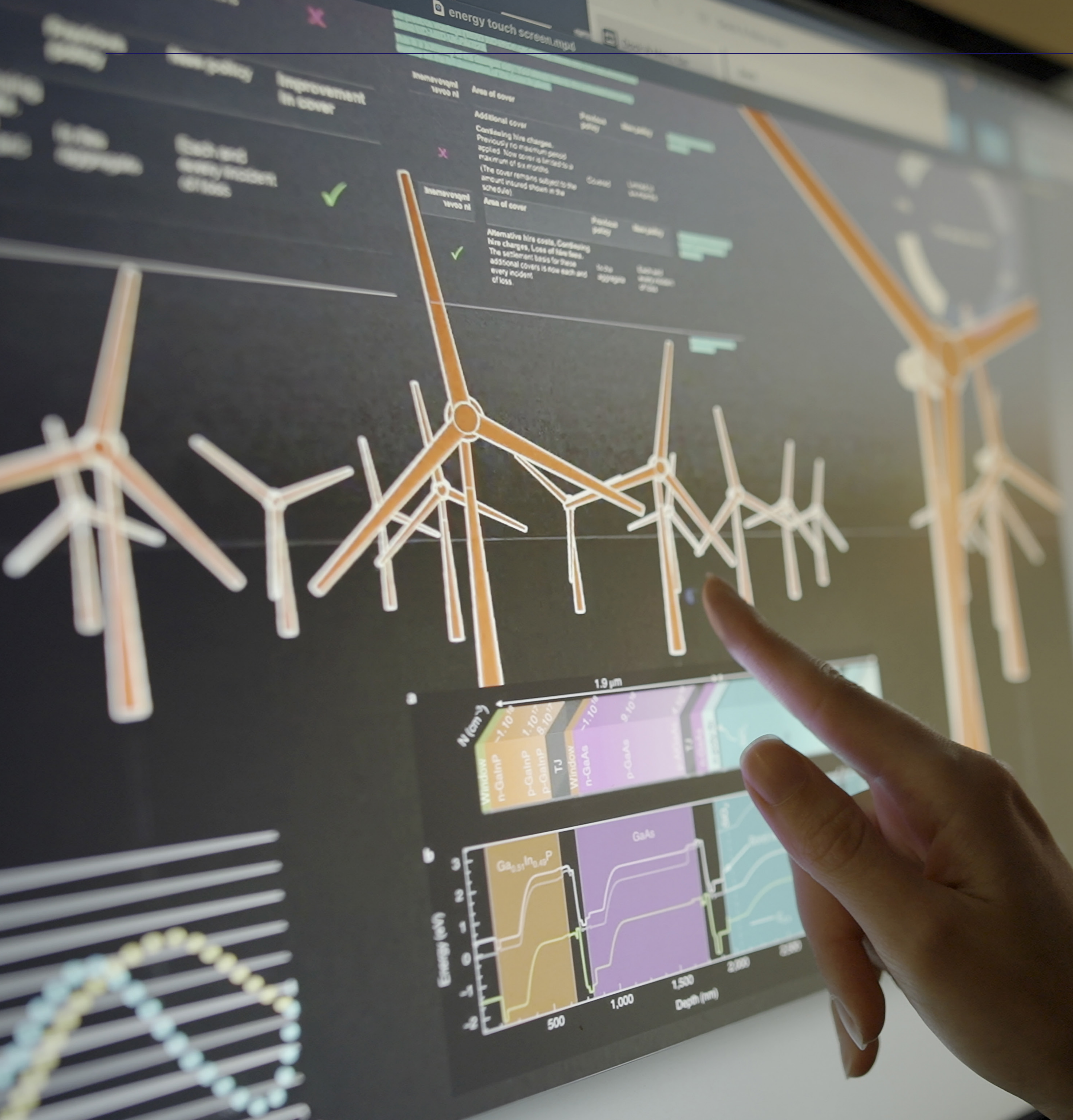
Data Communications Company

Annual Report 2024

Smart DCC Limited
Annual Report including the
Regulatory Financial Statements
Year ended 31 March 2024
Registration number
08641679



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1. Chairman's foreword

Welcome to the Data Communications Company's (DCC) Annual Report and Accounts for the year ended March 2024.

Last September we celebrated ten years of the DCC. Operating at the centre of a complex ecosystem, collaborating with our customers and partners, and driven by our people and purpose, we have achieved remarkable results.

At the end of March this year, more than 30 million meters in 18 million premises across Great Britain were connected to the smart metering network, with over 15,000 new meters adding to that number every single day. Over 2 billion messages were sent each month by our customers. With this increasing scale, we continued to deliver outstanding operational performance, exceeding industry and internal targets. Network service availability was 99.59% (2023: 99.9%). The Central Switching Service, which helps consumers to switch energy providers swiftly and seamlessly, delivered 99.98% availability over the course of the year.

During our ten-plus years of existence, we have shifted the DCC increasingly towards a more stable operating business, able to deliver the levels of performance highlighted above. Now that the original design is more than a decade old, we are going through the process of upgrading the infrastructure to be fit for the smart energy system of the late 2020's and beyond.

This is true across our portfolio, from enhancing how we manage the ever-growing volumes of traffic on the network; to remaining resilient and alert to the changing cyber threat landscape; making continued progress on the design for the future Data Services Provider; and achieving right first-time delivery of next generation communications hubs for 2025.

With our changing infrastructure, and evolving market requirements, the DCC will need to change too. Over the past year, we have upgraded and enhanced our processes and capabilities so we can meet the expectations of our stakeholders and our obligations to them. We have done this while placing cost control and cost efficiency at the heart of our organisation, recognising that as a licenced monopoly it is incumbent on us to strive for - and demonstrate - value for money.

This success has been the result of hard work from many people, at DCC and across industry. None more so than the DCC's outgoing Chief Executive, Angus Flett, who will step down at the end of August after nearly eight years leading DCC. On behalf of the Board, and our people, I would like to thank Angus for his tireless dedication to DCC's purpose. He has been central to the progress we have made and leaves the DCC in a strong position for future success.

Today, it is clear the smart metering network is a strategic national asset. It offers unmatched reach, is fully secure and is a critical part of the digital spine of a smarter energy system. As such, it is a platform for policy implementation and market innovation to accelerate decarbonisation and drive social good.

In my report last year, I referred to the work we had undertaken with UrbanTide to explore how smart metering system data, combined with other data sets, could contribute to tackling fuel poverty. I was delighted to see this work recognised last December by a winning entry to the Edie Net Zero Awards. Clearly there is still much further to go, but the power of smart metering data, harnessed securely and appropriately, is increasingly evident.

This was the clear message contained in the Energy Systems Catapult's widely acclaimed report "Data for Good: Smart Meter Data Access" published last October. At the DCC, we will continue to use our position to advocate for greater use of smart meter data in addressing some of society's biggest challenges.

How the DCC, and the smart metering infrastructure we operate, can help to meet those challenges will in part be determined through Ofgem's ongoing review of the future DCC Licence. While there remain significant design questions to be answered, we know and support the fundamental principles of the proposed future business construct, including the move to *ex-ante* cost control. Importantly, Ofgem are also clear DCC's mandate and operational model will remain.

We can therefore look forward to the next decade of the DCC confident in the knowledge that the role of smart metering, and its relevance to a smarter, greener energy system, will continue to grow.

Richard McCarthy CBE
Chairman Smart DCC

2. Our business model and strategy

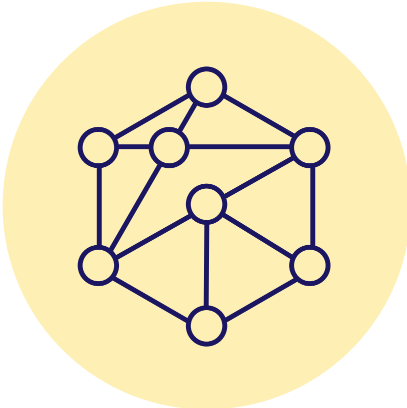
The DCC, together with its customers, connects homes and businesses to a single, secure, smart metering network.

Our Purpose and Values

Purpose

At DCC, we are driven by our purpose.

We believe in making Britain more connected, so we can all lead smarter, greener lives.



Values

How we achieve these is guided by our three core values. They help us to work consistently and collaboratively, both internally and with our diverse set of external stakeholders.

Our three core values:

Our strategic outcomes

As a regulated monopoly, we are clear on the obligations on and expectations of the smart metering network to Ofgem and the Department for Energy Security and Net Zero.

Today our network is supporting 31 million smart meters in nearly 19 million premises, helping over half of British households save money and carbon emissions.

As the scale of the network continues to grow and DCCs role in delivering a smarter, greener energy system grows we must drive flexibility, speed, and cost effectiveness for our customers.

Operating the network everyday helping to keep consumers lights on, homes warm and bills down.

We must deliver in an efficient and economical manner, providing value for money and delivering the lowest cost for all our customers and ultimately end consumers.

Given our mandate and the evolving context in which we operate, we have a series of strategic outcomes for our organisation to help align our activities and measure our performance. These have never been more important.

We will be:

Secure and stable	Delivering reliable network performance, nationwide, while maintaining a security posture and resilience expected of an asset deemed 'Critical National Infrastructure'
A responsible and efficient business	Operating efficiently and responsibly in a manner that recognises our obligations to our people, our customers and ultimately consumers
Flexible and fast	Delivering an accessible and flexible platform, enhancing our capabilities to provide a swift and seamless experience for current and future customers
Right first time	Delivering our services to the time, cost and quality expectations of our customers and wider stakeholders

What we operate

We operate and maintain the smart metering network on a 24/7 basis, securely transferring energy data from homes and businesses to our customers. Our network is now supporting 30 million smart meters in over 18 million premises, helping over half of British households save money and carbon emissions. Our customers are energy retailers, DNOs, Managed Service Providers and a growing number of other innovative businesses.

We provide a range of service offerings, supported by common capabilities. Aligning to service families supports the needs of our customers and provides the following benefits:

- Effective, efficient delivery and running of services providing value for money
- Effective engagement and input of our customers' needs and requirements in the delivery of services
- A greater understanding, visibility, and certainty of the costs of the services we provide

Supporting government policy

Given our position as central to the digitalisation of the GB energy system, and an already established national asset, the DCC may be asked by the government or Ofgem to deliver future policy initiatives. The reach, scale and capabilities DCC has developed, prov ides a platform for policy implementation and market innovation.

Smart Energy

We are continuing to support the roll-out of second-generation (SMETS2) smart meters and the migration of existing first generation (SMETS1) meters onto our network, for domestic premises and small businesses across Great Britain.

The DCC is working on future connectivity solutions to ensure all consumers can access the benefits of smart meeting. We are currently undertaking a programme of work to prepare for the roll-out of next generation, 4G communication hubs expected to be deployed onto the network from 2025 onwards and are working closely with industry and government to address the gap where there is no WAN coverage.

Testing

The DCC network relies on smart meters and communication hubs operating efficiently. We make sure that they do. We provide a range of services and support environments designed to test device operability, which lets us ensure functionality, and lets our customers ensure their smart metering systems work seamlessly on the network.

Data Services

The DDC provides reporting and analytics for our external stakeholders, every year c60,000 individual regulatory and customer reports are generated.

The DCC has also seen an increase in emerging use cases for smart metering related data, across user groups and programmes and specifically Other Users to provide services for example consumption advice and industry wide innovation purposes.

Enabling technology and operational services

Meter data management services involve the collection, storage and processing, and analysis of data gathered from smart meters that enables the continued provision of a stable and secure system.

Connecting our customers to devices at consumers premises; ensuring consumers can change energy suppliers securely; and providing the required levels of security, flexibility, and cost efficiency to meet future needs.

Working closely with customers to ensure the logistics to transition to 4G are in place to ensure smart metering can continue to provide an efficient and effective service for energy providers and consumers ahead of closures of 2G and 3G networks.

In the Technical operations and Security operations centres, our dedicated teams continually monitor the performance and security of our network, providing peace of mind and deeper insight into our customers smart meter operations.

How we deliver

In operating these services, the DCC delivers a unique set of activities from engaging with a varied set of stakeholders, to designing, procuring, and securing new technologies, through to assuring and operating these as part of managing the network.

Any changes to existing services are managed through our Lifecycle Management approach. The following sections outline this integrated approach and our efforts to designing (Technology), procuring (Commercial), and securing (Security) our network.

Lifecycle management approach

We manage any changes to existing services and the implementation of new services provided to our customers through our lifecycle management approach. This provides an ongoing process to ensure that services are managed proactively and efficiently through the course of their lifecycle, with clear accountability at each stage. It seeks to support our shift to increased in-life management of services, and ensures that as deemed CNI, we have the processes, controls and standards in place through the lifecycle of our services.

