

Consultation

Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

Publication date:	03 August 2026
Response deadline:	31 August 2026
Contact:	Jakub Komarek
Team:	DCC Oversight and Regulatory Review
Telephone:	020 7901 7000
Email:	dccregulation@ofgem.gov.uk

The Regulatory Licensee Regulatory Instructions and Guidance (RIGs) provide the basis on which the Licensee must report the Price Control Information as required under Condition 23 (Price Control Information) of the Smart Meter Communication Licence 2026 (the Licence). This document contains detailed instructions on what to report and offers guidance on how to complete the reporting templates.

© Crown copyright 2026

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.

Consultation Data Communications Company: Regulatory Instructions and Guidance:
Amendments for the second Price Control Period

Contents

Executive Summary.....	3
1. Introduction.....	5
Consultation stages	6
How to respond	6
Your response, data, and confidentiality.....	6
Send us your feedback	8
2. Proposed changes to the RIGs	9
Introduction of new ‘change costs’ tabs for Smart Energy Service and Enabling Service & Testing Service Family Groups	9
Introduction for a new Annex 1 for reporting of communications hub Volume-Driven Costs	11
Fixing a formula for ESNR cost allocated to Service Families	12
Updating the definition of ESR and ESNR costs	12
Removal of obsolete General Ledger codes	13
Removal of Transitional Service Agreements from the Guidance	14
Improvement to cost visibility of costs eligible for Automatic Adjustment	14
Update to the headers and templates in preparation for the second ex-ante price control period	14
New requirement on information to be provided via Supplementary Schedules.....	15
3. RIGs Annexes.....	17
Summary of changes to the RIGs templates	19

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

Executive Summary

The Data Communication Company,¹ the Licensee, is the licensed monopoly provider of communications and data services that underpin smart metering in Great Britain. The Smart Meter Communication Licence ([the Licence](#)) requires the Licensee to submit Price Control Information to the Authority ahead of each Price Control Period.

In accordance with Part A, Condition 23 of the Licence, the Licensee must provide detailed Price Control Information to the Authority in accordance with the Regulatory Instructions and Guidance (RIGs) issued by the Authority in accordance with Part B of that Licence Condition. The RIGs provide a structured reporting framework that sets out how DCC must present cost, revenue and operational data to Ofgem, in a consistent and standard format, to support the determination and monitoring of Required Revenue (ReqR) over the relevant Price Control Period.

Following our assessment of the Licensee's Price Control submission for the first *ex-ante* (forward-looking) Price Control Period, we are now proposing to update the [current RIGs guidance](#) and the accompanying MS Excel template, in which DCC must report its costs, ahead of the second Price Control Period, including targeted improvements in some areas.

Broadly, our proposed changes fall into three categories:

- **Structural changes to improve transparency and flexibility:** These include the introduction of cost of change reporting tabs for the Service Family Groups and related Uncertainty Mechanism tabs within the RIGs MS Excel reporting template, and the introduction of a new Annex 1, which we propose to introduce for the reporting of communications hubs volume-driven costs and associated unit rates.
- **Clarifications, corrections and quality-of-life improvements:** These include refinements to definitions to the External Service Resource and Non-resource General Ledger (GL) codes within the RIGs guidance, as well as a correction of formula issues, improved reporting visibility, and removal of obsolete GL account codes within the MS Excel template.
- **Updates required for the next Price Control Period:** These changes update the templates and RIGs guidance for the new reporting period and ensure consistency between the RIGs, Business Plan Guidance and supporting reporting requirements.

Proposed changes beyond general updates are intended to improve transparency in reporting of DCC's costs, particularly around the cost of change and volume-driven

¹ DCC2 Ltd, a wholly owned subsidiary of Smart Energy Code Company (SECCo) Ltd.

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period costs, and streamline certain aspects of reporting, while preserving the underlying ex-ante cost control framework.

We are looking for views on the proposed changes. This consultation will remain open until 31 August 2026.

