



Making a positive difference
for energy consumers

DCC2 Ltd

Email: DCCregulation@ofgem.gov.uk

Date: 23 September 2026

Dear Company Secretary,

Directions issued to DCC2 Ltd to determine the Required Revenue for the First Regulatory Year and Regulatory Year 2027/2028, ringfence proportions of the Required Revenue for specific purposes and approve certain cost Drivers pursuant to Condition 24 of the Smart Meter Communication Licence¹

1. This letter sets out the Gas and Electricity Markets Authority's² decision to issue three separate directions to DCC2 Ltd³ pursuant to Condition 24 to:
 - (a) Determine the Required Revenue in the First Regulatory Year (RY)⁴ and RY27/28⁵ under Condition 24 of the Licence (this direction is issued under paragraph 2(a) of Condition 24)
 - (b) Ringfence portions of the Required Revenue for specific purposes (this direction is issued under paragraph 5 of Condition 24)
 - (c) Approve Drivers for Automatic Adjustments (this direction is issued under paragraph 8 of Condition 24 and is accompanied by instructions provided pursuant to paragraph 9 of Condition 24)
2. Each direction is attached as a separate appendix to this letter.
3. Capitalised terms used in this letter have the meanings assigned to them in the Licence.

¹ The Smart Meter Communications Licences granted by the Authority to DCC2 Ltd on 14 April 2026 pursuant to section 7AB(1) of the Gas Act 1986 and section 6(1)(f) of the Electricity Act 1989 (such licences together referred to as 'the Licence').

² The Office of the Gas and Electricity Markets (Ofgem) supports the Gas and Electricity Markets Authority ('the Authority') in its day-to-day work. In this consultation letter, 'we', 'Ofgem' and 'Authority' are often used interchangeably.

³ DCC2 Ltd is registered in England and Wales under Company Number 16740622.

⁴ 2 November 2026 – 31 March 2027

⁵ 1 April 2027 – 31 March 2028

4. This letter together with the Authority's September 2026 Decision⁶ constitutes notice under section 38A of the Gas Act 1986 and section 49A of the Electricity Act 1989.

Context

Determination of the Required Revenue

5. Licence Condition 24 Part A provides that the Licensee's Required Revenue in relation to Regulatory Year ("RY") t is to be determined by the Authority in accordance with the Required Revenue formula.⁷ The Required Revenue formula, in relation to each RY t , is comprised of the following terms: $EC(t)$, $IC(t)$, $PTC(t)$, $VASC(t)$.
6. In order to determine the Required Revenue, the Authority needed to form a view of each term of the formula. The Authority therefore required from the Previous Licensee a Business Plan Report and Price Control Information setting out the Previous Licensee's proposed Required Revenue for the first Price Control Period and associated supporting evidence. This information was submitted pursuant to Conditions 34A and 34B of the Previous Licence, respectively, on behalf of the Licensee, in accordance with a Business Plan Guidance and Regulatory Instructions and Guidance provided to the Previous Licensee by the Authority under the same Licence Conditions.⁸
7. In preparing its Business Plan Report, the Previous Licensee was required to consult with the SEC Panel pursuant to Part D of Condition 34A of the Previous Licence. In practice, this consultation happened with a dedicated Customer Challenge Group, operating on behalf of, but independently from, the SEC Panel under Terms of Reference published by the Authority.⁹

Ringfencing

8. Licence Condition 24 Part B allows the Authority to ringfence proportions of the Required Revenue, determined under Part A of the same condition, to be used for specific purposes. Ofgem previously consulted on the general ringfencing principles as part of the design of the Price Control framework and concluded, in principle, that ringfencing should apply to External Costs and non-resource Internal Costs reported via Service Families, Pass-Through Costs and Internal Costs set aside for Permitted

⁶ Ofgem (2026). Determination of DCC's Required Revenue: November 2026 to March 2028. [to be published at:] www.ofgem.gov.uk/consultation/dcc-price-control-november-2026-march-2028

⁷ Under paragraph 4 of Condition 24

⁸ Ofgem (2025), Business Plan Guidance. www.ofgem.gov.uk/decision/terms-reference-customer-challenge-group-and-business-plan-guidance

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

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

⁹ Ofgem (2025), Terms of Reference for Customer Challenge Group. www.ofgem.gov.uk/decision/terms-reference-customer-challenge-group-and-business-plan-guidance

Business. Ofgem considered how these principles should apply to the Licensee's submission with particular attention to managing the risk of uneconomic cross-subsidy.