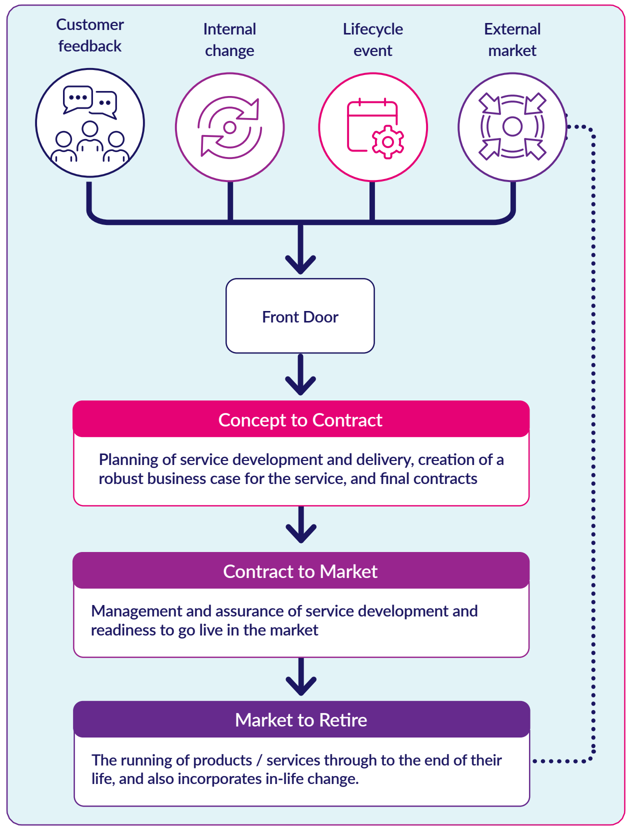
New sources of change, such as instruction from government or our customers funnel through the 'Front Door' that acts as a single point for change initiation. This enables foresight on future activity and ensures delivery impacts and risks can be flagged at the earliest opportunity and cost benefit analysis is undertaken.

At the 'Concept to Contract' stage, for programmes and procurements that cover core service provision or where the contract value is greater than £10m, the DCC follows the HM Treasury Green Book Business Case approach. This enables us to articulate and demonstrate how the change will meet customers' needs and provide value for money. As we undertake new procurements and design work we are focusing on the adoption of common standards, to drive speed, transparency, and value for money.

As the activity moves from 'Contract to Market' to 'Market to Retire', and transitions into the live environment, our service assurance process ensures a smooth go-live that protects customer operations. We do this by controlling all change through quality gates into the live environment, so that service risks are identified and mitigated, and key quality standards are met. Over 3,700 changes were deployed in FY23/24 with an average success rate of 98.01% change right first time against our target of 95%.

Lifecycle management supports appropriate stakeholder engagement throughout the process. The DCC operates in a complex and changing stakeholder landscape. We want to be recognised as a trusted partner - by our customers, our regulator, our suppliers, and other ecosystem participants. Therefore, engaging and collaborating with our stakeholders is fundamental to the way we operate, with regular engagement from across the business.

We recognise that as a licenced monopoly we have a duty to be an economic, efficient, and responsible operator, delivering value for money for our customers, because this ultimately delivers value for money for end consumers. We're committed to continuing to seek opportunities to enhance our cost efficiency. We're making good progress against our £30m target, driving efficiency across all areas of the business (see Section 5 for more details).



Technology

The Office of the CTO is accountable for the design decisions that will support DCC's central role within an increasingly digitalised energy system. It is the design authority, responsible for the integration and assurance of technology systems associated with our licence.

Technology vision

Our vision is to ensure that the DCC network operates efficiently and securely at scale. We will leverage virtualised, secure, and scalable infrastructure to ensure we meet our service obligations. Our plan is to simplify the design of our infrastructure and where practical push functionality towards the edge of the network. As we evolve our solutions we will reduce complexity, deliver change faster and drive improved interoperability across end devices to ultimately drive efficiency for our customers and to offer the flexibility to support future policy to deliver a net zero energy system.

To deliver against our obligations, we follow these technology and design principles:

- Standards-based design: Design end to end solutions that utilise proven, common standards-based technologies and services rather than leading edge and proprietary technologies that are unproven
- "Secure by Design" architecture principles: Ensure our service providers designs meet or exceed the required security standards in their solutions and will always operate to deemed CNI standards
- Our architecture and designs ensure we can operate to the scale and in-life performance as set by our customers and code bodies – SEC and REC

We will work towards this vision gradually, recognising the need to balance ongoing performance and continuity of service with improvement and futureproofing of the network, while taking advantage of new developments in infrastructure to harness the benefits of server-less, multi-cloud solutions and evolution in the connectivity solution for end devices.

Commercial

Ensuring secure and stable network performance, resilience, and value for money for customers is paramount, and we rely on our external partners to deliver many of our mandated obligations. Our Commercial team are focused on:

- Continued optimisation of core commercial processes, focusing on refinement and standardisation to ensure our processes are not only robust but also adaptable to changing market dynamics
- Following the implementation of our new Sourcing Platform, significantly enhancing our digital capabilities, we will strengthen the end-to-end operational efficiency further by leveraging advanced analytics, AI-driven insights, and automation
- New Strategic Supplier Management team will facilitate stronger connections with our external partners working to collaboratively identify opportunities in support of further consumer benefit
- Leverage our enhanced commercial pipeline approach to take a more proactive and strategic approach to ensure optimal outcomes are realised and continuity of service maintained
- Proactively identifying and mitigating third-party risks to safeguard the business against potential threats and disruptions. Enhancing business continuity planning, and build greater resilience to withstand external challenges
- Refine our strategy and policies to drive alignment to commercial best practice (i.e. Government Procurement Policy, Chartered Institute of Procurement and Supply, Government Commercial Organisation) to ensure we are adopting industry best practice and driving commercial excellence, all whilst maximising value for our customers

Security

To ensure that the DCC stays ahead of new developments such as AI and increasing use of Cloud based services, we are focusing on enhancing our existing initiatives and augmenting them with new techniques to help with these growing areas of threat.

For example, several significant and well publicised incidents involving ransomware attacks in the last year have confirmed the need for continued work to address this both through technology and ongoing employee awareness. This type of attack is expected to become more challenging as Artificial Intelligence gathers pace. The DCC already has been running a proof-of-concept trial internally to assess viability of AI as both an enabler and an assistance with defence against the growing sophistication of attacks, this will be taken further during 2024/5.

In 2024/25 we will:

1. Further strengthen our strategic initiative to identify threats and provide strong mitigations using the MITRE ATT&CK threat modelling and cyber defence framework
2. Enhance our security assurance reporting with automated linkage to our latest risk tooling to further ensure that we maintain risks within appetite
3. As with previous years we will continue to integrate and centralise our cyber defences, creating a single 'pane of glass' to monitor the security of Britain's smart metering network
4. Develop our cyber risk maturity and target an overall reduction in cyber security risk over the next 24 months
5. Invest in our people to ensure that we have the skills needed to secure the digital energy system of the future, including the launching of our new Security Degree Apprenticeship programme in the autumn of 2024

Cyber Fusion Centre

After our Security Operations Centre (SOC) successfully achieved CREST accreditation, we are set for the continued onboarding of security event logs from all parts of the DCC network to provide an essential second set of eyes over the entire DCC ecosystem. This work will be ongoing in 2024 and 2025 as we add existing suppliers and new ones to the single view.

Supply Chain Risk Management

In alignment to our Commercial initiatives the Security team are planning more effective use of assurance assessment and real time analysis that will integrate additional control effectiveness data into a new improved risk framework to give a more accessible and concise view of risks.

Summary

The imperative is to ensure that the security mission does not remain stationary but evolves to address the upcoming challenges such as AI and in the slightly longer-term Quantum computing. Both risk areas are already being assessed and tested in readiness to ensure the DCC network remains secure and stable.

Measuring performance

We are on the journey to become a more operational and service-oriented organisation, characterised by a focus on network performance and ongoing lifecycle management, underpinned by a culture of customer and consumer centricity.

The DCC's performance and financial incentives are assessed by Ofgem through our annual price control submission and the Operational Performance Regime (OPR).

The three areas of focus for the OPR are:

- System performance
- Customer engagement
- Contract management

Our strategy in action

Smart meter roll-out

Our primary responsibility remains the continued delivery of a stable, reliable, and secure smart metering platform with a coverage level and capacity that enables our customers to meet and exceed their roll-out targets. We have continued to scale and evolve our operations to ensure we provide the best service and have focused this year on improving core elements of our live service.

- **Customer Relationship Management –** are at the forefront of all service-related customer engagements and are accountable for driving customer experience / service improvement, customer advocacy, and strategic customer engagement.
- **Products and Networks** – work closely with energy suppliers and the supply chain to ensure communications hub deliveries are maintained and are also accountable for ensuring that DCC has the right capacity at the right place and at the right time to service agreed demand from users and industry.
- **Operational Change and Transition** – shape and protect Customer Service and Operations by designing the Operational ways of working and supporting processes, as well as taking Programmes into BAU and managing any in-life change activity.
- **Supplier Relationship Management** – accountable for ensuring suppliers operate and perform in line with their contractual obligations, including performance reporting, service delivery risk management and mitigation, financial responsibility for all operational suppliers run costs (~£220m of spend PA.) and change management oversight for any supplier impacting change
- **Service Operations** – accountable for ensuring the SMETS and Switching service is available and reliable, by transitioning new services into BAU; managing change, incident and problem using ITIL frameworks; monitoring the network 24 hours a day, 7 days a week; managing customer journeys; supporting pan-operational financial and risk related governance and controls; and our data science and analytics capability.

Network Growth

- In 2019, we had 3.1 million meters on our network. Today, we have over 30.7 million with DCC predicting 45 million meters by 2026.
- As a result of this growth, the volume of messages over our network has increased significantly – from 115 million messages per month in 2019 to more than 2.1 billion messages per month at the end of FY23/24.
- Other Users[1] have seen huge benefits in utilising the DCC network to access consumption data, the result of which helps consumers manage their daily energy consumption. The activity and system usage from Other Users continued to grow significantly over FY23/24 and whilst the monthly utilisation is now running at a fairly steady/flat trend, as interest in obtaining consumption data from the DCC network grows, we'll start to see a steady increase in demand from this customer set.
- We've continued to support quarterly price changes, with increases in service request volumes of up to 35% on the day of the price change. Overall, price change related traffic volumes have grown by 66% between January 2023 and the most recent change in April 2024, increasing from 44m to 73m.
- Whilst managing extra demand, we had 3,743 changes introduced to maintain service reliability across SMETS1 and SMETS2 in 2023/24 and have seen an 85% reduction in Planned Maintenance outages, which means an extra 76 hours of service availability compared to previous year. with a further 39% reduction in Incidents. There has been a reduction of 137 hours' downtime related to major incidents when compared to 2022/23.
- We continue to achieve over 98% success rates for firmware downloads onto Communications Hubs. We also continue to see comparable achievement of firmware downloads across the three CSP regions

1 Other users are users who are not acting in the User role of Import Supplier, Export Supplier, Gas Supplier, Electricity Distributor, Gas Transporter or Registered Supplier Agent (regardless of whether in fact that User is a Responsible Supplier or the Electricity Distributor or the Gas Transporter or the Registered Supplier Agent during that period of or at that point in time)

DCC Public

Operational Performance Regime (OPR)

We measure our operational performance against the measures included in the OPR as set out in the Licence obligations. Our performance is assessed against Service Provision, Contract Management and Customer Engagement. These are assessed against specific assessment criteria set out by Ofgem, reported annually, with final performance scores being concluded through the price control process.[2]

The Prepayment performance target was met however the shortfall to achieving 100% is driven by one specific customer journey. We are continuing to engage with the relevant supplier on enhancing performance and implementing fixes.

DCC continue to work with our customers on how we can develop measures, outside of OPR, that capture the end-to-end Success of a valid attempted journey. This has been validated by industry and forms part of the Business Indicator Report, presented to customers in the formal monthly forums. For example, the way Prepay BPI is measured aligns with how customers measure vend success.

DCC are currently developing a set of new performance indicators under SECMOD242. This will detail a success-based outcome for the top 7 processes, as selected by our customers, and show how successful those processes were but more importantly, will be able to show where in the process both DCC and our customers can make improvements for the benefit of the end consumer experience. These performance indicator reports will be available by April 2025.

The following reflects our reported performance in the financial year for service provision OPR performance indicators, which have a 70% weighting in the scheme

	Operational Performance Regime		
Assessment Metric	Service Availability	Install & Commission	Prepayment
Target	99.50%	99.00%	99.00%
Financial Year 23/24	99.93%	99.75%	99.86%
Financial Year 22/23	99.99%	97.01%	99.87%

The following unique KPIs are measured and tracked alongside OPR – all measures out turned above target performance:

	Key Performance Indicators		
Assessment Metric	Customer Effort	Customer Journey Success Rate	Communicating Comms Hubs
Target	5.7	95.00%	90.00%
Financial Year 23/24	6.0	95.26%	97.31%

SMETS1

The SMETS1 Enrolment and Adoption Programme is a highly complex and technically challenging programme. It is enabling the migration of more than 15 million first-generation SMETS1 smart meters onto the DCC network where they will become fully interoperable between energy suppliers. This allows consumers to switch energy suppliers seamlessly without losing smart functionality and will also deliver significant savings to the Industry.

Our key focus during 2023/24 has continued to be on stabilising the platform, along with cohort closure as we reach the final stages. We have successfully closed down the IOC phase and continue to focus on progressing MOC and FOC migrations.

We have also held consultations with Industry to agree Transition And Migration Approach (TMAD) changes, which have allowed us to align data discrepancies to aid the closure of cohorts.