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

1. Introduction

- 1.1 The Data Communications Company is responsible under the Smart Meter Communication Licence (“Licence”) for establishing and operating a secure national communications network for smart metering in Great Britain. Following a competitive licence award process, DCC2 Ltd, a wholly owned subsidiary of SEC Co Ltd, became the Licensee on 14 April 2026.
- 1.2 In May 2025, Ofgem [published its decision](#) to introduce a fully *ex-ante* price control framework, under which DCC’s Required Revenue is determined upfront on the basis of a costed Business Plan and accompanying Price Control Information.
- 1.3 To support the implementation of this framework, Ofgem subsequently published the [first version of the RIGs](#)² comprising both the reporting templates and associated guidance that DCC must use when submitting Price Control Information.
- 1.4 We are now consulting an updated version of the RIGs under Part B, Condition 23 of the Licence, ahead of the due submission of Price Control Information for the second Price Control Period.
- 1.5 The proposed amendments are informed by our assessment of DCC’s first *ex-ante* Business Plan submission and are intended to improve transparency, consistency and usability of the RIGs while maintaining the underlying *ex-ante* framework.

² In accordance with Part B of Condition 34B of the [Previous Licence](#).

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

Consultation stages

Stage 1 Consultation open: 03 August 2026

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 31 August 2026

Stage 3 Responses reviewed and published: expected September 2026

Stage 4 Consultation outcome (decision): expected October 2026

How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

We will publish non-confidential responses on our website.

Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period
will evaluate each response on its own merits without undermining your right to confidentiality.

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

Consultation questions

- Q1. Do you agree with our proposal to introduce separate sheets for the reporting of costs of change in the Main RIGs reporting template? Do you have any views on the design of the new sheets and the associated guidance? Please provide reasons for your response.
- Q2. Do you agree with our proposal to introduce a new Annex 1 for reporting of communications hubs financing and volume costs? Do you have any views on the design of the new Annex and the associated guidance? Please provide reasons for your response
- Q3. Do you have any comments on our other proposed changes and updates to the RIGs templates and associated guidance?
- Q4. Do you have any other comments on the reporting templates and guidance text?

Send us your feedback

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

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

2. Proposed changes to the RIGs

2.1 Below we set out further details on individual proposed changes with our rationale.

Introduction of new ‘change costs’ tabs for Smart Energy Service and Enabling Service & Testing Service Family Groups

Relevant RIGs tabs: tab 4f, 5f

2.2 During our analysis of DCC’s Business Plan and Price Control Information submission for the first Price Control Period (November 2026 to March 2028), we identified challenges associated with the reporting and assessment of external costs and the change associated with them. Within external costs, DCC reported different types of change costs alongside their contracted costs for providing their fundamental services. These are new change programmes (changes outside of the existing services provided) and changes to the **existing** service provider contracts (In-life change). Our challenges associated with the reporting of change were that;

- Change programmes were difficult to separate from the rest of the service family costs.
- DCC’s forecasting of In-life change occurred at a Service Family level, rather than at contract-level.

2.3 As part of our update of the RIGs for the second Price Control Period, we propose to introduce new tabs 4f and 5f (and their respective Uncertainty Mechanism tabs UM(4f) and UM(5f)), for the Smart Energy Service Families and the Enabling Service & Testing Service Families respectively, to allow DCC to report change costs centrally, which can then be allocated to the relevant Service Families.

2.4 Within these new tabs 4f and 5f, we are proposing to include two sections:

- New Programmes, meaning the costs of setting up and operating new Mandatory Business services, which are to be procured during the Price Control Period, but not yet provided under a signed Fundamental Service Provider Contract at the time of the Price Control submission
- In-life change, which are the costs of changes expected to be made to existing Fundamental Service Capability contracts during the Price Control Period

2.5 DCC will be asked to assign each new Programme and In-life change cost group to a relevant Service Family. The costs will subsequently total (provided there are multiple programmes within a Service Family) and flow into the total for each

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

Service Family, outlined as ‘change costs’ underneath the ongoing run costs for each Service Family.

