

Ofgem decision to approve SECMP308: Out of Region Communications Hubs

Decision:	The Authority ¹ determines that this modification ² should be made ³
Target audience:	Data and Communications Company (DCC), Smart Energy Code Panel, Parties to the SEC and other interested parties
Date of publication:	03 December 2025
Implementation date:	04 December 2025

Background

Smart Meters operate on the Smart Meter Wide Area Network (SMWAN), this network is separated into regions dependent on the technology used. These are the North region which utilises Long Range Radio (LRR), Central and South (C&S) utilising 2G/3G cellular infrastructure and 4G which covers all of GB. The Smart Energy Code (SEC) requires that dependant on the region identified in the SMWAN coverage checker provided by the Data Communications Company (DCC) the correct variant of Communications Hub (CH) should be utilised. These CHs form part of the smart meter system installed in a consumer's premises and allow the transmission of smart meter data from the consumers property to

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) support GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

² 'Change' and 'modification' are used interchangeably in this document.

³ This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989 and by section 38A of the Gas Act 1986.

the supplier. This is set out under Smart Energy Code (SEC) requirements (Appendix H, I and AD)⁴.

At present some SEC parties have installed and are operating CH outside their permitted regions, where Communication Service Providers (CSPs) are not contractually obliged to provide service. This issue has become more significant due to an increase in Out of Region (OOR) 2G CHs being installed in the North region, which led to requests for formal agreements to ensure continued service provision.

Without such agreements in place, connectivity to the SMWAN for affected OOR CHs is scheduled to be removed on 1 January 2026. This would impact around 46,000 consumers at current levels, including over 16,000 consumers on prepayment and more than 21,000 on the Priority Services Register (PSR), with an estimated 9,000 affected on both prepayment and the PSR. The loss of connectivity could prevent prepayment consumers from topping up their devices remotely, posing a risk of disconnection, particularly during the winter period.

The modification proposal

The proposal was raised the Data Communications Company on 17 November 2025 and was granted urgency⁵ by Ofgem on 19 November 2025.

The solution for MP308 establishes a formal mechanism to maintain connectivity for CHs operating outside their permitted regions, specifically those impacted by the upcoming removal of service. Under this solution, contractual agreements will be put in place between DCC and the C&S service provider to ensure the continued provision of service for already installed CHs in the North region safeguarding access to the SMWAN for affected CHs.

⁴ Smart Energy Code [Appendix H](#), [Appendix I](#) and [Appendix AD](#)

⁵ [MP308 'Out of Region Communications Hubs' urgency decision](#)

The new charging mechanism introduced by this modification will charge suppliers for the OOR CHs where they are in that supplier's portfolio. These charges will apply until the service ends on 1 June 2026. The modification also includes a maximum charge of £500 per OOR CH. However, if the removal of OOR CH replacements moves at pace and the costs per remaining OOR CH exceeds the maximum charge then any additional cost over this will move to DCC fixed charges which are socialised across all suppliers and network providers.

The overall cost of this service is £250,000 per month split across all OOR CHs. As CHs are removed the cost per CH will continue to trend upwards until it reaches the maximum explicit charge of £500 per CH.

SEC Change Board⁶ recommendation

At the SEC Change Board meeting on 28 November 2025, a majority of the Change Board considered that MP308 would better facilitate the SEC Objectives A and C. The Change Board therefore recommended its approval. Two members abstained and one member choose to reject the proposal. The member who rejected the modification cited they felt they had insufficient time to fully digest the proposal given the short consultation period. The Chair recognised this, however, explained that this modification was moving at pace to ensure that a solution could be implemented ahead of the planned switch off on 1 January 2026.