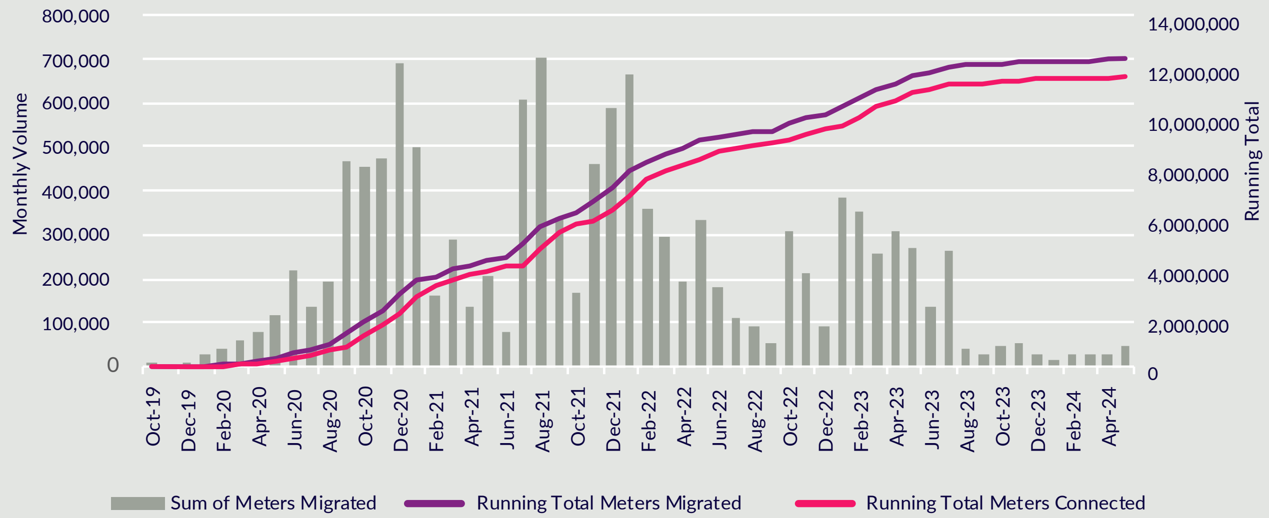
Migration performance

Our migration performance remains strong, with over 99.5% of migrations delivered 'right first time' (RFT).

2023/24 Highlights

- 12.2m migrated as of 31 March 2024 (11.3m as of 31 March 2023)
- Following migration:
  - 90.1% of all dormant meters have been made operational
  - 96% of active meters have been made operational
  - 91.2% of all mixed meters have been made operational

SMETS1 Migrations & Connected (meters)



2 Further information about the OPR can be found on Ofgem's website

Faster and More Reliable Switching

As Ofgem's key delivery partner, we operate the Central Switching Service (CSS), which provides the capability for domestic energy consumers to switch energy supplier on a next-working-day basis and non-domestic customers on a two-working-day basis, where required. The CSS is the key enabler for faster switching.

The go-live of the Switching service was a significant milestone in the transformation of the retail energy market. It aims to increase competition and provide a foundation for innovation, leading to improved consumer value, experience, and engagement with the market.

After a period of extended Hypercare and enhanced monitoring until March 2023, Switching was successfully transitioned into BAU operations under the DCC Service Ownership team. Performance to date has been highly successful with only 0.02% switching requests failing validation, and 8.6 million successful switches through CSS.

DCC service desk is fully operational, having handled over 80,000 incidents since July 2022 with a focus on ensuring timely and accurate resolutions for customers.

Multiple REC change requests have been raised to look at service improvement to CSS to ensure it remains a robust and resilient service. A BCDR Test event has recently successfully taken place to further prove this resilience.

Other programmes

Enduring Change of Supplier (ECoS)

Enabling energy customers to change supplier easily and securely is one fundamental purposes of the Smart metering roll out. One important aspect of this process is the replacement of certificates on devices, that identify the responsible supplier. This ensures that customers can switch suppliers without complications. A Temporary Change of Supplier solution is in place and c30 million migrations successfully completed. In 2024 the focus is on delivering an enduring technical solution.

Great British Companion Specification (GBCS)

GBCS is mandated requirement by the Department for Energy Security and Net Zero (DESNZ), it is a set of technical requirements and standards that govern the communication and interoperability of smart meters and related devices. The GBCS is regularly updated to incorporate new technologies and industry developments to enhance the functionality and efficiency of smart metering systems. To meet these requirements DCC develop, test and implement new firmware to all operational Communications Hubs in alignment with each update of the GBCS. Development of GBCS 4.1 is in progress and will be rolled out between Q3 2024 and Q2 2025. GBCS 4.2 is in planning and roll out is targeted in 2026.

Maximising value from smart metering

We have a unique combination of network and system capabilities, run by an expert organisation providing programme delivery and in-life operation that can be used as a platform for policy interventions and market innovation in support of the energy system transition. For our customers, we are focused on ensuring the smart metering network provides them with what they need to develop innovative new products and services.

Platform for policy implementation and market innovation

Working with our customers and partners, the DCC has delivered one of the most complex examples of secure digital infrastructure in the world. This infrastructure is operational and has already been paid for by consumers. The government's initial vision of a secure, nationwide smart metering network included the potential for its wider use. Given the sums invested, it is prudent to seek to use its core capabilities for wider public benefit.

We are supporting our customers and wider stakeholders to explore how the end to-end system and its features might be used to facilitate the delivery of government policy objectives. Since our 2023 Business and Development Plan was published, activity in several policy areas has progressed. Significant industry initiatives such as the MHHS Programme are continuing to advance and provide the foundation for the next wave of energy system propositions such as Time-of-Use Tariffs. In addition, we have continued to support the development of the government's proposals for 'Common Systems' for cyber security including Public Key Infrastructure and Anomaly Detection. We also responded to several policy proposals on digitalisation and consumer consent, leveraging lessons learnt from the smart metering programme to support decision making.

We will also continue to participate in several government-funded innovation competitions, particularly under the Flexibility Innovation Programme. In parallel, DCC's own data access initiative, termed 'Data for Good' seeks to increase access to smart metering data, particularly for public good. DCC and Energy Systems Catapult published 'Data for Good: Smart Meter Data Access' with proposals to the industry that can be implemented to maximise the public interest benefit of smart meter data.

Following on from the paper's recommendation, DCC is working to provide access to smart meter system data for the purposes of addressing fuel poverty. As part of this initiative, DCC is working to provide controlled access to anonymised and aggregated smart meter system to certain organisations with Ofgem's approval and Suppliers' support. These organisations, including local authorities and academia, will use the Data to develop further methods to identify and support households at risk of fuel poverty.

We continue to support these opportunities to help our stakeholders and industry understand the potential of the system in contributing to key policy priorities and the viability of doing so, while remaining cognisant of the absolute priority of focusing on our mandated obligations. A summary of the key policy areas we are supporting includes:

Vulnerable consumers in particular fuel poverty	Following successful participation in the Modernising Energy Data Applications competition, we are continuing to work to provide appropriate access to smart system data at an aggregated level to a wider group of organisations to enable further support services to those at risk of fuel poverty The potential for smart meter data to help identify those at risk or in fuel poverty is increasingly recognised as a significant opportunity by industry, with both the Committee on Fuel Poverty and Citizens Advice highlighting its potential	Timescales: • Ofgem 'Permitted Purpose' granted and valid to August 2025 • Anonymised smart meter system data sets to be provided monthly for the same period • DCC is a project partner in the Strategic Innovation Fund (SIF) project Vulnerability Identification Via Informative Data (VIVID), which utilises anonymised smart meter system data to inform fuel poverty modelling

Flexibility	Continuing to support the DESNZ with proposals for the potential use of DCC capabilities to deliver 'Common Systems' for cyber security including Public Key Infrastructure and Anomaly Detection. We will also support industry, as requested, on the Interoperable Demand Side Response programme (IDSR) The Electricity System Operator's DFS has enabled greater consumer savings over the winter of 2023/24, building upon the success of last year's iteration. The DFS also continues to change consumer attitudes towards energy usage via smart meters We continue to be involved as a consortium partner alongside GreenSync and the ESC in the Government-funded AAR Programme. Our key role (beyond provision of advice across several areas - technical, security, regulation, and operations) has been to explore how 'gold standard' address data from the Retail Energy Location (REL), established through the CSS, can be incorporated into the solution	Timescales: Working groups expected throughout 2024: • Government proposals and decision on implementation of common systems expected in 2024/2025 • Phase 2 of AAR continues in 2024 and Phase 3 expected in August 2024 • IDSR Phase 2: June 2023-March 2024 and Phase 3: April 2024-October 2024 • Continued engagement with the ESO to support the DFS's ongoing development and evolution

The Demand Flexibility Service (As of 28th February 2024)

- 1. 5 million households and small businesses participated
- 3,083 MWh of electricity saved, equivalent to powering nearly 10 million homes
- £10 million paid to consumers for shifting usage

The continued development of the DFS emphasises the pivotal role of managing energy consumption by shifting usage away from peak periods. This approach not only aids in maintaining grid stability but also supports incorporating renewable sources and the electrification of various assets, potentially circumventing the need for expensive infrastructure upgrades.

Coordinated by the National Grid Electricity System Operator, the DFS was operational from November 2023 to March 2024, offering Great Britain's consumers the option to receive a rebate from their electricity providers in exchange for reducing their energy use during peak hours (for example, between 17:00 and 21:00). The national smart meter infrastructure, managed by the DCC, was instrumental in enabling consumer involvement. In preparation for and throughout the service, there was a close collaboration with the ESO to guarantee its successful execution.

This initiative underscores the critical role that smart metering will play in future flexibility services and the broader context of demand flexibility as we transition towards a more sustainable and intelligent energy landscape. We are eager to continue our partnership with the ESO, our customers, and the broader industry as we prepare for this coming winter and subsequent versions of the DFS.

Energy efficiency	We will continue to help determine the feasibility of connecting sensor devices (temperature and humidity) as part of the Smart Meter Internet of Things (SMIoT) programme. We are also exploring the potential role energy data when combined with these additional data sets could play in supporting in Green Finance initiatives and the evolution of Energy Performance Certificates	Timescales: • Two SMIoT Phase 2 projects are currently in delivery • Phase 2 culminates in a trial of the new technology in real energy consumers' homes • Both projects will run until the second calendar quarter of 2025

Data policy and services	We will continue to work with industry to progress the Data for Good proposals (published by the ESC in September 2023) As part of a consortium led by Advance Infrastructure Technology, DCC is contributing to the Phase 2 of the Smart Meter Energy Data Repository (SEDR) project. This will enable future innovation of products and services to benefit consumers while ensuring their data remains protected under the Smart Meter Data Access and Privacy Framework We will also continue to work with RECCo to develop new ways to identify energy theft, which has become a more widespread issue due to the energy and cost-of-living crisis using smart meter data We have contributed to Ofgem's ongoing consideration of a centralised consumer consent dashboard, bringing lessons learnt from smart metering and associated projects to support timely and cost effective delivery. We will continue to support this initiative as it progresses over the course of 2024	Timescales: • Progressing recommendations of the Data for Good paper through to 2024/25 • Considering an enduring way to access anonymised smart meter system data in 2024/25 • Smart Meter Energy Data Repository Phase 2 Project to run until August 2024

Automatic Asset Registration Programme

The uptake of low carbon technologies (LCT) is rapidly accelerating, but at present, there is a distinct and increasing lack of visibility of these energy assets. While registration with network companies is a legal requirement for some assets, it is understood that roughly 40% or less of new small-scale energy assets are currently visible to the networks.

DESNZ set up the AAR Programme, a funded innovation programme, to address this challenge. The AAR Programme will develop a pilot demonstration using live data for an automated asset registration process. Once assets are registered, a Central Asset Register (CAR), will act as an intelligent data repository for all relevant data of a registered LCT.

Having completed the project's feasibility study, we are currently engaged in solution development, with pilot testing to begin in August 2024 and conclude in August 2025. Through this programme, we have gained experience of navigating and working to overcome challenges of data use in principle versus in practice, relevant to the future flexibility of digital infrastructure (FDI).

As the operator of existing digital energy infrastructure, the DCC has a number of existing capabilities that could provide accelerated delivery, cost effectively, for a future CAR.

Culture and Capability

Our people

At the DCC, our people play a pivotal role in driving our business success and fulfilling our mandate. Throughout this year, we've remained committed to our three-year People Strategy.

This strategy ensures that the DCC has the necessary capabilities while enhancing our employee proposition and overall people experience. Our People Strategy revolves around three key pillars, which will continue to be our focus moving forward.

Workforce & Capability			Culture Transformation		Employee Value Proposition		
Ensuring DCC has the resources it needs to deliver its mandated activity			Creating an environment where people enjoy working and can be their best		Defining the unique benefits that make people want to join and stay working for the DCC		
Resourcing Strategy	Talent & Succession	Leadership	Cultural ambition, Values & Behaviours	Diversity & Inclusion	Learning & Career	Rewards & Benefits	Working Environment

Workforce and Capability

Our overarching strategy is to ensure that DCC has the right skills and capabilities to meet current and future challenges. By aligning our talent and development strategy with our business objectives and investing in both emerging talent and broader colleague and executive development, we aim to build a resilient and adaptable workforce. This comprehensive approach will enable us to source, develop, and retain the talent necessary to secure DCC's success through the license renewal period and beyond.

We are designing a strategic capability process to identify and define the critical skills needed for DCC. This will help us develop a proactive workforce strategy, securing essential skills and capabilities for the future. A crucial step in this process is creating and implementing a Skills Database to provide a comprehensive view of our current skills across the organisation. This database will improve efficiency, identify skill gaps, and align the workforce with our goals. By collaborating with the Enterprise Planning team, it will offer insights for resource planning and strategic decision-making. Over time, it will also enable us to create targeted learning and development programs to address skill deficiencies and support colleagues in navigating their career paths at DCC.

In January 2024, we launched a recruitment campaign for our September cohort of Degree Apprenticeships in partnership with Manchester Metropolitan University. This initiative offers roles in Cyber Security, Enterprise IT, and the Chief Technology Office (CTO). The apprenticeship route is a focus for us at DCC as part of our strategy to "grow our own" talent, and we plan to have further cohorts in the future.