- 2.6 Within the New Programme section, we propose that DCC provide the forecast set-up costs and expected operational costs for each new programme. This will improve the transparency around DCC’s existing Service Family costs as well as allow us to analyse the programmes individually.
- 2.7 Within the In-life change section, we propose that DCC provides a breakdown by Licensee (DCC) led and code governance (SEC/REC)-led project & programme costs per Service Family. This is different to the existing template (without the proposed tab 5f), where DCC provides these costs for each Service Provider within each Service Family.
- 2.8 Whilst we are proposing to aggregate the costs within the main RIGs template, we are not proposing to reduce the Licence and Business Plan Guidance requirements on DCC to demonstrate that all proposed costs are both likely to be incurred and will be incurred economically and efficiently. As such, we expect DCC to still provide the individual SEC-led and Licensee-led project & programme costs per contract, as well as the details for any relevant Project Request and Change Requests (“PRs/CRs”) within the Supplementary Schedules, alongside the main RIGs template, to demonstrate its “bottom-up” calculation.
- 2.9 We consider that the introduction of these proposed changes will bring the following improvements:
 - It will allow us to more effectively see and analyse DCC’s costs for large-scale programmes
 - It will improve the visibility of DCC’s ongoing operational costs for existing contracts
 - It will provide us with more flexibility to exercise powers power under Part B, Condition 24 of the Licence to ringfence parts of the Required Revenue for specific purposes by more easily separating distinct parts of DCC’s Revenue.
 - It will improve our ability to monitor DCC’s compliance with directions issued under Condition 24 of the Licence, including on the ringfencing of Required Revenue.

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

Introduction for a new Annex 1 for reporting of communications hub

Volume-Driven Costs

Relevant RIGs tabs: 4e and Annex 1

- 2.10 During our analysis of DCC's first Price Control submission, we found challenges in assessing Volume-Driven Costs. Volume-Driven Costs are a function of a unit price (set through DCC's External Service Provider Contracts) and a Driver (an independent variable outside DCC's direct control). Specifically, DCC's initial quantitative submission did not allow us to clearly discern the relationship between DCC's forecast volumes and individual unit costs (in particular for communications hubs costs), and therefore the associated Drivers. If a Driver is approved, DCC must adjust the Required Revenue in accordance with any instructions given by the Authority in its approval under Part C, Licence Condition 24, referred to as "Automatic Adjustment". It is therefore important that where DCC proposes costs to be treated as "volume-driven" and subject to the Automatic Adjustment mechanism, that we have clear visibility of the relationship between the cost forecast, unit prices and Drivers.
- 2.11 To improve transparency around the Volume-Driven Costs, we are proposing to introduce a standardised reporting template in Annex 1 for the largest element of Volume-Driven Costs, the communications hubs costs. In DCC's submission for the first Price Control Period, these accounted for c.66% of the total proposed Volume-Driven Costs. The introduction of Annex 1 is intended to better enable DCC to demonstrate the relationship between communications hub volumes, unit rates, and forecast costs, supporting our assessment of volume-driven costs and associated Drivers under the ex-ante framework.
- 2.12 We are also proposing amendments to section 11 of the RIGs guidance to clarify the requirements on the reporting of information for all Volume-Driven Costs, including requesting a complete list of proposed Drivers and their relationship with the forecasts and unit prices; however, for information not specific to communications hub costs, we are proposing to maintain it at DCC's discretion at what format it will present this information to us.
- 2.13 These requirements would be read alongside the relevant forecasting, cost justification and volume-driver requirements set out in Section 3 (Mandatory Contents of the Business Plan) and Section 5 (Cost Assessment) of the Business Plan Guidance, provided alongside the RIGs guidance.
- 2.14 These changes do not materially alter the financing reporting templates, although consequential updates may be made in future, if necessary to maintain consistency across the RIGs reporting framework.

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

2.15 We consider the introduction of this proposed annex would improve transparency around DCC's cost per unit, increasing the efficiency of analysis of DCC's costs, therefore assisting both DCC and Ofgem during the analysis phase of the price control process.

Fixing a formula for ESNR cost allocated to Service Families

Relevant RIGs tabs: 2 and 3

2.16 During our review of the RIGs following the first ex-ante price control assessment, we identified an error in the treatment of External Services (non-resource) (ESNR) costs allocated to Service Families, which were being accounted for within External Costs.

2.17 Under Condition 24 of the Licence, External Costs are defined as costs economically and efficiently incurred in procuring *Fundamental Service Capability* (FSC), and the cost of any services that are not procured as FSC should be classified as Internal Costs, and including within that, ESNR costs. The existing RIGs formula incorrectly assigned some ESNR costs allocated to Service Families as External Costs for reporting purposes.

2.18 We therefore propose to correct the relevant formulae within the RIGs to ensure that ESNR costs are aggregated and reported consistently as Internal Costs in line with the Licence definitions and the Required Revenue model.

2.19 This amendment is intended solely to correct a formula error and improve consistency of reporting. It does not change the underlying cost classifications, the regulatory treatment of ESNR costs, the reporting requirements applicable to Service Families, or any ringfenced Service Family budgets. ESNR costs will continue to be allocated to and reported against the relevant Service Families as required under the RIGs.