9. Ofgem proposed to exercise this power to ringfence proportions of the Required Revenue determined for:

- Each Service Family
- Volume-Driven Costs subject to Automatic Adjustment (AA) uncertainty mechanism
- Innovation Fund
- Pass-Through Costs
- Specific early-stage change projects and programmes with an uncertain scope which should nonetheless proceed
- Bespoke programme contingency provision

Drivers for Automatic Adjustments

10. In its submission, the Licensee identified a subset of proposed External Costs as variable in response to identifiable factors that are outside the Licensee's direct control. These factors include changes in asset volumes, customer demand, transaction volumes, network utilisation, contractual charging mechanisms, financing requirements, or other operational factors.

11. Licence Condition 24 Part C allows Ofgem to approve factors as Drivers and direct the Licensee to adjust the Required Revenue associated with these Drivers where the effect of an approved Driver causes actual costs to differ from forecast costs.

Response to the consultation

12. The Authority publicly consulted on its view of the Required Revenue, ringfencing proposals and proposed Drivers for Automatic Adjustments, from 19 May 2026 to 14 July 2026.¹⁰

13. Following the consultation process, the **Authority directs that:**

(a) The Required Revenue shall be set at £334.888 million in the First Regulatory Year and £828.147 million in RY27/28 with the individual terms of the Required Revenue formula in each Regulatory Year set out in table 1.1 of Appendix 1.

(b) The proportion of the Required Revenue determined for each Service Family, Pass-Through Costs, Innovation Fund, volume-driven costs with

¹⁰ Ofgem (2026). DCC Price Control: November 2026 to March 2028. www.ofgem.gov.uk/consultation/dcc-price-control-november-2026-march-2028

designated Drivers, volume-driven costs without designated Drivers, Communications Hubs exchange financing, DSP2 contingency provision, Licence Renewal contingency provision and specified projects may only be used for the specific purposes identified within table 2.1 of Appendix 2.

(c) Factors described in table 3.1 of Appendix 3 are approved as Drivers.

14. The directions are contained in the appendices to this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'H Stewart', written in a cursive style.

Heather Stewart

Deputy Director, Retail Smart Systems & Processes

Signed on behalf of the Authority and authorised for that purpose

23 September 2026

Appendix 1 - Direction issued to DCC2 Ltd to determine the Required Revenue for the First Regulatory Year and Regulatory Year 2027/2028 pursuant to Condition 24 of the Smart Meter Communication Licence

For and on behalf of the Gas and Electricity Markets Authority

DIRECTION PURSUANT TO LICENCE CONDITION 24.2(a) OF THE SMART METER COMMUNICATION LICENCES (the "Licence")¹¹

To: DCC2 Ltd (16740622)

Whereas:

1. DCC2 Ltd (the "Licensee") is the holder of the Licence granted pursuant to sections 7AB(1) of the Gas Act 1986 and 6(1)(f) of the Electricity Act 1989.
2. Paragraph (2)(a) of Condition 24 of the Licence allows the Authority to determine and set out in directions the Licensee's Required Revenue for each Regulatory Year in accordance with the formula under paragraph 4 of that Condition (the Required Revenue formula).
3. Paragraph 10(a) of Condition 2 allows the Authority to issue directions subject to such terms and conditions as the Authority thinks will be appropriate in all the circumstances of the case.

Therefore:

The Authority determines that the Licensee's Required Revenue for the Regulatory Year t (ReqR(t)), where t is the First Regulatory Year, shall be £334.888 million. This is calculated in accordance with the Required Revenue formula where:

- $EC(t) = £261.940$ million
- $IC(t) = £53.474$ million
- $PTC(t) = £19.475$ million
- $VASC(t) = £0.000$ million

¹¹ Capitalised terms used in this Direction have the meanings assigned to them in the Licence.

The Authority determines that the Licensee's Required Revenue for the Regulatory Year t ($\text{ReqR}(t)$), where t is Regulatory Year 2027/2028, shall be £828.147 million. This is calculated in accordance with the Required Revenue formula where:

- $\text{EC}(t) = \text{£}660.223$ million
- $\text{IC}(t) = \text{£}118.278$ million
- $\text{PTC}(t) = \text{£}49.646$ million
- $\text{VASC}(t) = \text{£}0.000$ million

Table 1.1: The Licensee's Required Revenue in each Regulatory Year of the first Price Control Period expressed in [*£ million*]

Regulatory Year t	Period	EC(t)	IC(t)	PTC(t)	VASC(t)	ReqR(t)
First Regulatory Year	Transfer Date to 31 March 2027	261.940	53.474	19.475	0.000	334.888
Regulatory Year 2027/2028	1 April 2027 to 31 March 2028	660.223	118.278	49.646	0.000	828.147

This Direction has effect from the date stated below.