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Leadership

Leadership continues to be at the heart of DCC and provides an important influence over the cultural shift we wish to make. In line with this, we launched a Leadership Development Programme in June 2023, aligned to our values and behaviours offer tailored tracks for all Leaders within the organisation, which has scored over 86% positivity.

As DCC continues to progress towards a culture of planning, accuracy, structure, and stability, Leadership assumes an increasingly pivotal role in nurturing highly effective and well-organised teams, ensuring adherence to processes, and fostering a dependable and efficient environment.

To support this, we have implemented a Leadership Engagement Framework aimed at fostering connectivity and information sharing across all our leadership groups with a specific focus on the Wider Leadership Team (WLT). Within this framework, we have successfully introduced a bi-monthly 'Leader Connect Call', and a fortnightly 'Leader Cascade Bulletin,' which has an engagement rate of 75% and above. Moreover, we will continue to hold quarterly Senior Leadership Team summits and an annual All Leader conference to further enhance leadership collaboration and engagement in our strategy.

Culture Transformation

At DCC, we understand the intrinsic link between a thriving company culture and engaged employees. Our commitment to cultivating this alignment is evident in our proactive approach to employee feedback through initiatives like the Employee Opinion Survey. By harnessing these insights, we strive to create an environment where every voice matters, positive change happens and where continuous improvement is the norm.

Our latest "Your Voice" survey results highlight DCC's significant progress and positive trajectory in company culture and employee engagement. With a consistent 86% participation rate, our Employee Net Promoter Score (eNPS) has notably climbed by 18 points as of March 2024 (from -4 to +14). Additionally, our Blended Positivity Score (BPS), derived from an average of five key questions, underscores strong positivity in colleagues' sense of belonging and their willingness to recommend DCC as a great place to work, standing at 74%. Overall, our Blended Positive Score sits at at 68% (this is an increase of 4 points and exceeds the threshold target for 2023/24).

The implementation of our Employee Engagement champions has led to a proactive approach in developing both company-wide and functional action plans based on the insights from the Your Voice survey. A significant improvement has been observed in the area of 'listening and taking action', with an impressive 11% enhancement.

We continue to drive towards our three-year ambition of being within the top quartile of companies for our size in relation to engagement scores. In order to achieve this, we will continue to focus on improving performance of our lower scoring questions.

Looking ahead, we are committed to continual improvement. Insights from the survey will shape our people strategy and initiatives in the coming months, with specific actions planned at functional and team levels. This ongoing effort will further refine our company action plans and drive us closer to our goal of becoming a top-tier employer.

DCC proudly secured the 7th spot in the Top 50 of the Inspiring Workplace Awards in the UK & Ireland, while also earning special recognition and awards for our efforts in Inclusion, Employee Voice, and Purpose & Culture

Diversity and inclusion

At DCC, we're committed to fostering a diverse and inclusive workplace. It's not just about numbers; it's about creating an environment where everyone feels valued and empowered.

Our strengths lie in transparency and representation. We maintain high disclosure rates—100% for gender and 95% for ethnicity among permanent staff. 40% of our workforce are female and 29% belonging to ethnic minorities, surpassing technology industry averages of 29% female and 25% ethnic minorities (Source: Diversity in Tech 2023).

Our 3-year strategy focuses on three key areas:

1. Internal Empowerment:
- We encourage employees to embody inclusive behaviours in their daily work. It's not just about policies; it's about how we treat each other.

2. Structural Integration:
- We're weaving inclusivity into our organisational fabric. From recruitment to career development, we're committed to retaining a diverse workforce.

3. External Engagement:
- Our impact extends beyond our organisational walls. Collaborating with suppliers, partners, and communities, we aim to shape an inclusive industry.

Recent initiatives include monthly D&I forums, grassroots groups for gender and neurodiversity discussions, inclusive recruitment practices, and our journey toward becoming a menopause-friendly accredited organisation. We've also integrated environmental, social, and governance considerations into our procurement process.

Employee Value Proposition

During 2023/4, we continued to develop our reward and recognition agenda.

To support our key Reward objectives of attracting and retaining key talent through remaining competitive yet efficient, we refreshed our salary ranges in line with the markets in which we operate.

The 2024 pay, and bonus award was successfully delivered with the support of the Board with a 4% cost of living increase, focusing on performance, gender pay, and ethnicity pay outcomes.

We continue to recognise our employees through the Smart Stars recognition platform and to recognise the on-going cost of living challenges, developed financial and health wellbeing programmes and implemented a new discount platform to support colleagues.

Workplace experience remains a key focus and our offices have now reached pre-COVID attendance levels. This success is attributed to a new hybrid policy and on-site improvements, including increased collaboration spaces, refreshed wellbeing rooms, and free lunches. We will continue to monitor and drive overall experience within our offices.

Gender pay

Hourly pay	2024	2023
Mean pay differential (average)	11%	11%
Median pay differential (mid-point)	9%	8%
Bonus pay	**2024**	**2023**
Mean pay differential (average)	16%	12%
Median pay differential (mid-point)	17%	43%
Proportion of employees receiving a bonus	**2024**	**2023**
Men	72%	79%
Women	68%	87%

DCC has maintained its proactive stance on gender pay equity through the annual salary review, which includes raising base salaries that fall below the minimum range and continuously enhancing the representation of women in senior positions. The mean pay gap for FY2023/24 remains consistent with the previous year's percentage. Both the mean and median pay gaps are on positive trends, with the mean pay gap at 11%, which is lower than the UK average of 14.3% in 2023.

Regarding bonus pay, although our median bonus gap is higher than the UK average of -0.4% in 2023, it has positively decreased by 26%. The proportion of employees receiving a bonus excludes employees who were ineligible based on tenure with DCC

Responsible business

In 2024, we updated our Responsible Business Framework to align our sustainability goals with best practice and the principles of 'ESG'. The Framework now focuses on delivering positive impact through responsible, inclusive, and sustainable practices. As well as individuals from across the organisation contributing to delivering our responsible business agenda, DCC now has a Responsible Business team with members in both the Commercial and People functions driving the core workstreams.

Responsible

Holding ourselves and our partners to the highest levels of integrity, governance and performance is a core part of DCC's Responsible Business strategy. This year, twelve suppliers, including the top six by spend, have signed up to our Supplier Charter, weighted ESG questions have been included in four pilot procurements and three Sustainability Supplier Forums were held to engage suppliers on raising our collective responsible business ambitions.

Inclusive

DCC actively contributes to local communities by collaborating with organizations aligned with our purpose and values. Our employees leveraged their expertise and dedicated their time through volunteering opportunities related to fuel poverty, the environment, and STEM education. This year, over 300 hours were dedicated to activities including STEM Camps and volunteering with grass roots organisations that support the distribution and cooking of food to the most vulnerable in London and Manchester.

This year, DCC conducted a comprehensive Diversity and Inclusion audit to assess our current strengths and weaknesses in this space. Using these insights, we developed DCC's D&I strategy – defining our key aims, outcomes, and initiatives over the next 3 years. We launched some of these initiatives in 2024, such as our new monthly D&I forum, a demographic data collection campaign, and the introduction of a diversity data lens to people processes such as performance reviews and pay gap reporting.

Sustainable

Achieving carbon neutrality as a business for the past four years is one demonstration of our aim to be an environmentally responsible organisation. Additionally, 2024 was the first year DCC made Climate-Related Financial disclosures alongside its financial reporting.

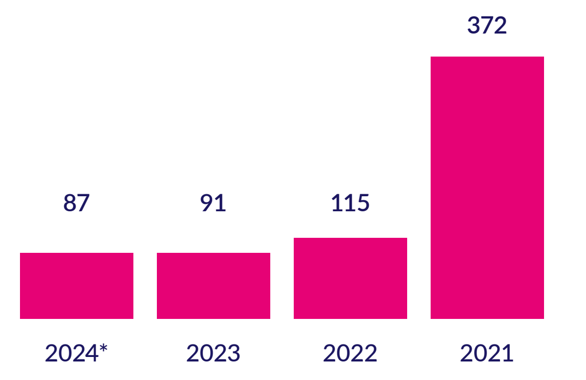
Our carbon intensity per head increased from the previous year slightly as we balance the needs of collaborating in person and working remotely but remains below our 2021 baseline. The baseline and neutrality statement have been independently assessed and verified by Carbon Trust Limited.

We have arranged carbon offsetting purchases with Carbon Footprint Limited to support our carbon neutrality goal with over £3,000 going towards a renewable wind energy power project in China. China was selected as the it is the manufacturing location for a significant proportion of communication hubs. All our electricity supply is sourced from 100% renewable sources.

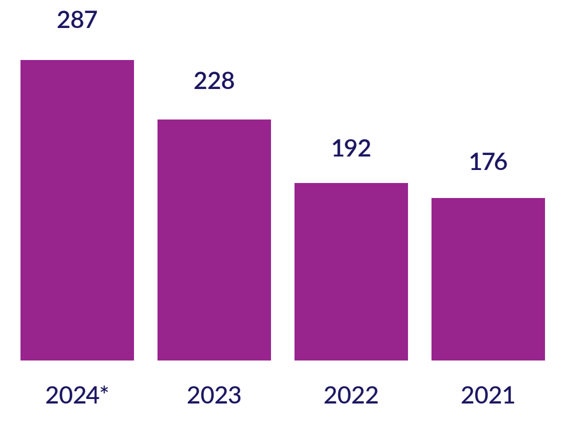
Electric Vehicle (EV) charging points are available at both our Manchester and Nottingham offices and 38 employees have selected an electric vehicle through the employee benefits system.

Annual greenhouse gas emissions

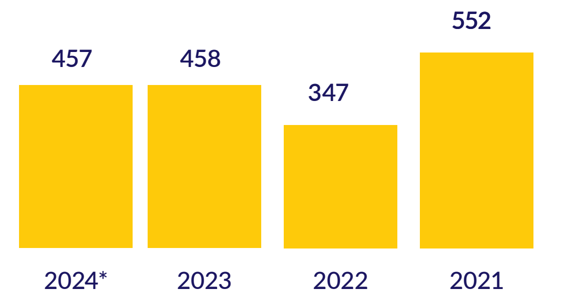
Scope 1 (tCO_2e)



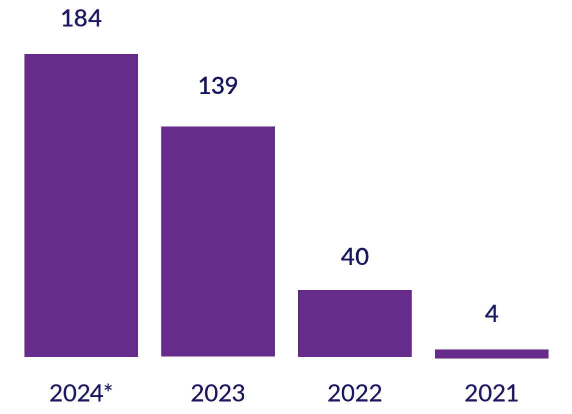
Scope 2 (tCO_2e) (location-based)



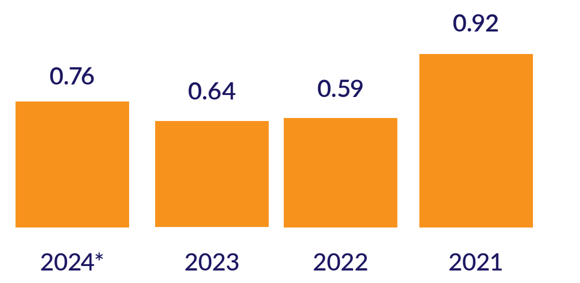
Total gross tonnes of CO_2e



Scope 3 (tCO_2e)



Total gross tonnes of CO_2e/headcount



Reporting Periods Definition

Financial Year	Start	End
2021	01.04.2020	31.03.2021
2022	01.04.2021	31.03.2022
2023	01.04.2022	31.03.2023
2024	01.04.2023	31.03.2024

* Numbers in blue are assumptions based on DCC's non-certified internal carbon measurement tools. DCC intends to verify the calculations with an independent 3rd party auditor.
** FY2024 S1 & S2 data uses actual data until Dec-23. Jan-Mar 24 have been modelled based on the 23 Oct-Dec usage due to lack of data availability at time of publishing.

Methodology

We measure our environmental performance by reporting our carbon footprint annually in terms of tonnes CO2 equivalent (tCO2e) and tonnes of CO2 equivalent per person. The data relates to the DCC's owned and leased facilities under its operational control across the UK and, within this, we report on our direct emissions from the DCC-controlled and owned sources (Scope 1), indirect emissions from consumption of energy (Scope 2), and emissions from third parties (Scope 3). This ensures our compliance to the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 which requires certain disclosures in respect of greenhouse gas emissions (the Strategic Report GHG Emission disclosures).

Our disclosures cover the sources of our greenhouse gas emissions from our operations in the UK. The DCC converts the consumption data into a carbon footprint in line with the World Business Council for Sustainable Development and World Resources Institute's (WBCSD/WRI) Greenhouse Gas Protocol, together with the latest emissions factors from the UK Department for Environment, Food and Rural Affairs (Defra).

Smart DCC's Climate-related Financial Disclosures

At Smart DCC, we recognise the threat of climate change and the importance of contributing to the transition to a lower-carbon economy. Our network helps energy bill payers reduce their energy consumption while supporting Great Britain's energy providers with real-time supply and demand data, which can support the suitable deployment of renewable energy.