Updating the definition of ESR and ESNR costs

2.20 The RIGs require DCC to report Internal Costs by General Ledger (GL) code. The GL codes distinguish between "External Services (resource)" (ESR) and "External Service (non-resource)" (ESNR); however, in practice, the RIGs did not provide clear guidance for DCC to distinguish between the two.

2.21 We therefore propose to update the definitions within the RIGs as follows:

- ESR means "cost of third-party resource services, e.g. legal or consultancy support, utilised to assist the Licensee in the delivery of its core service. This includes resource costs which would have previously been categorised as Internal Services"

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

- ESNR means “cost of third-party non-resource services (non-Fundamental Relevant Service Capability) commissioned to produce specific, defined deliverables/outputs. This includes non-resource costs which would have previously been categorised as Internal Services”

2.22 Our proposal expands the definitions to differentiate between the two in a clearer way, where ESNR produce a defined deliverable rather than assisting DCC with existing services. The expectation remains that, where possible, ESNR costs should be allocated to individual Service Family budgets.

Removal of obsolete General Ledger codes

Relevant RIGs tabs: tab 4a, 5a, 6a and 6b

2.23 Following feedback from DCC and our review of the first ex-ante price control submission, we propose to remove GL accounts that are no longer actively used and are not expected to be required for future Price Control Periods. Retaining unused GL accounts increases the complexity of the RIGs and may create ambiguity regarding the reporting requirements

2.24 The accounts proposed for removal are:

- External Costs: Incentive payments (tabs 4b and 5a)
- External Costs: Performance Related Refunds (all tabs)
- Internal Costs: Transition Costs (tabs 6a and 6b)

2.25 Incentive Payments were primarily used in the early years of the DCC arrangements to record payments associated with delivery incentives for legacy service providers. These arrangements are no longer relevant to the current operating model and DCC has confirmed that these ledger accounts are not expected to be used during future Price Control Periods.

2.26 Performance Related Refunds are proposed for removal because supplier compensation arising from service provider underperformance is now reflected through the existing service-credit arrangements and associated cost reporting. The removal of this ledger account does not alter DCC's ability to recover or account for service provider underperformance where relevant.

2.27 Transition Costs were originally introduced to capture costs associated with the establishment and transition to the DCC1 operating model. These costs are no longer applicable. Costs associated with the DCC2 licence transition and ongoing licence activities can be reported through the existing Internal Cost reporting categories and therefore do not require a dedicated GL account.

2.28 Removing these GL accounts will simplify the reporting template, reduce the volume of unused reporting lines and improve the overall usability of the RIGs.

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

Removal of Transitional Service Agreements from the Guidance

2.29 The second ex-ante price control period for DCC will take place from April 2028, more than 12 months after the First Transfer Date from DCC1 to DCC2.

2.30 As set out in Part B, Condition 5 of the Licence, DCC must withdraw from all Transitional Services Agreements (TSAs) within 12 months of the First Transfer Date; no TSAs are therefore expected to be reported in the second Price Control Period; consequently, we propose to remove these from the guidance.

Improvement to cost visibility of costs eligible for Automatic Adjustment

Relevant Main RIGs sheets: 4e and 5e

2.31 During the first ex-ante assessment, identifying costs associated with Automatic Adjustment required inefficient cross-referral to multiple sections within the RIGs and the Business Plan.

2.32 We therefore propose to introduce conditional formatting within tabs 4e and 5e of the MS Excel RIGs template to clearly highlight costs associated which are eligible for Automatic Adjustment. Where a cost line is designated as subject to Automatic Adjustment, the corresponding header will be automatically highlighted.

2.33 This is a presentational change and does not alter the methodology used to forecast, classify, or calculate costs. The purpose is to provide greater visibility of costs that may result in adjustments to Required Revenue.

2.34 This improvement visibility will:

- Improve transparency of costs associated with approved Drivers
- Make it easier to distinguish between costs that are volume-driven that not subject to automatic adjustment vs costs that are
- Reduce risk of misclassification of costs subject to Automatic Adjustment

Update to the headers and templates in preparation for the second ex-ante price control period

Relevant RIGs Tabs: all

2.35 In preparation for the second ex-ante Price Control Period we are proposing to update the relevant regulatory year headers throughout the RIGs template for historical costs to become 2025 to 2028, and the new reporting period to become 2029 to 2031 throughout.