Heather Stewart

Deputy Director, Retail Smart Systems & Processes

Signed on behalf of the Authority and authorised for that purpose

23 September 2026

Appendix 2 - Direction issued to DCC2 Ltd to ringfence proportions of the Required Revenue, determined under Part A of Condition 24, for specific purposes under Part B of Condition 24

For and on behalf of the Gas and Electricity Markets Authority

DIRECTION PURSUANT TO LICENCE CONDITION 24.5 OF THE SMART METER COMMUNICATION LICENCES (the "Licence")¹²

To: DCC2 Ltd (16740622)

Whereas:

1. DCC2 Ltd (the "Licensee") is the holder of the Licence granted pursuant to sections 7AB(1) of the Gas Act 1986 and 6(1)(f) of the Electricity Act 1989.
2. Paragraph 5 of Condition 24 of the Licence allows the Authority, in the determination referred to in paragraph 2 of Condition 24, to ringfence a proportion of the Required Revenue for a specific purpose.
3. Pursuant to paragraph 6 of Condition 24, where the Authority exercises the power in paragraph 5 of Condition 24, the Licensee must not spend the ringfenced amount for any other purpose.
4. Paragraph 10(a) of Condition 2 allows the Authority to issue directions subject to such terms and conditions as the Authority thinks will be appropriate in all the circumstances of the case.

Therefore:

The Authority directs that proportions of the Required Revenue, determined under Part A of Condition 24, shall be ringfenced for the specific purposes set out in table 2.1 of this Appendix 2.

¹² Capitalised terms used in this Direction have the meanings assigned to them in the Licence.

Table 2.1: Ringfencing provisions, Required Revenue expressed in [*£ million*]

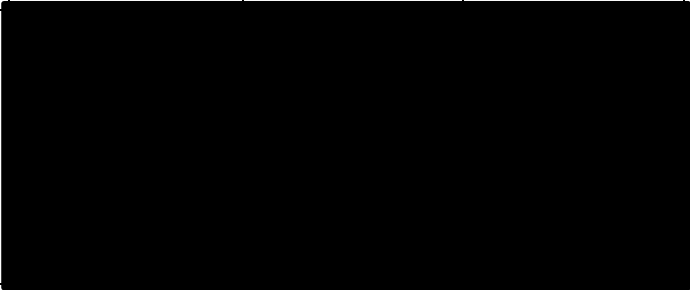
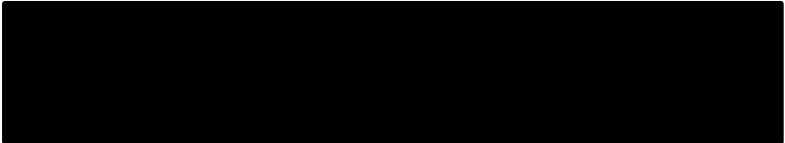
No.	Area	Main RIGs reference ¹³	Proportion of the Required Revenue in the First Regulatory Year	Proportion of the Required Revenue in Regulatory Year 2027/2028	Purpose
1.	SMETS1 Service Family	Tab 4a	10.576	19.172	To meet economic and efficient External and Internal Costs incurred in procuring Relevant Service Capability through External Service Provider contracts within each Service Family, as reported by the Licensee to the Authority under Licence Condition 23 ¹⁴ and in accordance with the Regulatory Instructions and Guidance. ¹⁵
2.	SMETS2 Service Family	Tab 4b	49.959	122.388	
3.	4G Service Family	Tab 4c	16.433	39.877	
4.	Centralised Registration Service (Switching) Service Family	Tab 4d	3.834	8.863	
5.	Meter Data Management Service Family	Tab 5a	48.407	112.245	
6.	Privacy and Security Service Family	Tab 5b	14.860	53.462	
7.	Service Management Service Family	Tab 5c	5.149	6.151	

¹³ Refers to "Main RIGs v3.1" reporting template as provided to the Licensee under cover of email dated 23/09/2026

¹⁴ and Condition 34B (Successor Licensee Price Control Information) of the Previous Licence

¹⁵ Ofgem (2025), Regulatory Instructions and Guidance (Successor Licensee). www.ofgem.gov.uk/decision/regulatory-instructions-and-guidance-successor-licensee