As a business, understanding the potential risks and opportunities associated with climate change will enable us to make more strategic and informed decisions. This includes understanding both the physical impacts of climate change and the transitional impacts related to the shift to a lower carbon economy.

Importantly, this means looking at the financial implications of climate-related risks and opportunities. By understanding these, we have the potential to deliver the best value for our customers and end users across the UK. We can strive to mitigate and minimise the costs associated with climate-related risks while capitalising on opportunities that may reduce emissions and save end users' costs.

To that end, we have employed the recommendations of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (UK CFD) legislation and non-binding guidance The UK CFD is a framework for businesses to assess climate-related risks and opportunities and make effective climate-related disclosures. We present our disclosures below in accordance with the UK CFD.

We believe our current business strategy is aligned with the transition to a lower-carbon economy and resilient to the impacts of climate change under the climate scenarios assessed. However, we understand the dynamic nature of climate-related risks and opportunities and will remain agile in our approach to addressing climate-related issues. To ensure that we do so, we will continue to review, monitor and measure our climate-related risks and opportunities on an annual basis. Similarly, to support this, we will assess any relevant metrics and targets to ensure we continue to mitigate the chance of the risks materialising whilst being best positioned to realise potential opportunities.

Governance

Our DCC Board has overall responsibility and oversight of all climate-related risks and opportunities across the business. Governance of climate-related issues is captured in our Risk Management Approach and Governance, outlined in detail on page 36. However, details about specific climate-related roles and responsibilities and how these tie into the overall Risk Management Approach and Governance Structure are outlined below.

Responsible Party	Key Representatives	Responsibilities
DCC Board	**Chair of Audit and Risk Committee**	• Responsible for the resiliency of the Company strategy, including understanding how climate-related risks and opportunities may impact Smart DCC's business strategy. • Approves framework for risk management and internal controls, sets risk appetite, and ensures resources are in place to manage risks effectively; this includes ensuring resources are in place to manage climate-related risks. • Updated quarterly on climate-related risks and opportunities by the Director of Risk and Assurance..
Audit and Risk Committee (ARC)	**Director of Risk and Assurance**	• The board-level committee is responsible for financial reporting, risk management, and internal controls; this includes climate-related financial risk and opportunity management and associated disclosures. • Responsible for reviewing climate-related risks, making recommendations on risk appetite, remedial action, and resource allocation to the Board, in line with Smart DCC's risk escalation procedure. • Updated on the operation of the risk management system and the risk environment as required by the ExCo.
Executive Committee (ExCo)	**Chief Commercial Officer**	• Leads the implementation and operation of the risk management systems and framework. • Monitors the risk environment on an ongoing basis, including climate-related risks and opportunities. • Manages identified climate-related risks and opportunities through strategic actions and resource allocation to relevant DCC functions. • Works with the ESG Team to advance the responsible business framework while mitigating climate-related risks and realising opportunities.
ESG Team	**Head of Sustainability** **CSR and Sustainability Manager**	• Coordinates all sustainability efforts and addresses climate-related issues at Smart DCC. • Works with all areas of the business to advance the sustainability agenda engrained through the responsible business framework. • Supports the business in the ongoing management of climate-related risks and opportunities. • In collaboration with the ARC and ExCo, identify and evaluate climate-related risks and opportunities on an annual basis. • The Head of Sustainability reports directly to the Chief Commercial Officer and communicates with the ExCo on ESG performance and progress against the ESG strategy, including those related to climate change, quarterly
Functional Teams	**Various**	• Responsible for the day-to-day management of climate-related risks and opportunities. • Execute climate-related activities across their respective departments.

4 The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (legislation.gov.uk)
5 Climate-related financial disclosures for companies and limited liability partnerships (LLPs) - GOV.UK (www.gov.uk)

Strategy

To assess our business model and strategy's resilience to climate change, we conducted a climate scenario analysis. In doing so, we aimed to assess and evaluate the potential climate-related risks and opportunities across various scenarios and time horizons. In turn, this enabled us to understand how they may impact our efforts to ensure the continuity of the DCC Network and our ability to deliver on our core service of rolling out the smart meter network for Great Britain.

Climate scenario analysis – risk and opportunity identification

We conducted a scenario analysis to assess the exposure of the business' operations, supply chain, and customer base to the potential physical impacts of climate change and the impacts of the transition to a lower carbon economy. The scenarios analysed included three physical scenarios to identify physical impacts and three transition scenarios to identify transition impacts. Analysing business insights in relation to information derived from the climate scenarios enabled us to identify potential climate-related risks and opportunities.

Shared Socioeconomic Pathways, physical scenarios from the Intergovernmental Panel on Climate Change (IPCC), were selected to understand the physical impacts of climate change on our operations and supply chain. This included an in-depth analysis of land, coastal and cityscape projections within the UK, utilising projections and assumptions from the IPCC's Sixth Assessment Report[6] as well as the Met Office's UKCP18 Report[7]. The key projections analysed included changes to temperature, precipitation, sea level rise and extreme weather events.

Three transition scenarios from the International Energy Agency (IEA) were also selected to understand the expected changes as the economy decarbonises under differing emissions pathways. The transition scenarios were chosen because the IEA examines the changes needed within the energy sector to decarbonise to achieve net zero globally. As such, these scenarios are directly applicable to our sector and core services and enable the business to understand whether it is well-positioned for a net zero transition. Specifically, the critical variables assessed from these scenarios included energy mix, energy-related regulations, the built environment, energy efficiency and technology, as these aspects directly impact the smart meter rollout and societal energy consumption.

We evaluated the projections across three time horizons to identify and assess how physical and transition risks may vary over time across these scenarios. Our time horizons were as follows:

- **Short-term time horizon (2024 to 2030; 2030 milestone)**
- **Medium-term time horizon (2030 to 2040; 2040 milestone)**
- **Long-term horizon (2040 to 2050; 2050 milestone)**

These time horizons were selected based on the available climate science and aligned to our business structure and sector. The long-term time horizon concludes at the UK Government's target date of net zero by 2050 and is the furthest time horizon analysed by the IEA. As such, all risks and opportunities have been assessed in line with these target dates.

From the scenario analysis, key findings on the potential business impacts were consolidated and physical and transitional risks and opportunities were identified and categorised based on the UK CFD guidance. Although all categories of climate-related risks and opportunities were considered for the assessment, not all were found to be material to Smart DCC based on the information available.

Qualitative financial impacts were also identified based on the associated business impacts should the risk or opportunity materialise. The identified financial impacts do not differentiate across different climate scenarios or time horizons. However, they may become more or less probable or severe over higher emissions scenarios or longer-term time horizons. As such, the 'materialisation' period refers to the earliest point at which the risk or opportunity could materialise for Smart DCC. By acknowledging this, Smart DCC can prepare appropriately to mitigate the projected financial impacts.

As an organisation that receives revenue from the UK energy bill payers, we have looked, where possible, to identify potential financial impacts for end-users, too. This is in our best interest, as our final allowed revenue is passed onto the general energy bill payer through fixed charges; therefore, smart meter data can be used to reduce the overall cost of operating the Smart DCC Network and energy, as well as reducing the associated carbon emissions from the energy sector.

Physical scenarios

SSP1-2.6	A low emissions scenario where emissions decline to net zero around 2070. Warming: 1.3°C–2.4°C by 2100
SSP2-4.5	A medium emissions scenario where emissions remain around current levels until 2050. Warming: 2.1°C–3.5°C by 2100
SSP5-8.5	A high emissions scenario where emissions roughly double from current levels by 2050. Warming: 3.3°C–5.7°C by 2100

Transition scenarios

Net Zero Emissions by 2050 Scenario (NZE	This scenario maps out the energy transition needed to achieve a 1.5°C stabilisation in the rise in global average temperatures.
Announced Pledges Scenario (APS	This scenario assumes that all aspirational climate-related targets announced by governments are met on time and as a whole.
Stated Policies Scenario (STEPS)	This pragmatic, exploratory scenario shows the trajectory implied by today's policy settings.

Risk management.

Risk and opportunity evaluation

To facilitate the integration of climate-related risks and opportunities into existing risk management practices, Smart DCC's risk methodology was followed throughout the identification, evaluation, and management process. Following the identification of risks, opportunities and their associated financial impacts, we assessed and evaluated the significance of each risk and opportunity.

Utilising the findings from the scenario analysis, we conducted workshops with senior and executive leaders from members across financial control, risk, sustainability, operations, strategy and procurement to evaluate the relevance and significance of each risk and opportunity. Our risk management and scoring methodology was used to assess the risks and opportunities, with a 1 – 4 rating used to evaluate the impact and likelihood of each risk across each scenario considered and across the three time horizons selected. For opportunities, the rating scale assessed the impact and capacity, the ability of Smart DCC to realise the opportunity.

Using the expertise of the workshop participants, residual risk scores were given for the risks and opportunities by considering the existing controls and measures in place. This enabled us to minimise the threats and maximise the opportunities for the benefit of our customers, stakeholders, and employees. By following our risk methodology, we were able to identify any risks and opportunities that may be 'high' or 'critical', and that may need to be escalated and addressed at the ARC. The evaluation also considered the possible effects on our financial performance and position for each risk and opportunity.

The most significant climate-related risks and opportunities have been disclosed below, alongside their relevant emissions scenario and time horizons.

6 Sixth Assessment Report — IPCC
7 https://www.metoffice.gov.uk/pub/data/weather/uk/ukcp18/science-reports/UKCP18-Overview-report.pdf

Physical climate-related risks:

Risk	Financial impact	Management response	Scenario	Time frame	Residual risk
Damage to network infrastructure as a result of extreme weather events, leading to a disruption of core service provision.	• **Increased expenditure (via suppliers) on maintenance provisions to the DCC Network.** • **Loss of revenue due to supplier disruption.** • **Loss of revenue due to failure to hit core service targets.**	Smart DCC has robust business continuity plans in place to ensure the continuity of its core service provisions. This is also a key criterion during our procurement provisions for critical suppliers. As such, the probability of this impacting Smart DCC is low. However, under a high emissions scenario, the impact on network infrastructure could be significant in the long term, particularly for those within the DCC Network's ecosystem. An important next step to ensuring our suppliers' resiliency is to ensure that climate risk has been factored into their business continuity plans.	**SSP5-8.5**	**Long-term**	**High**
Flooding in proximity to Smart DCC's operations and key suppliers due to climate events including rainfall, storms and sea level rise, resulting in disruption to employee commuting and core service delivery.	• **Increased expenditure on insurance premiums for office locations.** • **Increased expenditure on office relocation or maintenance and repair.** • **Asset write-off due to water damage.** • **Loss of revenue due to failure to hit core service targets.**	Whilst this is likely to occur in the medium—and high-emissions scenarios in the long term, the impact on the DCC is relatively minor. Business continuity plans also enable the DCC to continue to operate should office spaces close. However, flooding can disrupt our Manchester employees' commutes and restrict their travel into the office, disrupting the execution of their roles and potentially impacting core service delivery. This may also be the case for some suppliers who are office/site-dependent. Our next steps for addressing this are to investigate business continuity plans for our suppliers who may be office/site-dependent and at-home-working provisions for core DCC employees should flooding impact commuting.	**SSP2-4.5**	**Long-term**	**Medium**

Transition climate-related risks:

Risk	Financial impact	Management response	Scenario	Time frame	Residual risk
Cost increases across the supply chain due to climate impacts or low-carbon transition, leading to an inability to recover additional costs.	• **Increase in expenditures due to suppliers passing on costs.** • **Increase in cost-per-meter intensity metric.**	Critical mineral availability, increases in fuel prices and climate-related supply chain disruption could increase supply chain costs, particularly for our Comms Hubs. This could increase the cost-per-meter intensity metric and impact end-user costs. The DCC is actively working on implementing a transportation optimisation initiative to reduce emissions and costs of Comms Hubs transportation, which in turn reduces the cost-per-meter intensity metric.	STEPS	Medium-term	Medium
Persistent volatility of energy prices due to supply and demand challenges, resulting in an increased cost-per-meter.	• **Increase in expenditure for Smart DCC and end-users on high and unpredictable energy costs.** • **Decreased revenue as a result of poor credibility with regulators and customers.**	Due to a high increase in demand for renewable energy in the short term under the NZE, it is possible that price volatility will occur, which may impact end users and the cost-per-meter. The same can be said for the STEPS in the long term about fossil fuel usage. A persistence in volatility could also result in reputational damage for the DCC, where end users lose faith in the effectiveness of the smart meter programme. Whilst the DCC's primary responsibility is to provide the data to its customers, it also has measures for end-users to mitigate this risk and its impacts. DCC's service supports effective load balancing for energy suppliers to ensure supply is optimised. Similarly, DCC's Enduring Change of Suppliers Service enables end users to switch between energy suppliers securely and effectively so that they can make informed choices on the cheapest provider during periods of potential market volatility and high demand.	NZE	Short-term	Medium
			APS	Short-term	Medium
			STEPS	Long-term	Medium

Key	
Short-term	Short-term (Present – 2030)
Medium-term	Medium-term (2030 – 2040)
Long-term	Long-term (2040 – 2050)

Climate-related opportunities::

Opportunity	Financial impact	Management response	Scenario	Time frame	Score
Securing a role in the Electric Vehicle Smart Charging roll-out through the reuse of the DCC Network.	• **Increased revenue from reuse of DCC Network and extension of Licence.** • **Economies of scale as a result of the reuse of existing DCC Network infrastructure.**	This presents a high opportunity for Smart DCC, as it can enable the reuse of the existing DCC Network and associated infrastructure and support a fair and consistent charging system, which can enable effective load balancing.	NZE	Short-term	High
		By utilising the DCC Network, we can support the reduction in cost to the end-user while also making them aware of how their energy consumption may be best optimised to support a decarbonised energy grid..	APS	Short-term	Medium
Leveraging strategic partnerships to incorporate circular economy, waste and emissions reduction principles, leading to enhanced sustainability performance and greater efficiencies.	• **Reduced expenditure on comms hubs financing agreements from lower manufacturing costs.** • **Reduced cost-per-meter intensity metric.** • **Reduced expenditure and emissions on transportation, waste and disposal.** • **More efficient use of workers, reducing manpower bottleneck and saving on costs.**	Counter to the risk of increasing supply chain costs, Smart DCC has an opportunity to implement new initiatives that can drive down the costs associated with the Smart Meter rollout. This can ultimately reduce the costs incurred by end-users as part of our Fixed Charge revenue stream. This would directly contribute to delivering on our Strategic Outcomes, particularly being '**Right, first time**' and being '**A responsible and efficient business**'.	NZE	Short-term	Medium

Risk and opportunity management

Following the completion of the risk and opportunity identification workshop, the findings for all identified risks and opportunities were captured within Smart DCC's climate risk and opportunities register. From here, all risks and opportunities are managed in line with Smart DCC's Risk Management Approach and Governance and our Internal Controls and Compliance Framework, as outlined on page 36.

