of the Baseline Margin Adjustment (BMA) and ECGS mechanisms through to the end of the Licence term.
- 3.5 DCC agreed with the policy intent but suggested that Ofgem extend the proposed period available to DCC to make the BMA and ECGS application to four months

following the Transfer Date. DCC argued that this would be consistent with current practice and allow for evidence-gathering, analysis and internal governance processes to conclude.

Our decision

- 3.6 We welcome stakeholder support to our proposals. We confirm our policy position to make relevant amendments to the Licence to account for the BMA and ECGS applications in the final RY.
- 3.7 We note DCC's suggestion to extend the period for BM and ECGS application to four months post-Transfer Date. However, as per our decision above (paragraph 2.15), we maintain that the Price Control submission, including the BMA and ECGS applications, should be submitted within three months of the Transfer Date to ensure that there is sufficient time to conclude the final Price Control before the Licence expiry. Given the expected shorter period covered by the final Price Control reporting, we maintain that a three month period is appropriate.
- 3.8 We address respondents' comments which specifically relate to our draft modifications in Chapter 4.

4. Proposed Licence changes

Section summary

We proposed a number of modifications to the Licence:

- Giving effect to our conclusions on the implementation of the *ex-ante* process for determination of the Successor Licensee’s Allowed Revenue in the First Cost Control Cycle
- Amending the dates in respect of certain reporting requirements, including the Price Control submission, in the Licence to account for the Transfer Date
- Amending the Baseline Margin Adjustment and External Contract Gain Share mechanisms
- Making a small number of housekeeping changes

We have reflected some of respondents’ feedback in our proposed drafting and made various amendments to better support our policy intent, mitigate against the risk of unintended consequences and to correct inaccuracies and typographical errors.

Questions posed at consultation:

Question 3: What are your views on the proposed Licence modifications? How well do they support our policy intent across the consulted areas? Do you have any views on the proposed housekeeping changes?

Proposed Licence Condition 34A

4.1 One respondent suggested that LC **34A.10(b)** should contain “the Authority’s proposed Transfer Date” or simply “the Transfer Date, instead of “the Authority’s best estimate of the Transfer Date” to provide a more accurate view for the purposes of the first Business Plan.

- **Our view:** The Authority has the power to bring a Handover Period into force and, in doing so, specify the Transfer Date.¹⁰ As this has not yet happened, for the purposes of LC 34A.10(b) we consider the Authority’s “best estimate” to be sufficient to allow DCC to prepare a draft Business Plan, which may be revised once a Transfer Date has been specified. We would note that under LC 43.8 the Authority may withdraw or amend a notification relating to the Transfer date at any time if it considers it appropriate. As a matter of principle, we would expect the Business Plan to reflect the most up to date estimate provided in the BPG, or, where a Transfer has been specified, the

¹⁰ LC 43.7

date given in notification under LC 43.7. We provided our current best estimate of the Transfer Date in the draft BPG published on 9th May 2025.¹¹

- 4.2 One respondent suggested that provision in LC **34A.11(a)** be moved to LC **34.10** on account of 34A.11(a) referring to “the format in which the Business Plan Report *must* be presented” whereas LC 34A.11 sets out what provisions the Business Plan Guidance *may* contain.
- **Our view:** LC 34A.10 prescribes the mandatory content of the BPG (what Ofgem *must* include in its BPG); LC 34A.11 sets out additional non-mandatory content which Ofgem *may* include at its discretion. The formulation of LC 34A.11 does not present a logical contradiction as the obligation it creates is placed on DCC, not Ofgem. In other words, Ofgem *may* (but is not obligated to) include in the BPG a description of the format in which the BP *must* be presented [by DCC]; however, this obligation only applies if Ofgem chooses to include such a description into the BPG. We therefore maintain our drafting proposal.
- 4.3 A couple of respondents commented on the fact that the proposed LC **34A.12** requires DCC to consult with the SEC Panel instead of the CCG, although the CCG is proposed to be operationally independent to the SEC Panel.¹² One of the respondents asked for revised drafting to reflect the roles of CCG under the SEC.
- **Our view:** As explained in our consultation, the CCG has not yet been established under the SEC. We expect that, in practice, the SEC Panel will delegate this function to the CCG to be constituted as its sub-committee; however, even then the CCG will not be legally separate from the SEC Panel and so it is appropriate for the Licence to refer to the Panel. We clarify the roles of the CCG and the Panel in the Terms of Reference the draft of which we published on 9th May.¹³
- 4.4 A few respondents also noted that LC **34A.12(a)** contains a typographical error and the word “our” should be replaced by the word “or”.
- **Our view:** We thank respondents who had noted this error, which has been corrected in the revised text of this Licence Condition.

¹¹ Ofgem (2025), Draft Business Plan Guidance. www.ofgem.gov.uk/consultation/draft-terms-reference-customer-challenge-group-and-draft-business-plan-guidance

¹² Ofgem (2025), DCC Review Phase 2: Determination of Allowed Revenue – conclusions, chapter 5. www.ofgem.gov.uk/decision/dcc-review-phase-2-determination-allowed-revenue-conclusions

¹³ Ofgem (2025), Draft Terms of Reference for Customer Challenge Group. www.ofgem.gov.uk/consultation/draft-terms-reference-customer-challenge-group-and-draft-business-plan-guidance

4.5 One respondent suggested that the words “in good faith” should be removed from LC **34A.12(c)** arguing that the formulation is a vague construct and is not used in other Conditions of the Licence.