No.	Area	Main RIGs reference¹³	Proportion of the Required Revenue in the First Regulatory Year	Proportion of the Required Revenue in Regulatory Year 2027/2028	Purpose
8.	Testing Services Service Family	Tab 5d	1.278	3.436	
9.	Pass-Through Costs	Tab 7 section 4 (Pass-Through Costs)	19.475	49.646	To meet the amounts paid by the Licensee to: • The Authority under Condition 4 (Licensee's payments to the Authority) • SECCo Ltd for purposes associated with the governance and administration of the SEC • AlthANCo Ltd for purposes associated with the Alt Han Arrangements • RECCo Ltd for the purposes associated with the Centralised Registration Service • Energy Suppliers as Reimbursement Amount for the purposes of the Communications Hub Replacement Reimbursement Service • The Previous Licensee as reimbursement for expenditure incurred after the Transfer Date in complying with the conditions of the Smart Meter Communication Licence (the Previous Licence)
10.	Innovation Fund	Tab 7 section 2 (Innovation Fund)	0.150	0.325	To meet the Internal Costs of Permitted Business authorised by the Authority in Writing under Part B of Condition 6.

No.	Area	Main RIGs reference ¹³	Proportion of the Required Revenue in the First Regulatory Year	Proportion of the Required Revenue in Regulatory Year 2027/2028	Purpose
11.	Volume-Driven Costs (subject to Automatic Adjustments)	Tab 4e sections 5, 6, 7, 14, 15, 16, 18, 19, 20, 21 and 22; and tab 5e sections 1 and 5	51.849	140.733	To meet External Costs associated with Drivers designated by the Authority under Condition 24 Part C (except Pass-Through Costs, CH exchange financing, contractual indexation and Centralised Registration Service [Switching] Service Family), for which see Appendix 3.
12.	Volume-Driven Costs (not subject to Automatic Adjustments)	Tab 4e sections 1, 2, 3, 10 and 11	60.261	140.320	To meet External Costs of: • Communications Hubs financed monthly asset charges and maintenance charges under CSP-N, CSP-C and CSP-S contracts • SMETS2 (Arqiva) financing • CH&N Programme financing
13.	Long Range Radio Committed Term capital expenditure				To meet capital expenditure, incurred as economic and efficient External Costs under the CSP-N contract, ¹⁶ 

¹⁶ Identified in paragraph 1.5(4) of Schedule 1 (Details of Fundamental Service Capability) of the Smart Meter Communication Licence

No.	Area	Main RIGs reference ¹³	Proportion of the Required Revenue in the First Regulatory Year	Proportion of the Required Revenue in Regulatory Year 2027/2028	Purpose
14.	Long Range Radio Committed Term financing costs				To meet economic and efficient External Costs of capital and interest repayments incurred for the sole purpose of financing capital expenditure of the Long-Range Radio Committed Term project under CSP-N contract
15.	Device Manager Re-procurement				To meet economic and efficient External Costs of necessary design, build and test activities under a new, re-procured contract for the provision of Device Manager services to enable transition to a new External Service Provider, subject to a Full Business Case and a non-objection from the Secretary of State under Licence Condition 10.7; does not include any expenditure under the existing Device Manager contract with the incumbent External Service Provider ¹⁷
16.	4G & Beyond				To meet economic and efficient External Costs incurred under 4G CH contract ¹⁸ [REDACTED] enabling a 5G comms hub functionality, subject to a Final Business Case and a non-objection from the Secretary of State under Licence Condition 10.7

¹⁷ Identified in paragraph 1.5(15) of Schedule 1 (Details of Fundamental Service Capability) of the Smart Meter Communication Licence

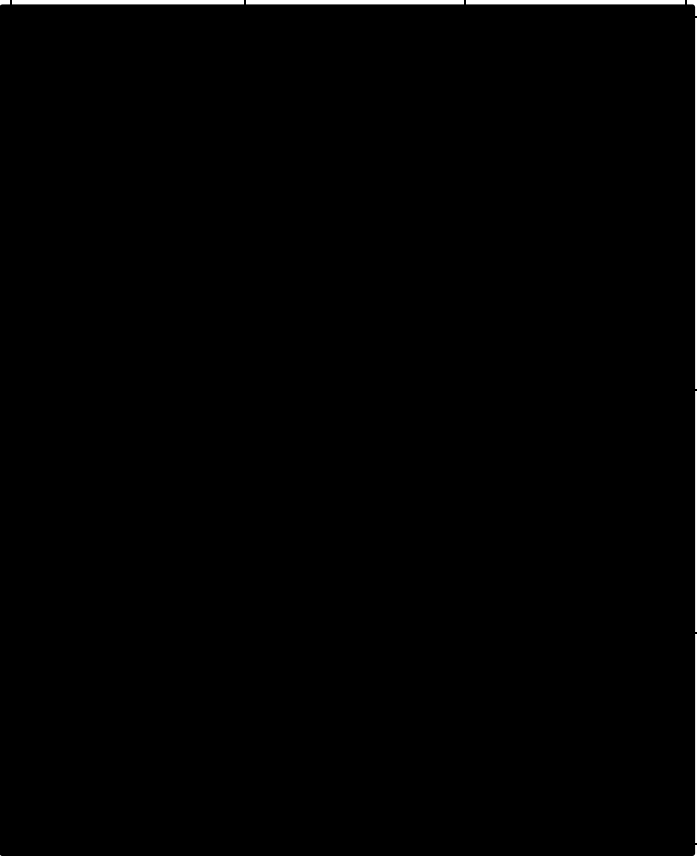
¹⁸ Identified in paragraph 1.5(16) of Schedule 1 (Details of Fundamental Service Capability) to the Smart Meter Communication Licence