Our Director of Risk and Assurance ensures that all risks and opportunities are assigned to the relevant DCC function. These functions oversee the day-to-day management of all climate-related risks and opportunities, including their transferral to the functional risk register and monitoring of their status. Smart DCC's risk management approach is outlined above on page 36.

One risk was identified as high in the short term under the NZE scenario; however, it was deemed to pose a low risk under the current trajectory (STEPS). As per our Risk Escalation Procedure, it was determined that it was sufficient to be reviewed at the following operational risk review.

Metrics and targets.

Through our responsible business framework, we demonstrate our commitment to embedding sustainability across our supply chain, our people, and the local communities in which we operate. We have established several key performance indicators (KPIs) to monitor climate-related issues; these are outlined in full in the 'Sustainable Business' section on page 26. A description of the key metrics currently monitored and their relevance to our climate-related financial disclosures can be found below

Metric	Target	Performance		Comments
		FY23	FY24	
% Renewable Energy sourced	Procure 100% of energy for direct operations from renewable sources per annum.	--	100%	We are pleased to source all electricity from renewable sources across our three offices through REGOs.
% top spend* suppliers engaged on sustainability *top 20 suppliers and/or selected strategic suppliers	Engage 50% of top spend* suppliers on sustainability per annum	--	50%	In FY24, we began engaging suppliers through quarterly supplier sustainability forums, engaging with 10 suppliers from our top spend on sustainability matters, including climate issues.
tCO2e of scopes 1, 2, and 3 (business travel only) carbon emissions	Reduce scopes 1, 2, and 3 (business travel only) carbon emissions by 5% per annum.	To be calculated from FY25	To be calculated from FY25	Our target will be measured from FY25 for the next two years. Following this, we will amend the target following the calculation of our full carbon footprint baseline.
% of total significant procurement tenders** with weighted ESG questions **over £1m	Achieve 50% of total significant procurement tenders with weighted ESG questions.	To be calculated from FY25	To be calculated from FY25	This target will come into effect in FY25, where we will begin to implement new procedures for significant procurement tenders.

We recognise the importance of capturing all material scope 3 emissions sources and baselining our full carbon footprint. We have established our operational boundary for future carbon footprinting in line with the best-practice guidance of the Greenhouse Gas Protocol[8] . We intend to commence a full carbon footprint calculation on all relevant scope 1, 2 and 3 emissions categories in FY25. At the conclusion of this, we will explore setting science-based emissions reduction targets for our operations and value chain.

Alongside these metrics, we have an objective of maintaining our carbon neutrality status for the business. For Smart DCC, carbon neutrality does not diminish the importance of decarbonising our own operations but rather enhances it. While we work to decarbonise our own operations, the credits we purchase for carbon neutrality support the implementation of grid-connected renewable wind power plants in China.

We recognise the need for ongoing improvement required in measuring KPIs and setting associated targets to monitor the potential impact of climate-related risks and opportunities on our business model and strategy. In FY25, we will explore further ways to implement KPIs, targets, and strategic action to support the effective management of our identified material climate-related risks and opportunities. Doing so will help ensure that our network continues to safeguard consumers and support Britain's renewable energy usage. In essence, it will help us fulfil our purpose of making Britain more connected so we can all lead smarter, greener lives.

8 Standards & Guidance | GHG Protocol

Risk

DCC Risk and Assurance Framework and Process

Effective risk management and internal controls are key to the successful delivery of our strategic objectives. Our goal is to minimise the threats and maximise the opportunities for the benefit of our customers, stakeholders and employees within the overall context of the DCC Licence.

Our risk management approach is consistent with the principles of ISO 31000 and is a layered approach including Strategic and Enterprise Risk to delivery of our Strategic Outcomes and obligations, Functional and Programme delivery risk across our Service Lifecycle and a dedicated process to manage Risk across our Supply chain.

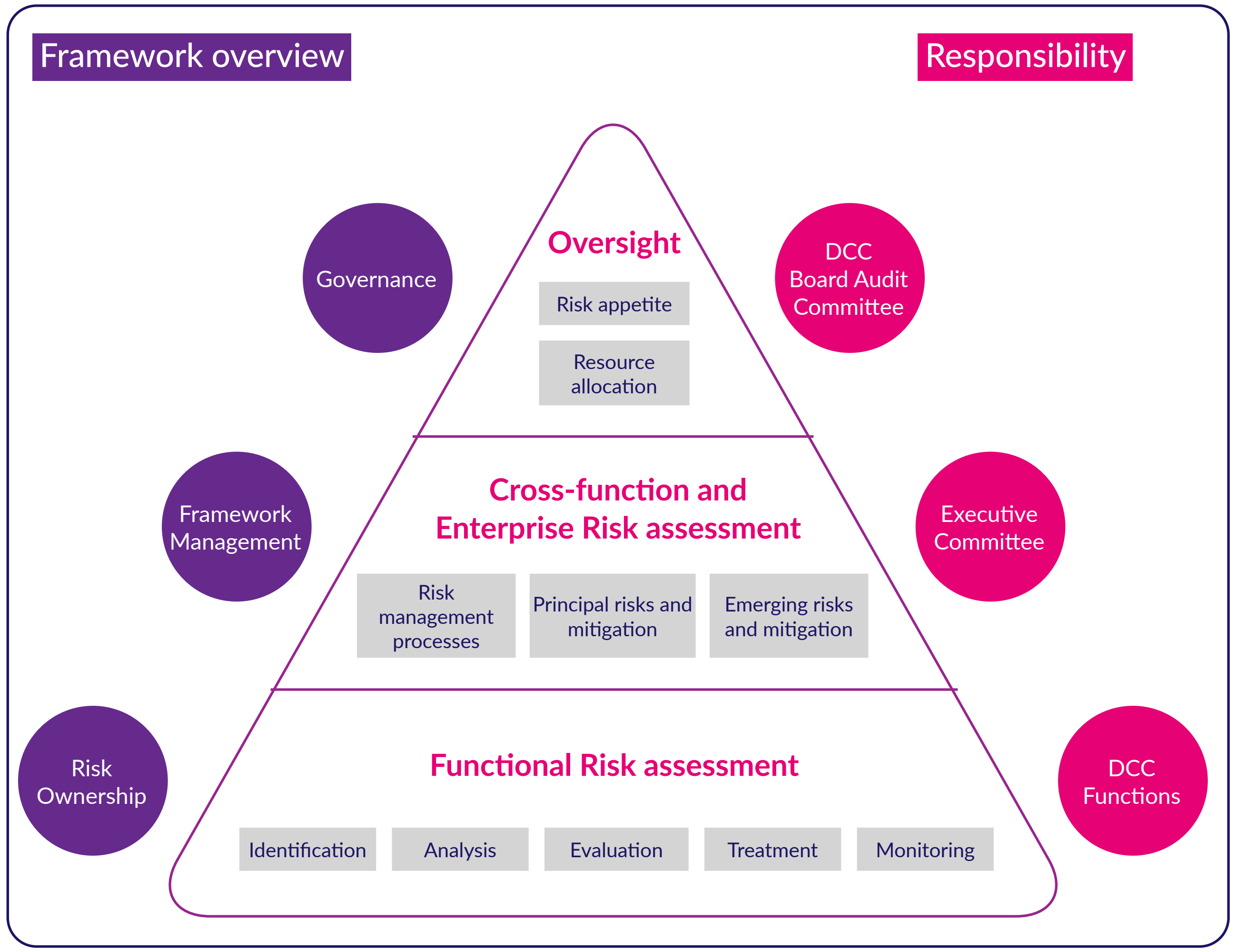
Our Business Resilience and Disaster Recovery Policy and Process, which is integral to our Risk management approach is independently certified to ISO22301 standards.

Our internal controls framework is based on the three lines of defence model to ensure that DCC complies with all Code (SEC and REC), Licence, internal and UK Corporate Governance obligations.

Our information security controls are audited and certified to ISO 27001.

Our Risk Management Approach and Governance

We operate a risk management approach consistent with the UK Corporate Governance Code and the principles of ISO 31000. An overview of the DCC risk management framework is shown below:



The DCC Board is responsible for approving the risk management systems and framework, setting the risk appetite, and ensuring the necessary resources are in place to manage risk effectively. Our Audit and Risk Committee (ARC) is responsible for monitoring the effective operation of the risk management systems and framework.

Strategic Risks are reviewed regularly by the ARC with a full update of the register completed at least annually with the full DCC Board. Recommendations on risk appetite, remediation actions, and resource allocation are made by the ARC and approved by the Board.

The ExCo (Executive Committee) is responsible for leading the implementation and operation of the risk management systems and framework, and to develop and implement the mitigation planning to ensure risk is maintained with the appetite defined by the Board. ExCo are responsible for monitoring the risk environment on an ongoing basis, including both principal risks and new and emerging risks, and to ensure that the Strategic and Enterprise Risk assessment reflects the best available information.

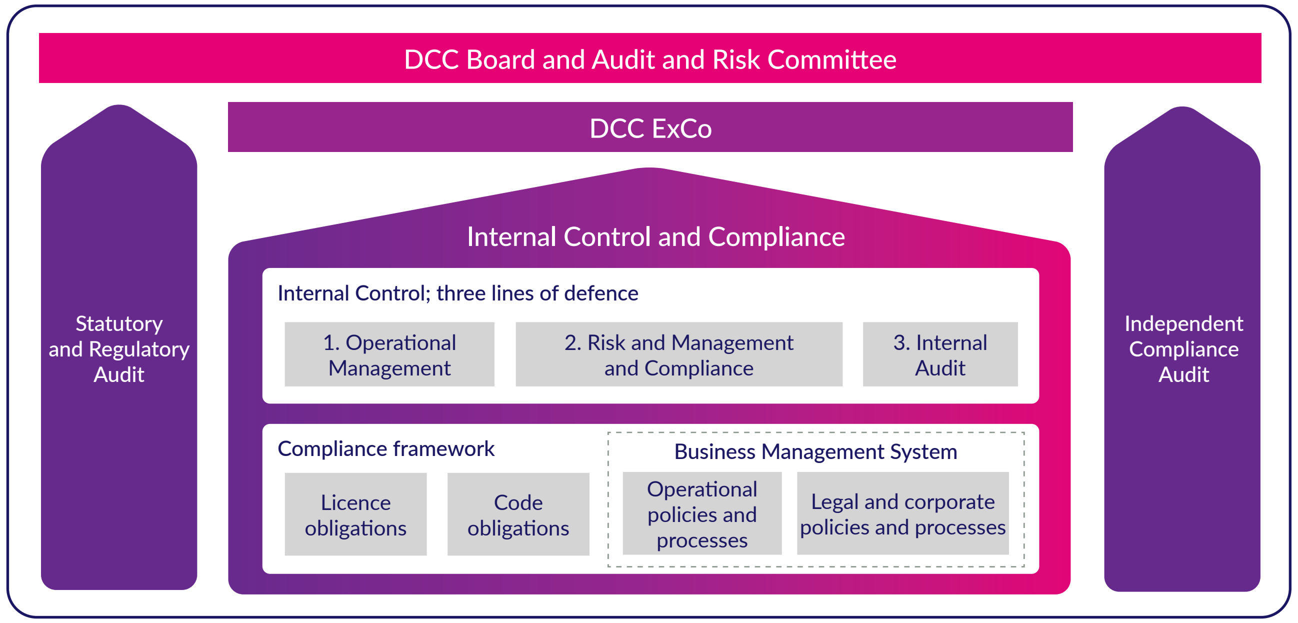
DCC functions are responsible for day-to-day management of risk, and risk awareness and risk management are an inherent responsibility of all our staff. Each function is responsible for identifying, managing and reporting risk according to a standard risk assessment framework and to maintain a functional risk register detailing identified risks, mitigation actions and owners. Risk management and reporting is also embedded into key business processes, including:

- Business plan development and reporting.
- Programme delivery governance and reporting.
- Operational performance governance and reporting.
- Financial performance governance and reporting.
- Contract development and approvals including contract change.
- Service Provider performance management and reporting.
- Internal Audit and Compliance reporting.
- Management across Product / Service Families and the operating Lifecycle of each Product Family.