Our decision

We have considered the issues raised by the proposal and the Change Report dated 28 November 2025, including responses to the consultation. We have also considered and

⁶ The SEC Panel and Change Board are established and constituted pursuant to and in accordance with DCC Licence 22.26(a).

taken account of the votes of the SEC Change Board on the proposal which is attached to the Change Report. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the SEC Objectives⁷
- directing that the change is approved furthers the Authority's principal objective and aligns with our statutory duties⁸

Reasons for our decision

We consider this modification proposal will better facilitate SEC Objectives A, B, and C and has a neutral impact on the other applicable Objectives.

a) facilitate the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers' premises within Great Britain

Some respondents to the consultation argued that MP308 better facilitates relevant objective (a) because it is likely to ensure the OOR CHs and smart metering systems will continue to function past 1 January 2026. They highlight that without the modification, approximately 46,000 OOR communication hubs would lose SMWAN connectivity, leaving consumers (many of whom are on the PSR or use prepayment

⁷ The Objectives in accordance with DCC Licence 22.10-22.17

⁸ The Authority's statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Gas Act 1986 and Electricity Act 1989 as amended.

meters) without essential smart functionality. By extending the service, suppliers can maintain remote top-up capabilities, accurate billing, and outage alerts for network providers. This continuity helps to avoid the disruption of the loss of smart functionality, which is particularly important during the winter months.

However, some respondents believe that there are likely to still be a small number of consumers where an LRR or 4G CH solution may not be possible and risks resulting in a consumer having a non-operational smart meter following the removal of the OOR CH. While we accept this may be a risk and are of the view that every consumer should be eligible for smart metering. It is up to suppliers and industry to work together to reach resolutions for these consumers to ensure they can continue to benefit from smart metering once the OOR CH is removed.

One respondent stated they believed that this modification would have a negative impact on relevant objective (a). They link this to the reason for OOR CH installs being the lack of SMWAN coverage in the North region.

We agree with the majority of respondents that this modification will better facilitate relevant objective (a) by ensuring that an agreement is in place to support these OOR CHs. This should help to prevent detriment for affected consumers, including those on the PSR and prepayment consumers. While this is not a permanent solution it provides suppliers with suitable time to ensure they can replace as many OOR CHs as possible before 1 June 2026. We recognise that suppliers have the option to remotely decommission these meters and CHs which would also resolve the OOR installation. However, we expect suppliers to act in the interest of consumers who will benefit from operational smart meters when deciding the appropriate solution for OOR CHs.

b) enable the Licensee to comply at all times with the General Objectives of the Licensee, and to efficiently discharge the other obligations imposed upon it by this Licence

One response to the consultation believed that this modification would better facilitate relevant objective (b) by allowing DCC to enter a contract with the service provider to ensure connectivity and smart services were maintained for consumers in the immediate term.

We agree with the respondent that this modification will better facilitate relevant objective (b) by ensuring that the DCC can continue to provide SMWAN connectivity for these OOR CHs following 1 January 2026 by establishing a contact with the service provider.

c) facilitate Energy Consumers' management of their use of Energy through the provision to them of appropriate information by means of Smart Metering Systems

Respondents to the consultation believe that this modification better supports objective (c) because without the modification the affected consumers will lose connectivity, forcing suppliers to resort to manual interventions such as site visits, and meter replacements under emergency conditions to ensure consumers remain on supply. They also acknowledge without this it would prevent consumers for being able to benefit from the smart functionality of their meter. Respondents believe that by extending SMWAN connectivity this should enable suppliers to manage the transition to the correct CH variants in a planned and co-ordinated manner and avoiding unnecessary strain on field resources while maintaining service for consumers. We agree with respondents that this modification this modification will likely ensure there is sufficient time for them to complete replacements of these CHs ahead of the 1 June 2026 deadline. We are also in agreement that the extension of SMWAN coverage for

these consumers will ensure a better journey and minimise disruption while suppliers take corrective action.

Several respondents to the consultation raised significant concerns about the fairness of the charging arrangements, particularly in relation to OOR CHs that have been acquired as a result of consumer switching. There were also issues highlighted with regards to the socialisation of costs, especially if the maximum explicit charge per communications hub does not sufficiently cover the monthly cost of providing the service. Additionally, multiple responses expressed apprehension that the costs proposed by the service provider were excessive and could potentially serve as a penalty for suppliers attempting to deliver a functional smart metering solution for consumers.