No.	Area	Main RIGs reference ¹³	Proportion of the Required Revenue in the First Regulatory Year	Proportion of the Required Revenue in Regulatory Year 2027/2028	Purpose
17.	DSP2 risk provision				To meet economic and efficient External Costs incurred under the Fundamental Service Capability contracts within the scope of the Meter Data Management Service Family, procured for the provision of the DSP2 programme, ¹⁹ that are specifically necessary for the implementation of the DSP2 programme in accordance with the Joint Industry Plan ²⁰ and the assumptions set out within the Final Business Case for the DSP2 programme, with all expenditure subject to approval in writing by the Programme Governance Board; ²¹ may not be used to offset baseline DSP1 or DSP2 delivery costs or to pay for fixed operational charges of any existing contract
18.	Post Quantum Cryptography				To meet economic and efficient External Costs associated with the delivery of the Post Quantum Cryptography project on the scope approved in writing by the SEC Security Sub-Committee; including:

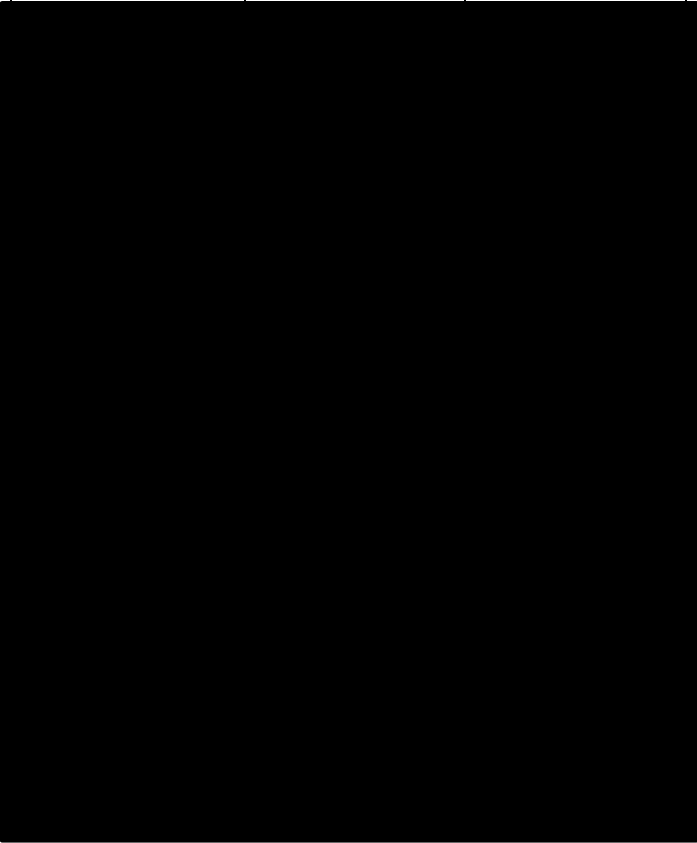
¹⁹ Identified in paragraph 1.5(24),(25),(27) of Schedule 1 (Details of Fundamental Service Capability) of the Smart Meter Communication Licence

²⁰ DCC (2025), Consultation on the revised delivery plan. www.smartdcc.co.uk/media/bnhh4b3g/dsplc13b-consultation-on-the-revised-delivery-plan-v10.pdf

²¹ The Programme Governance Board is a board chaired by the DSP Delivery Director with the delegated authority to approve changes that draw on the agreed contingency change budget