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

New requirement on information to be provided via Supplementary Schedules

- 2.36 As part of the price control submission, DCC provides additional information in the form of Supplementary Schedules. In addition to the existing information DCC is currently required to include, we are proposing a number of additions.
- 2.37 Firstly, version 1 of the RIGs omitted a requirement on DCC to provide a breakdown of IT services. We sought this additional information during the analysis stage of the first Price Control cycle. We consider this information to be critical for our ability to assess DCC's proposed Internal Costs and therefore propose to include the requirement in the Supplementary Schedules. The proposed requirements on DCC, outlined within the RIGs guidance, in respect of IT services mirror the existing requirements already in place for External Services, including information around the provider, the service provided, its cost and contract duration. We consider it proportionate to leave it to DCC's discretion to provide this information in a template of its choosing.
- 2.38 Following on from our proposal in paragraph 3.4 to introduce new tabs for the reporting of costs of change in the Main RIGs template, we are proposing to aggregate the reporting of In-life change within the main RIGs template to a Service Family level, from a service provider level. However, to allow us to assess the proposed costs of change, we consider it important to maintain the visibility of DCC's assumptions and the bottom-up calculations. We are therefore proposing to include the requirement on In-life change cost breakdown in the Supplementary Schedules, asking DCC to provide a split of In-life change costs by "Licensee-led" and "code (SEC/REC) change-led" project and programme costs per service provider. This breakdown will be supported by (the existing requirement) on DCC to provide a list of actual and forecasted PRs and CRs. We consider it proportionate to allow DCC to present this information in a format of its choosing, so long as the information is completed.
- 2.39 Thirdly, we propose to refine the requirements in the Supplementary Schedules on DCC to provide additional information for each cost proposed to be subject to Automatic Adjustment. During our analysis of DCC's first ex-ante Price Control submission, this information had to be requested via additional clarification questions to allow us to make a full assessment of the costs and the proposed Drivers. The information requirements we propose to include:
- A list of Drivers affecting the proposed costs and a demonstration of the relationship between the Drivers and the forecasted expenditure
 - Volume assumptions and forecasts

Consultation Data Communications Company: Regulatory Instructions and Guidance:
Amendments for the second Price Control Period

- Unit-cost information
- Details of contractual arrangements that affect the relationship between volumes and costs, such as minimum volume commitments, capacity thresholds, overage charges or other non-linear pricing mechanisms

2.40 For communications hubs costs this information is presented via Annex 1.

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

3. RIGs Annexes

- 3.1 The current RIGs guidance utilises two quantitative elements to outline costs outlined within DCC's business plan, the MS Excel RIGs template which outlines all costs within the business plan, and the Supplementary Schedules which prescribes additional reporting requirements but did not include standardised templates.
- 3.2 In our assessment of DCC's first ex-ante Business Plan and Price Control Information submission, we identified that whilst communications hub expenditure was forecast using volume assumptions, the supporting volume and unit-cost information was not presented in a standardised and transparent format. While the existing Business Plan Guidance does include guidance on the submission of supporting evidence for Volume-Driven Costs (Section 3 and Section 5 of the Business Plan Guidance), but there was still a lack of transparency in the information reported by DCC.
- 3.3 To improve transparency, we propose to introduce a dedicated Annex 1, which will act as a dedicated reporting template for communications hub costs, establishing a consistent reporting mechanism for the supporting volume and unit-cost information used to support these. We sought information from DCC when developing the proposed Annex 1. Under our proposal, the second version of the RIGs will consist of the main RIGs templates, updated to reflect the requirements of the next Price Control Period, updated Supplementary Schedule requirements and a new MS Excel based Annex 1, which introduces a standardised reporting template and associated requirements for communications hub volume-driven costs.
- 3.4 Annex 1, if implemented, will bring together in a single location the key information used to calculate forecast communications hub expenditure, including forecast volumes, associated unit-cost assumptions, maintenance charges, financing costs and the resulting expenditure calculations. Under this proposal, communications hub volume forecasts currently reported in Sheet 4e of the Main RIGs would be transferred to Annex 1 and reported alongside the corresponding unit-cost information.
- 3.5 Supporting evidence and explanations for all Volume-Driven Costs will continue to be provided through the Supplementary Schedules and the Business Plan in accordance with the requirements of the Business Plan Guidance.