- **Our view:** In general we would expect all consultations to follow principles set out in the government’s guidance on best practice.¹⁴ This includes ensuring that consultations are informative, part of a wider engagement, targeted, taking account of the groups being consulted, among others. We may consider introducing these principles directly into the Successor Licence. In the meantime, we consider it appropriate to set a clear requirement that DCC’s consultation on the draft Business Plan be conducted in good faith, that is in a meaningful and collaborative manner, including presenting complete information clearly and consistently, not purposely withholding information or obscuring facts and responding to clarification questions in a timely manner.

4.6 A couple of respondents noted that LC **34A.14** appears to incorrectly refer to paragraph[34A].12 instead of paragraph [34A].13. One respondent also suggested that the words “in writing” be inserted between the words “given” and “under paragraph [13] into LC 34A.14.

- **Our view:** We have made corresponding amendments in the final text of this Condition.

4.7 One respondent noted that LC **34A.15** defines “Authorised Business of the Successor Licensee” by reference to paragraph 34A.9(a) instead of 34A.10(a) and that the definition of “Mandatory Content” refers to paragraph 34A.9(c) instead of 34A.10(c).

- **Our view:** We have made corresponding amendments in the final text of this Condition.

Proposed Licence Condition 34B

4.8 One respondent suggested that references in LC **34B.7(b)** and **(g)** to “provision” and “form” respectively could be insufficient to provide certainty on interpretation of Price Control Information submission. They suggested that Ofgem should prescribe a reporting template as per LC 34B.4.

- **Our view:** We consider that the proposed Licence Conditions remain logically consistent. LC 34B.4 specifies that the Price Control Information must be provided in accordance with the Regulatory Instructions and Guidance (RIGs)

¹⁴ Cabinet Office (2018), Consultation principles: guidance.
www.gov.uk/government/publications/consultation-principles-guidance

issued [to the Licensee] by the Authority under Part B of the Condition. LC 34B.7 in Part B then sets out the matters for which Ofgem make may provisions in the RIGs. Once those provisions are made, they are binding on the Licensee as per LC 34B.4. In line with the requirements imposed by LC 34B.6 we are currently consulting on the RIGs templates and guidance to provide the Licensee with a clear set of requirements for its Price Control submission.¹⁵

Definition of “Regulatory Year” (Amendment to LC 1.4)

4.9 One respondent suggested that the final RY should end on the day before the Transfer Date. This would be consistent with the proposed LC 34A.15 which defines the start of the “1st SL Price Control Period” as “the period beginning with the Transfer Date and ending with 31 March 2028.”

- **Our view:** We agree with this proposal and we have made a corresponding amendment in the definition of Regulatory Year in LC 1.4.

4.10 One respondent noted that the proposed definition of “Regulatory Year” may have unintended consequences if the Transfer Date does not occur in the expected timeframe (within RY26/27). They argued that if Handover Period is in force by 1st April 2026 but the Transfer Date occurs after 31st March 2027 then Regulatory Year 26/27 would be defined under the proposed LC 1.4(b) as a period longer than 12 months. Similarly, if the Transfer Date happened later, the various submission deadlines (3-4 months after the Transfer date) would also slip, in the extreme, after the end of the Additional Term. Another respondent noted a similar risk with reference to LCs,¹⁶ where reference is made to RY26/27 with the assumption that that RY26/27 will be the final RY.

- **Our view:** We agree with the respondents that the proposed definition may have unintended consequences should the Transfer Date occur after 31st March 2027. We have therefore decided to amend the definition of “Regulatory Year” in LC 1.4 with reference to “Transfer Date” such that where the Transfer Date falls within the period of twelve months beginning with 1st April, the RY commences that 1st April and ends with the day immediately before the Transfer Date. We have further defined this RY as the “Final Regulatory Year” in LC 1.4 and made consequential amendments in relevant Licence Conditions where the reference was previously made to RY26/27.

¹⁵ Ofgem (2025), Draft Regulatory Instructions and Guidance (Successor Licensee).

www.ofgem.gov.uk/consultation/draft-regulatory-instructions-and-guidance-successor-licensee

¹⁶ 7.4A, 30.10(c), 30.13A, 30.14(b), 32.4(b), 34.3A, 36.20A

Other/general comments

- 4.11 One respondent suggested that across all new or amended LCs, paragraph references should restate the Licence Condition number, rather than just the paragraph number. For illustration, reference in LC 34B.5 should read “the duty in paragraph 34B.3” rather than “the duty in paragraph 3”. They argued that this would make the drafting on new LCs consistent with the remainder of the Licence.
- **Our view:** We have decided to make amendments to align the new drafting to that used consistently across other Licence Conditions.

Housekeeping changes

- 4.12 Stakeholders have supported our proposed housekeeping changes although one respondent noted that a reference to the housekeeping changes should be made in section 1 of the Notice of statutory consultation.
- **Our view:** We have included this reference into the Notice for completeness.

Notice of statutory consultation

- 4.13 We have also received some comments on inaccuracies in the draft Notice; specifically that:
- There is a typographical error in the Notice where LC 36.20A refers to a “Regulatory Iear”, instead of “Regulatory Year”
 - There is a typographical error in the Notice where LC 34B.3 refers to 30 December 2025, instead of 31 December 2025
- 4.14 We have corrected these issues and reflected in the Notice all other changes outlined above.

Appendix 1 – Changes to the Licence following this Decision

The Licence document published alongside this Decision on our website sets out the changes to the Licence as detailed in this decision.