Suppliers have continued to install OOR CHs in the North region over several months, even after the service provider requested in June that this activity should cease. At that point, the DCC consulted⁹ on an option to fund 100,000 OOR CHs in the North region at a cost of £3 million per year socialised across all parties. The alternative presented was for any new installations to be disconnected immediately from 16 August 2025 going forward, with all existing CHs to be disconnected from 1 January 2026. The majority of respondents¹⁰ to the DCC's consultation rejected the terms for 100,000 CHs. In contrast, modification proposal MP308 puts forward the same cost but a monthly cost agreement for a period of five months as opposed to the annual cost of £3m in DCCs consultation. The previous arrangement suggested by DCC would have resulted in costs being socialised across all suppliers, including those who had not undertaken any OOR installations. Whereas MP308 would only charge the supplier for each CH in their portfolio. We believe that this is a more proportionate response to the issue of

⁹ [DCC Consultation on Out of Region Comms Hubs](#)

¹⁰ [Conclusion to DCC consultation on out-of-Region Communications Hubs](#)

charging as it ensures that the costs are attributed more fairly, and they may incentivise suppliers to act quickly to resolve OOR CH.

We acknowledge that no party welcomes increased costs beyond those already being recovered. However, the situation has arisen due to actions taken by suppliers who continued installations in contravention of the SEC requirements. DCC's consultation decision indicates that, following the offer from service provider to either have OOR CHs funded or to cease installations, suppliers proceeded to install an additional 9,000 OOR CHs during the consultation period and have had several months to take action to avoid consumers being impacted by this deadline.

It is important we recognise that these installations were made to support consumers who may not have been able to access the benefits of smart metering, including prepayment consumers and those needing RTS meter replacements. While suppliers are strongly encouraged to take all reasonable steps to ensure the benefits of smart metering reach all consumers, they must also remain compliant with both licence and code obligations. Where there is a risk that a consumer may be left with a non-operational smart meter, suppliers should continue to engage with DCC and the wider industry to work towards a solution.

Suppliers who did not install or complete their replacements would not be subject to the charges, including the maximum explicit charge of £500 per meter. The responsibility remains with suppliers to determine the necessary actions and pace required to avoid these charges. Concerns were also raised about the socialisation of costs if all OOR CHs are removed before the end of the five-month period. The development of the modification, with the inclusion of the maximum explicit charge of £500 per OOR CH, is likely to avoid this. However, there is a possibility that if replacement activity moves at pace the need to socialise costs may be realised sooner.

Some parties were averse to the socialisation of costs in particular suppliers who did not install OOR CHs and Distribution Network Operators (DNO). We understand the concerns of these parties but for DNOs in particular, we note that they also raised concerns should the OOR CHs be disconnected on 1 January they could lose access to Power Outage Alerts (POA) and network health data. These OOR CHs have brought benefit for these parties where otherwise they may not have had access to this information. Taking the above in to account we believe that although not ideal the socialisation of these costs, if necessary, can be justified by the benefits that consumers and industry will have realised.

For the reasons set out above we consider the MP308 will better facilitate the relevant (c) objectives.

Principal Objective & Duties

We are of the view that if not implemented a significant number of consumers with OOR CHs installed are likely to face detriment if these are disconnected on 1 January 2026. Particularly prepayment consumers, who will lose the ability to remotely top-up their meter and lose access to remote support such as easy to provide additional support credit from suppliers. While consumers can add credit to their meter locally consumers on the PSR may find this particularly challenging. This issue is likely to significantly impact consumers if it were to materialise in the winter and over the new year period which could place increased demand on suppliers when their resource may not be at full capacity. Therefore, to ensure that these consumers retain the benefit of smart metering and ensure no interruption to their supply, we consider that implementation of this modification furthers our principal objective and aligns with our statutory duties.¹¹

¹¹ See *ibid* 8.

Decision notice

In accordance with standard licence condition 23 of the Smart Meter Communication licence, the Authority hereby determines that modification proposal SECMP308: Out of Region Communications Hub be made.

Michael Walls

Head of Smart Metering and Retail Market Operations

Signed on behalf of the Authority and authorised for that purpose