No.	Area	Main RIGs reference ¹³	Proportion of the Required Revenue in the First Regulatory Year	Proportion of the Required Revenue in Regulatory Year 2027/2028	Purpose
19.	Enduring Change of Supplier re-procurement				To meet economic and efficient External Costs of design, build and test activities committed under a re-procured contract (or contracts) for the provision of Enduring Change of Supplier service to enable transition to a new Service Provider (or Providers) by June 2028; subject to a Full Business Case and a non-objection from the Secretary of State under Licence Condition 10.7; may not be used to meet costs incurred under the existing Enduring Change of Supplier contracts with the incumbent Service Providers ²²
20.	Enterprise System and Service Integrator				To meet economic and efficient, contractually committed External Costs (under a relevant contract within the Meter Data Management Service Family), necessary to meet design, build and test activities for the implementation of Enterprise System and Service Integrator; subject to a Full Business Case
21.	Energy Data Best Practice				To meet economic and efficient External Costs required for the Licensee to comply with Licence Conditions 11.9 and 11.10, including: • A change from Data Processor to Joint Controller • Implementation of required SEC changes • Set-up of a robust triage function

²² Identified in paragraph 1.5(13),(14) of Schedule 1 (Details of Fundamental Service Capability) of the Smart Meter Communication Licence

No.	Area	Main RIGs reference ¹³	Proportion of the Required Revenue in the First Regulatory Year	Proportion of the Required Revenue in Regulatory Year 2027/2028	Purpose
					• Data quality and cleansing work • Full metadata coverage to the Dublin Core standard • Review and alignment with either CCL or OGL for data licensing • Set-up of a data catalogue
22.	Centralised Consent				To meet economic and efficient External Costs necessary for the Licensee to perform a role of Energy Data Holder in accordance with the final Centralised Consent Solution (CCS) design delivered by RECCo; 
23.	Guaranteed Standards of Performance (GSOP)				To meet economic and efficient External Costs incurred in procuring Relevant Service Capability through External Service Provider contracts within the scope of the Service Management Service Family to comply with Ofgem's decision on SM GSOP.

No.	Area	Main RIGs reference ¹³	Proportion of the Required Revenue in the First Regulatory Year	Proportion of the Required Revenue in Regulatory Year 2027/2028	Purpose
24.	DCC Diagnostics Role				To meet economic and efficient costs of procuring Relevant Service Capability necessary to comply with regulatory requirements on DCC Diagnostics Role, if made by the Secretary of State.
25.	Comms Hub Exchange Financing	Tab 4e section 13	1.585	18.854	To meet economic and efficient External Costs of capital and interest repayments, and Arrangement and Commitment fees incurred for the sole purpose of financing payments made to suppliers as Reimbursement Amount for the purposes of the CH Replacement Reimbursement Service
26.	Licence Renewal Contingency				To meet economic and efficient Internal Costs of post-Business Handover stabilisation, including the extension of Hypercare or delivery of "day 2" of corporate services (in accordance with a plan agreed by the Joint Handover Steering Group); may not be used for any business-as-usual operations outside the Licence Renewal Function or any transformation activities.

This Direction has effect from the date stated below.

A handwritten signature in black ink, appearing to read 'H Stewart', with a stylized, cursive script.

Heather Stewart

Deputy Director, Retail Smart Systems & Processes

Signed on behalf of the Authority and authorised for that purpose

23 September 2026

Appendix 3 - Direction issued to DCC2 Ltd to **approve Drivers for specified areas of Required Revenue** under Part C of Condition 24

For and on behalf of the Gas and Electricity Markets Authority

DIRECTION PURSUANT TO LICENCE CONDITION 24.8 OF THE SMART METER COMMUNICATION LICENCES (the "Licence")²³

To: DCC2 Ltd (16740622)

Whereas:

1. DCC2 Ltd (the "Licensee") is the holder of the Licence granted pursuant to sections 7AB(1) of the Gas Act 1986 and 6(1)(f) of the Electricity Act 1989.
2. Paragraph 8 of Condition 24 of the Licence allows the Authority to approve a Driver where:
 - (a) it will or could affect ECt, ICt, PTct or VASct, and
 - (b) the precise effect of the Driver on these amounts cannot be:
 - (i) foreseen by the Licensee at the time the Price Control Information for the Price Control Period is submitted;
 - (ii) controlled by the Licensee.
3. Pursuant to paragraph 9 of Condition 24, where a Driver is approved, the Licensee must adjust the Required Revenue in accordance with any instructions given by the Authority in its approval.
4. Paragraph 10(a) of Condition 2 allows the Authority to issue directions subject to such terms and conditions as the Authority thinks will be appropriate in all the circumstances of the case.