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

3.6 The proposed Annex 1 is intended to:

- Improve transparency of communications hub cost forecasts by requiring both volume and unit-price information, therefore showing the relationship between forecast volumes, unit rates and forecast costs
- Support the assessment of volume-driven costs under Part A, Condition 24 of the Licence and Drivers under Part C, Condition 24 of the Licence.
- Improve consistency between Business Plan submissions, Supplementary Schedules and the RIGs
- Improve traceability of forecast assumptions
- Reduce the need for post-submission clarification and information requests.

3.7 While Annex 1 is intended to improve transparency over reporting of communication hubs and their relevant financing costs, we recognise that there are limitations to the extent the underlying financial arrangement can be reported within a regulatory reporting template. In particular, the asset charges reported through the RIGs are not driven solely by Communications Hub order volumes in the relevant reporting period. Instead, they reflect financing costs associated with Communications Hubs financed under a range of historic and current financing arrangements, which may differ from the volume of Communications Hubs ordered in a particular year. As a result, Annex 1 does not seek to replicate DCC's underlying Communications Hub financing model.

3.8 Therefore, we consider it important that, alongside Annex 1, DCC should provide a narrative explanation for the relationship between the volume of Communications Hubs ordered and the volume of Communications Hubs financed, and therefore the resulting asset charges reported through the RIGs, to demonstrate how financed Communications Hub volumes give rise to the Communications Hub asset charges reported in Tab 4e. This is intended to provide transparency over the principal volume drivers of Communications Hub asset costs whilst avoiding the need to reproduce DCC's detailed financing model within Annex 1. We will separately consider whether an update to the Business Plan Guidance is necessary.

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

Summary of changes to the RIGs templates

The table below provides a summary of the changes to the Main RIGs template. Where relevant, these changes have been highlighted in the draft template published alongside this consultation.

No.	Change to the RIGs	Affected RIGs Tab(s)	Proposed Change
1	Updated regulatory years for the second price control	all	Amend all headings to reflect the new historic periods (2025 to 2028), and the new price control periods (2029 to 2031)
2	Updated the references to reflect the DCC2 licence	2,3	Amended references to the licence to reflect the updated DCC2 licence from 'successor licence'
3	Correction of a formula for ESNR costs reported in SFs	2	Amend the RIGs so that External Services Non-Resource (ESNR) costs are reported within the Internal Cost category, consistent with the Licence definitions and Required Revenue model.
4	Inclusion of 'unallocated change cost' line items	2	Include a line item for any unallocated change cost for each service family.
4	Inclusion of total 'change costs' per service family	4, 4a, 4b, 4c, 4d, 4e, 5, 5a, 5b, 5c, 5d, 5e	Included a line totalling the cost of change within each service family tab, as well as the total change costs for calculations tabs 4 and 5.
5	Improved visibility of costs subject to Automatic Adjustment	4e, 5e	Introduce conditional formatting to automatically highlight cost lines where Automatic Adjustment (AA) applies. To help identify costs associated with approved Drivers under Licence Condition 24 Part C.
6	Relocation of communications hub volume reporting	4e, Annex 1	Remove communications hub volume reporting rows from Tab 4e and relocate them to Annex 1 alongside the

Consultation Data Communications Company: Regulatory Instructions and Guidance: Amendments for the second Price Control Period

			associated communications hub unit-cost information for SMETS1, SMETS2, and SMETS2 4G communications hubs.
7	Removal of obsolete General Ledger (GL) accounts	4b, 5a, 6a, 6b	Remove GL accounts that are no longer used by DCC, including: (i) External Costs: Incentive Payments, (ii) External Costs: Performance Related Refunds, and (iii) Internal Costs: Transition Costs.
8	Introduction of dedicated change cost reporting tabs	4f, 5f	Introduce new tabs for Smart Energy and Enabling Services & Testing service families to allow DCC to report costs associated with new programmes centrally before they are allocated to specific contracts, projects, or service families; remove “licensee-led” and “SEC/REC-led” project & programme cost reporting categories from individual service families
9	Introduction of Uncertainty Mechanism tabs for the new change cost tabs	UM(4f), UM(5f)	Introduce new tabs for the uncertainty mechanism for the change costs for Smart Energy Service and Enabling Service and Testing service families. This allows DCC to apply the uncertainty mechanism for the change costs.