Operation of the DCC risk management framework and processes is audited and assured by the Risk and Assurance function and reported to the ARC.

Overview of Internal Controls Framework

We operate a robust internal controls framework to ensure that we comply with all regulatory, Licence, internal and UK Corporate Governance obligations. Our internal controls and compliance framework is described below:



Our Internal control framework is based on the **three lines of defence model**. Due diligence and quality assurance of the operation of internal controls, is informed by operational performance monitoring and reporting, through functional and enterprise risk assessment, risk mitigation plans, detailed compliance monitoring against codes and Licence and internal audit testing activity.

DCC maintains a suite of corporate operational policies, which are supported by specific standard processes and procedures, which link to DCC's over-arching Operational Lifecycle. All of our policies are published to staff on the DCC secure intranet, and are owned at Board, ARC or Exco levels. All policies are subject to an annual review and update where required and follow a clear Governance process. The effectiveness and implementation of each policy is audited on a minimum of a 3-year cycle.

Compliance with all codes, internal policies and procedures is mandatory for all DCC staff. All new joiners are trained on the DCC compliance framework and on relevant operational processes as part of their induction and onboarding process. Ongoing refresher staff training is completed on a needs and risk-assessed basis.

Traceability and evidence of compliance with all Licence and Code (SEC and REC) obligations is managed through the DCC Compliance Management System. The Compliance Management System is regularly reviewed and updated to include changes to Licence or Code (SEC and REC) obligations and to reflect any changes in operational ownership or compliance status. Regular sample testing is completed to assure compliance, and any gaps or risks and remediation actions are reported to the ARC and tracked to resolution.

The Internal Audit function provides regular monitoring, testing, audit and reporting to the ExCo, ARC and Board for internal controls related activity.

Operation of our internal controls system, including audit and compliance, is kept under regular review by the ARC. Overall effectiveness of the process and function is reviewed annually by the Board.

Governance of Risk Management and Internal control

The ARC is responsible for reviewing the effectiveness of the Company's system of Risk Management and internal control and providing their view to the Board.

The Risk and Assurance function prepares and present updates on Licence and Code (SEC and REC) compliance, internal audit activity, Strategic and Enterprise risk as well as the associated actions at each Committee meeting.

The Internal audit plan is reviewed and approved by the Audit & Risk Committee in the November prior to the start of the regulatory year and includes both risk-based audits and a rolling schedule of policy audits that ensures all Company policies are audited over a three-year period.

The risk-based audit schedule for RY2023/24 included a focus on Security (data security and management), Commercial & contract process transformation, Procurement, Forecasting and cost controls, Fraud and 3rd Party Risk across our supply chain.

The ARC has assured the quality, experience and expertise of the Risk and Assurance function through review of the papers presented to both the Committee and Board, and through regular meetings between the Chair of the ARC, Director of Risk & Assurance and senior management.

Regular reporting to the Committee during the year included:

- Outcomes of planned controls and compliance monitoring activity
- Outcomes of planned internal audit activity, including findings, risk assessment and recommendations.
- Enterprise risk assessment, including review and approval of changes and proposed mitigations.
- Completion of agreed internal audit, risk, and compliance related actions, and measures taken to manage overdue or outstanding actions.
- Monitoring, testing and reporting of compliance with Licence and Code obligations.
- Testing, auditing and reporting of compliance with internal policies, processes and controls.
- Risk-based internal audits to assure effective business performance.

Principal and Emerging Risks and Mitigations

As it progresses towards the next phase of its operating lifecycle and the renewal of its Licence, DCC conducted a thorough review of its Business and Strategic Plan during the 23/24 Regulatory year. As part of that process DCC also reviewed and updated its Principal Risk Register to reflect its current and likely future obligations, customer requirements and operational challenges associated with the developing technology, security, and regulatory environments in which we operate.

While the Principal Risks identified in the 22/23 Annual Report remain, progress on embedding mitigations has been reviewed and the output has been incorporated into the updated 23/24 Register:

22/23 Risk Area	22/23 Risk Descriptions	Update
Loss of Smart Meter Licence, following a revocation event or service failure.	• A material DCC security incident or data loss. • A persistent non-compliance with Licence or Regulatory Codes. • A significant consumer-impacting service failure (e.g. prepayment).	• DCC Security protocols are constantly updated and remain strong with no significant breaches reported, however security threats are becoming more complex with increased attacks on the network. • Security Risk as been reviewed across 3 Risk 'Horizons' (Internal, Supplier, Wider Smart energy network). • Compliance with Codes and Licence are closely tracked and remain strong. • We are entering an extension phase to the current Licence with extensive discussions with Ofgem on new Licence terms.
Cumulative reputational damage puts future Licence award and/or shareholder interests at risk.	• Stakeholder perception of poor DCC value-for-money and cost management. • Negative media reporting of DCC.	• Significant improvement in cost forecasting and customer charging, with a close focus on value for money. • The new Ex Ante regulatory cost process is in development with Ofgem which will further improve cost planning and management.
Failure to deliver expected core business performance	• Service failure or degradation due to service provider failure. • Service failure or degradation due to customer-introduced change, usage or behaviour. • Service failure or degradation due to internal capability, process or controls failure. • DCC unable to maintain a well-resourced, skilled and motivated workforce inhibits ability to deliver the business plan. • Inadequate Health Safety and Environment (HSE) controls results in a material HSE incident.	• That The maturity of operating process and improvements in cross customer and stakeholder relationships are reflected in operating KPI's which are generally on track with requirements. • Moving forward key technology upgrades (DSP, Non-Standard Technology, End of Life Technology) become core to the Company can deliver its Strategyrisk to our ability to maintain and enhance mandated services while also expanding access to new customers, new capabilities and new services.. • Recruiting and retaining the right workforce capability remains a challenge given the ongoing discussions with the regulator on future Licence construct. • Our HSE controls remain strong with a low risk of significant incident.
Failure to deliver expected network enhancement and re-use opportunities.	• DCC fails to secure stakeholder support for innovation and re-use plans.	• This remains an area of ongoing discussion with stakeholders and regulator, which will be clarified as new Licence requirements are defined.
Solvency and liquidity.	• DCC becomes insolvent or unable to meet financial covenants in breach of licence requirements.	• The maturity and stability of the business processes means that the risk of insolvency is low, however as we progress the focus will be on the continued delivery of value for money for customers and consumers.

Therefore, the Principal Risk Register has been restructured and updated to reflect a more mature business and operating process and to address the risk of not delivering the Strategic Outcomes identified in the 23/24 update of our 5 Year Business Plan (Flexible and Fast, Right First Time, Secure and Stable, A Responsible Business and Licence extension and renewal).

Therefore, the latest risk position for the RY2023/24 regulatory year and beyond is summarised below:

Strategic Outcome	Strategic Risk Area	Strategic Risk Description	Mitigations	Residual risk	Net Change*
Flexible & Fast Business Model	Extended Life Cycle Times	**1) The current approach to business case approvals, time taken to navigate stakeholder governance processes and enhanced price disallowance oversight sets a concept to contract timeline which is counter to market & business needs.**	Business Planning maturity to include: • Commercial Pipeline • Contract register and contract management capability. • Improved Horizon scanning to enable early engagement. • Predictability on cost & timelines via improved end to end business process. Efficiency of Business Process to include: • A business Case Centre of Excellence. • Concept to contracting resourcing model (people / £) to support. • Clear ownership structure for new concepts / services. Clear & Effective process to align Stakeholders	Medium (Appetite – Medium)	→
Right First Time	Inability to maintain and develop our mandated services to the time, cost and quality expectations of our customers and wider stakeholders, due to End-of-Life technology, inherited technology limitations and time taken to replace.	**2) End of Life Technology:** Connectivity Failure due to 2G/3G Network Shut-off (Central and South)	• Assure 2G Services out to 2028. • Assure component / comms hub supply to maintain roll out targets. • Deliver the 4G CH&N programme to time / cost expectations. • Extend Core 2G contracts (Vodaphone / VMO2) out to 2033. • Develop future connectivity options beyond 2033 .	Medium (Appetite – Medium)	↓
		3) Non-Standards based Technology: Failure to Manage Increased Network Throughput on Radio Networks (North) and operating failure on SMETS 1 Final Operating Capability	• Scaling & Optimisation of Radio Networks to assure the service until a long- term solution is agreed. • Develop and agree the long-term connectivity strategy for the North Region. • Develop and agree the mitigation plan to assure SMETS 1 FOC for the remainder of its operating life.	High (Appetite – Low)	↓
		4) Technology Limitations: Time and cost to deliver DSP Re-procurement.	• Extend current DSP contract out to 2028. • Appoint new supplier by Oct 24. • Full re-procurement RFP to complete by 2028 for the enduring solution.	Medium (Appetite – Low)	↓
		5) Horizon 1 – Internal Security: Failure to maintain the Confidentiality, Integrity, and availability of DCC systems.	• Zero Trust Cyber Security Architecture and cybersecurity program, underpinned by end-to-end data encryption and cryptographically signed critical device commands.	Low (Appetite – Low)	→
Secure & Stable	Material Cyber Security Failure	**6) Horizon 2 – Supplier Protocols:** Suppliers are unable or incapable of maintaining the required security protocols.	• Ransomware defences and recovery protocols in place and Ransomware recovery Policies which are regularly updated to reflect developing risk landscapes.	Low (Appetite – Low)	→
		7) Horizon 3 – Wider Smart energy network: An existential threat to the wider smart energy system and our customers due to state or criminal actors.	• Business Continuity Planning and Incident management reporting, backed up by robust testing. • Security Operations Centre (SOC), fully staffed and operating 24x7 monitoring internal security alerts in real time. • Talent Retention and knowledge/skills retention plan in place for the SOC. • Security reporting requirements included within our legacy and new Supplier Contracts to enforce real-time security event logging. • Early Warning updates from NCSC.	High (Appetite – High)	→

Strategic Outcome	Strategic Risk Area	Strategic Risk Description	Mitigations	Residual risk	Net Change*
A responsible Business	Inability to balance resource across ALL obligations.	**8)** The dominant nature of managing extended cycle times and delivery to time and cost expectations impacts the balance required to deliver on our Consumer & social obligations to enhance, extend and ensure enduring VFM of the network.	• The quarterly Lock process to plan and track costs • Price control disallowance process and Committee to assess risk ahead of incurring cost. • Effective Internal Control Framework to manage costs. • Improve Business planning to become more predictable & efficient on cost. • Staff engagement across the business, aligned across functions. • Strong and effective Leadership, with training to ensure consistency. • Maintenance of SHE policies & Processes. • Responsible Business Framework in place to enhance climate risk analysis and drive emission reductions across scope 1/2/3.	Medium (Appetite – Medium)	↓
Licence Extension & Renewal	Adverse impact on Mandated business from Licence Extension & Renewal	**9)** Licence renewal changes and timescales impact the business's ability to operate to its existing mandate as well as implement the required transition.	• Separate current BAU operating activity & planning from Licence Renewal activity. • Early engagement with Ofgem to guide new ownership RFP process and Terms of new Licence. • Detailed plan for Ex Ante transition. • Improved Business Planning to support accuracy of cost forecast.	High (Appetite – Medium)	→

* Net Change reflects the movement on Risk rating during the year.

Key:
- → No change in net risk exposure
- ↑ Increase in net risk exposure
- ↓ Decrease in net risk exposure

Risk Appetite

The DCC uses a scale and terminology to define Risk Appetite which evaluates both risk and reward as outlined below:

RA Scale	Risk Appetite definition	Reward vs risk
Hungry (Critical)	Willing to accept significant residual risk in order to achieve maximum return	Reward >> risk
Open (High)	Eager to be innovative and choose options offering potentially higher business rewards, despite greater inherent risk	Reward > risk
Cautious (Medium)	Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing acceptable reward and VfM	Reward ≈ risk
Averse (Low)	Avoidance of risk and uncertainty is a key organisational objective. Preference for safe delivery options that have a low or very low degree of residual risk	Reward < risk

DCC have structured the context for its Principal Risks and its Appetite for Risk across expected Strategic Outcomes:

Strategic Outcome	Context	Risk Appetite
Licence Extension and Renewal	The Smart Meter Licence will be extended beyond its current expiry date as DESNZ, and the Regulator finalise and agree the future Regulatory framework in which DCC shall operate and DCC's long term ownership. During the extension period DCC will work with all stakeholders and the Regulator to ensure that Licence renewal changes and timescales can be met while maintaining obligations.	DCC are **Cautious** to risks which could impact the business's ability to operate to its existing mandate as well as implement the required transition.
Secure & Stable	DCC are obligated to operate to the highest security standards as defined by **Critical National Infrastructure** (CNI), A security breach or data loss incident could have significant consequences for our customers and energy consumers and is a significant threat to the business.	Security is a primary focus for the Board. The DCC are **Averse** to risks that threaten security or data protection.
Flexible & Fast	DCC is obligated to operate within a Regulated Governance Model, as defined within our Licence and Codes (e.g. HM Treasury Green Book process where applicable) which can result in extended Cycle Times, specifically the time to ensure alignment and agreement across all stakeholders via the Business case process. As we transition to a new regulatory pricing framework, DCC will work closely with Stakeholders and the Regulator to ensure business plans and cost forecasts support efficient maintenance and upgrade of mandated services.	DCC are **Cautious** to risks which could result in additional costs or a failure to implement our technology strategy and service to meet customer /consumer needs.
Right First Time	DCC operate a complex technology architecture which is inherent to the successful delivery of our strategy and our core obligations. Due to that complexity DCC are currently required to manage and upgrade End-of-Life technology and inherited technology limitations. This architecture will take time to replace which must be achieved while maintaining continuity of service.	DCC is **Averse** to accepting Risk which would impact our ability to maintain and develop our mandated services to the time, cost and quality expectations of our customers and wider stakeholders.
A Responsible and Efficient Business	DCC delivers against a wide range of obligations including societal benefits and public good through extension and re-use of DCC capability and services. DCC is expected to deliver Value for Money and its services in a sustainable way. DCC will ensure that it balances resource (time, people, and cost) to assure delivery of all our obligations.	DCC is **Cautious** to Risk which could impact on its ability to effectively balance resource across all its obligations.