Therefore:

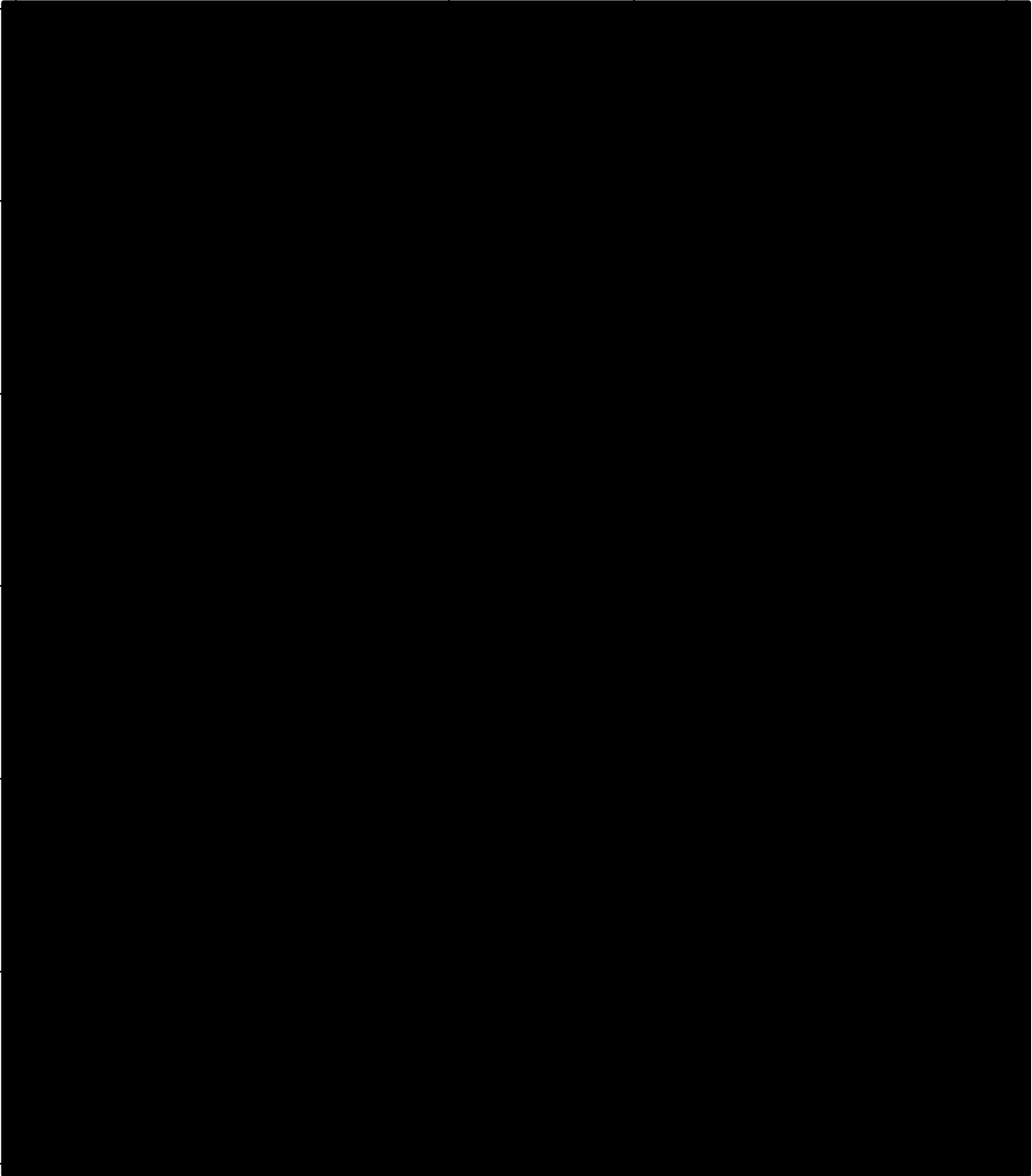
The Authority approves the Drivers for specified areas of Required Revenue set out in table 3.1 of Appendix 3.

Where the effect of a Driver causes the Required Revenue to vary from the amount determined by the Authority under Part A of Condition 24, the Licensee must adjust the

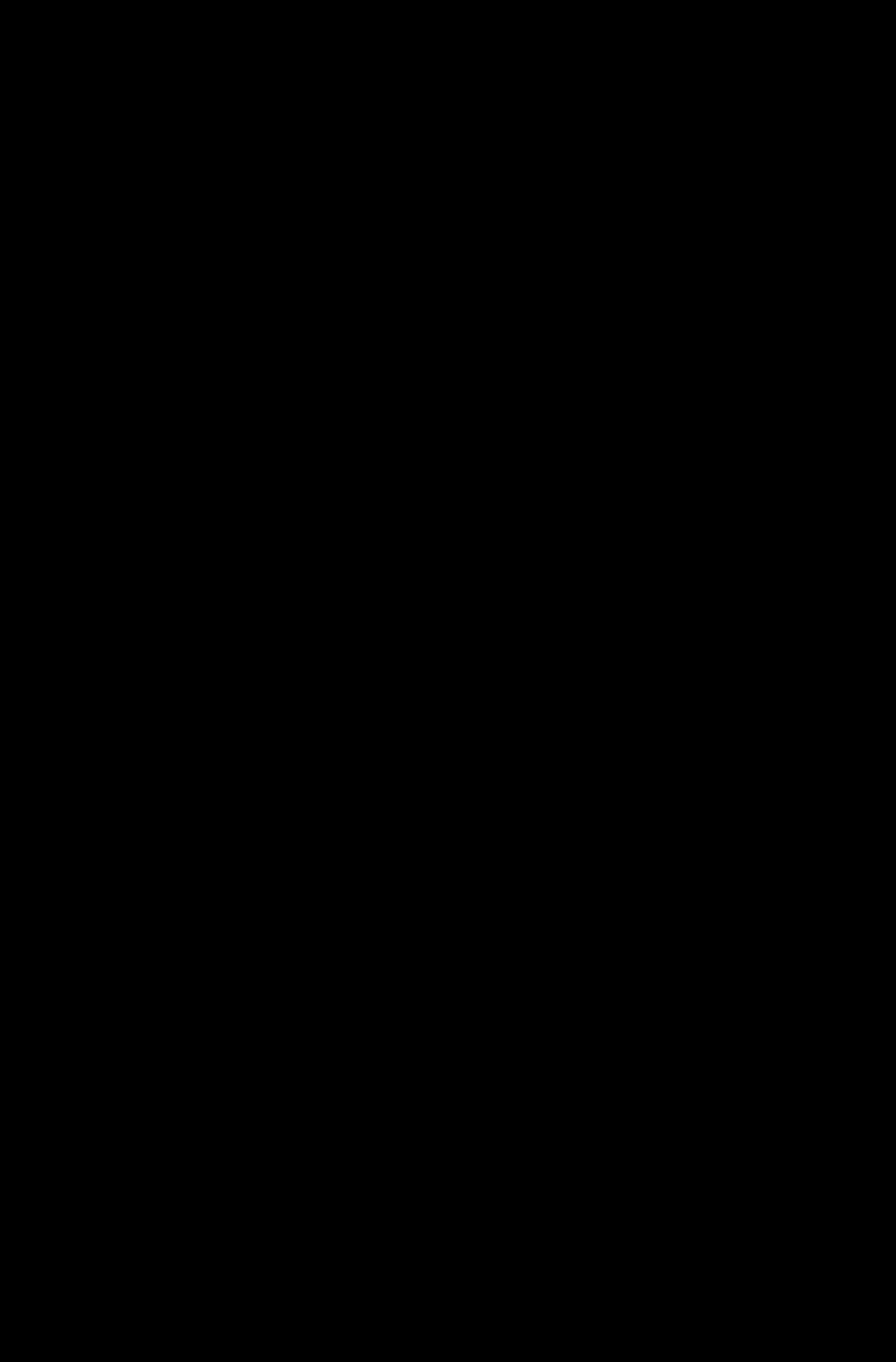
²³ Capitalised terms used in this Direction have the meanings assigned to them in the Licence.

affected term of the Required Revenue formula for the purposes of complying with the requirements of Conditions 25 and 27 of the Licence.

Table 3.1: List of approved Drivers for specified areas of Required Revenue

No.	Area of Required Revenue	Main RIGs ²⁴	Driver(s)
1.			
2.			
3.			
4.			
5.			
6.			

²⁴ Refers to "Main RIGs v3.1" reporting template as provided to the Licensee under cover of email dated 23/09/2026

No.	Area of Required Revenue	Main RIGs ²⁴	Driver(s)
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			

No.	Area of Required Revenue	Main RIGs ²⁴	Driver(s)
15.			
16.			
17.	Pass Through Costs: Payments by Licensee to SECCo Ltd	Tab 7, section 4 (rows 97 and 98)	SECCo Budget pursuant to Section C8 of the Smart Energy Code
18.	Pass Through Costs: Payments to AlthANCo	Tab 7, section 4 (row 96)	AlthANCo Budget pursuant to Section Z4 of the Smart Energy Code
19.	Pass Through Costs: Payments to the Previous Licensee	Tab 7, section 4 (row 100)	Authority Direction pursuant to Licence Condition 24.17(f)
20.			
21.			

This Direction has effect from the date stated below.

A handwritten signature in black ink, appearing to read 'H Stewart', written in a cursive style.

Heather Stewart

Deputy Director, Retail Smart Systems & Processes

Signed on behalf of the Authority and authorised for that purpose

23 September 2026