Financial performance

We operate on a nil profit model whereby revenue is equivalent to costs incurred plus margins earned in delivering and operating the smart meter network. Ofgem assesses incurred and forecast costs through the annual price control review and any resulting adjustments to costs and margin are made in a future year. Therefore, the Directors consider costs to be the primary driver of the Company's financial performance.

The Company reports results on an adjusted basis to aid understanding of the business. Adjusted results represent costs incurred by the Company presented on the same basis as they are included in the Company's annual Charging Statement and provided to Ofgem as part of the annual price control review. These costs can be directly compared to the estimates included in the Charging Statement and therefore provide a view of how funds have been spent in the year.

	2024			2023		
	Adjusted costs (£m)	Statutory costs (£m)	Variance (£m)	Adjusted costs (£m)***	Statutory costs (£m)	Variance (£m)
Key suppliers*	403.0	323.6	*79.4*	369.5	331.1	*38.4*
Other suppliers*	29.2	29.2	*0.0*	17.6	17.6	*0.0*
Administrative costs**	175.7	157.5	*18.2*	185.6	174.5	*11.1*
TOTAL	**608.0**	**510.3**	**97.7**	**572.7**	**523.2**	**49.5**

* Relates to cost of sales balances
** Includes administrative expenses, finance costs and depreciation
*** Adjusted costs for 2023 have changed from £589.7m to £572.7m compared to the previous financial statements

Recognition differences between adjusted and reported results

Cost type	Category in the statement of profit or loss	Category in the charging statement[3]	Difference in recognition
Key suppliers	Cost of sales and finance costs (costs incurred with key suppliers for mandated programmes, including SMETS2, SMETS1, and Switching)	External costs and Communications hub fixed revenue	Adjusted costs are amounts invoiced/due to be invoiced in the year by suppliers in relation to work completed in the year or in previous years, in accordance with the invoicing profile in their contracts. Statutory costs represent the value of work completed by suppliers in the year which may have been invoiced/is due to be invoiced in the year or future years.
Other suppliers	Cost of sales (costs incurred with other suppliers providing direct services in relation to the mandated programmes, e.g. Smart Metering Key Infrastructure and Parse and Correlate services, and costs incurred by SECCo Ltd and AltHAN Co.)	Internal costs and pass-through costs	Adjusted costs are amounts invoiced/due to be invoiced in the year by suppliers in relation to work completed in the year or in previous years, in accordance with the invoicing profile in their contracts. Statutory costs represent the value of work completed by suppliers in the year which may have been invoiced/is due to be invoiced in the year or future years.
Administrative costs	Administrative expenses, depreciation and other finance costs not related to key suppliers	Internal costs, baseline margin, external contract gain share, disallowed costs	Adjusted costs reflect the margin and external contract gain share that are recovered from customers in the year as determined by Ofgem in the price control decision. Statutory costs show these costs on an accruals basis and may be chargeable to customers in a future year. Adjusted costs include asset related expenditure as incurred. These costs are capitalized on the statement of financial position in line with IAS 16 and IFRS 16, and depreciation and interest are recognised in the statement of profit or loss.

3 As defined in the Licence

Price Control assessment for year ended March 2023

Each year Ofgem carries out a price control assessment to ensure that costs we have incurred are economic and efficient. Scrutiny of costs and associated revenues in this way provides assurance to stakeholders that we are providing value for money.

The assessment is carried out after the regulatory year has ended and the final determination is published in the subsequent February. Therefore, any financial impact of the decision is first reflected in the results of the following regulatory year. For the year ended March 2023 these were the conclusions published in February 2024:

- £3.7m of external costs were assessed to be unacceptable under the Licence. This will be returned to customers through charges in 2024 (2022: £0.7m)
- £11.2m of internal costs incurred were assessed to be unacceptable under the Licence. This will be returned to customers through charges in 2024 (2022: £6.8m)
- A £0.9m reduction in baseline margin was determined due to performance under the Operational Performance Regime (2022: £1.4m)
- A £8.2m reduction in baseline margin was determined due to performance under the SMETS1 Baseline Margin Project Performance Scheme (BMPPAS) (2022: £0.0m)
- A £11.0m adjustment to baseline margin was awarded for work carried out to date and due to be carried out in 2024 in relation to increased scope in business activities (2022: £7.4m)
- A £5.2m adjustment to the external contract gain share to reflect the Company's share of cost savings achieved through refinancing activity (2022: £11.9m).

The net financial impact of the price control assessment is what the Company and the shareholder consider to be the margin earned from the smart metering contract. This margin impact in relation to 2024 is presented in administrative expenses in the reported results of the Company. £1.7m (2023: £16.5m) has been included in administrative expenses this year.

Liquidity and financial stability

Cash flow is closely monitored by the Board to ensure that the Company has enough funds to continue in operation and that appropriate measures are in place to satisfy the Licence requirements with respect to financial stability.

A key priority is to ensure that charges to customers are set at an appropriate level to ensure adequate cash levels are maintained throughout the year and to minimise the risk of having to re-open a charging statement. The closing trading cash balance was £39.8m (2023: £87.7m). The decreased cash balance from prior year is partly due to timing of spend and £50.0m of this balance was returned to customers through a reduction in customer charges from December 2023 to April 2024.

The Company also has access to financial support, if required, through arrangements in place with the parent company up to a total value of £15.0m (2023: £15.0m).

We have not seen any energy suppliers go out of business this year, which is a positive sign compared to previous years where we saw an unprecedented number of energy suppliers go out of business. Irrespective of both the volume and value of unpaid invoices we continue to have access to credit support provided by customers in accordance with the SEC, which can be drawn upon if a customer fails to pay their invoice. After applying credit cover the remaining receivable at the end of 2023/24 was £13k. This was recovered from excess cash receipts in the year, before returning funds to customers for over-recovery of charges compared to spend.

Credit support is provided in the form of a bank guarantee, letter of credit or a cash deposit. The value required is calculated per section J3 of the SEC.

On 31 March 2024 the Company held £29.8m (2023: £24.6m) in cash deposits. Cash deposits, together with bank letters of credit and affiliate guarantees, give cover for approximately 86% of one month's total charges to customers.

Non-financial reporting

Directors' statement in performance of their duties under section 172(1) Companies Act 2006

Section 172 of the Act requires Directors to act in good faith and in a way that is the most likely to promote the long-term success of the Company. In discharging this duty, Directors must take into consideration the interests of the various stakeholders of the Company, the long-term consequences of their decisions, and the impact they have on the Company's workforce, community, and environment.

The Directors consider that they, both individually and collectively, have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) S172(1) Companies Act 2006, in the decisions taken during the year ended 31 March 2024 including:

a) The long term:

The Board regularly discusses the long term at its scheduled Board meetings and Trading Updates. During the current reporting year the Board has discussed at length and monitored the Licence Renewal plans of Ofgem and the possible outcomes and impact on the Company. Additionally, the Board meets twice annually to discuss and review the approach to longer term plans, objectives and risks over a 4-year horizon. These discussions take account of the views and feedback of our key stakeholders including our customers. In line with the views of our stakeholders, the DCC's clear focus is currently on increasing the efficiency, quality and stability of our platform and working with our customers to enhance the service we offer in response to their needs.

b) Workforce and employee engagement:

Our workforce comprises of employees and contractors who are fundamental to delivering our core business and strategic ambition. The success of our business depends on attracting, retaining, and motivating employees. The Board is committed to having an effective engagement strategy with the workforce. During the year, engagement has been primarily through representation of the Chief People Officer for employee related discussions, including feedback from our regular People Surveys. Additionally, following the expansion of the remit of the Remuneration and People Committee, Sarah Eccleston has been appointed as the Designated Non-Executive Director (DNED). Ms Eccleston regularly attends meetings with the Chief People Officer and Town Halls with employees and small group employee workshops and is required to report back every six months to the Board.

Given the nature of our work it is necessary for a number of our staff to be on site at our testing facilities, but we continue to support hybrid/flexible working. Employees are encouraged to work from the office where possible and we have seen an uptick in employee survey results following greater engagement with employees. The transition back to office-based working continues to be monitored through Company-wide wellbeing surveys and have trained mental health first aiders to support our people.

For further details on the Board's approach to monitoring and assessing company culture please refer to page 52.

For further details on the Board's employee engagement please refer to page 52.

For further information on 'Our People' including employee engagement and satisfaction as well as employee networks and groups, please refer to page 22.

c) Business relationships with:

a. Suppliers:

i. Forms of engagement: Executive Directors and the Senior Management Team regularly meet with suppliers to foster relationships. In addition, DCC's Supply Chain Supplier Relationship Management teams regularly engage with suppliers on key issues.

The business monitors interactions and performance of its key suppliers, and monthly dashboards are in place for the Top 13 suppliers. DCC also complete an annual supplier review, assessing them with traffic light ratings, which focus discussions with suppliers and ultimately help drive performance.

ii. Consideration by the Board in discussions and decision making: The Board reviews the modern slavery statement every year. The outcome of the annual compliance audit, including compliance in the supply chain, is reported to the Board. The Board considers and approves high value or otherwise significant contracts with suppliers in accordance with the approval framework. The Board discussions benefit from the experience of the Non-Executive Directors and the CEO with an extensive expertise of the telecommunication and technology industry. They provide valuable insight into how suppliers may be impacted by any external developments or Board decisions.

iii. We continued to focus, among others, on ensuring that we meet our prompt payment target to support suppliers cashflow.

b. Customers:

i. Forms of engagement: Customer engagement remains an ongoing key focus area. During the year, there has been significant engagement with customers via webinars and workshops that have provided us with valuable insights, knowledge, and views about the key issues facing our customers.

ii. Consideration by the Board in discussion and decision making: To ensure that customer views are communicated to the Board, every Board paper must have a section addressing customer engagement where relevant. The Chief Regulatory Officer and the Executive Directors also provide insight of customer views and opinions about key matters raised at Board meetings.

iii. Whilst we are obliged to comply with the SEC with regards to billing, cash collection and credit cover, we have continued to engage regularly with customers, SECAS and the SEC panel to support customers with any payment issues during this time.

c. DESNZ/Ofgem/SEC Panel:

i. Forms of engagement: A dedicated regulatory team oversees engagement with all parties in relation to policy and regulatory matters. There is direct engagement between the Chairman, CEO, DESNZ and Ofgem on matters relating to the SMIP.

ii. Consideration by the Board in discussion and decision making: Regulatory and governmental issues are communicated through the CEO report and discussed by the Board and minuted as appropriate.

d. Shareholder:

i. Forms of engagement: There is an ongoing engagement between the Company and its shareholder through two Capita-nominated Directors serving on the Board of the Company, the Chairman and Gemma Bate-Williams, as well as through a formal forum, the Quarterly Shareholder Review, which comprises senior representatives from both Capita plc and the Company.

ii. Consideration by the Board in discussion and decision making: The Board operates independently of Capita plc and in the best interests of the Company's customers, ensuring compliance with the Licence under which the Company operates.

For further details on Board engagement with the shareholder, please refer to page 52.

d) Impact on the community and environment:

The Board is committed to the Company's 'Smart Green' agenda and has set the target for the Company to reduce its absolute, measurable, carbon load on the environment. Please refer to page 26 for further information on Smart Green initiatives in the year and the Company's carbon usage.

e) High standards of business conduct:

It is the Board's intention that the Company operates in an ethical and responsible way, and that high standards of business conduct are maintained throughout the business. The Board has promoted this message in several ways:

a. Company values of making a difference, acting with integrity and being accountable are at the core of how we operate, and all employees are expected to exhibit these values in the work they carry out. Each employee is assessed against these values as part of their annual performance review.

b. Reinforcement of the 'Speak Up' policy, which sets out the Company's commitments to speaking up about serious concerns employees may have at work and the channels available to do so responsibly and effectively. The ARC has a lead role in assessing and monitoring the use of this policy throughout the year.

c. Ongoing monitoring of compliance against the anti-bribery and corruption policy, ensuring all parts of the business are aware of their responsibilities. All employees must complete financial crime training annually.

d. Commitment to ensure suppliers are paid promptly, with a KPI target of at least 97% of all suppliers to be paid within 30 days.

e. The formation of a Senior Leadership Team supports the implementation of the corporate culture and provides valuable insight in the issues facing employees within the Company.

DCC Public
DCC Public

Viability statement

The ongoing requirement for the Smart Metering Programme and the Business and Development Plan underpins the viability of the Company. Directors have assessed the prospects of the Company over a three-year period, rather than the 12 months required by the standard going concern accounting conventions. The three-year period for review was selected for the following reasons:

i. The Company is required to publish charging statements, indicative charging statements and budgets for a period of at least three years from the end of the regulatory year.

ii. This period is within the dates of the Licence term (currently 2025 but will be extended).

iii. The Company's business plan covers a three-year period.

The Business and Development Plan considers the progress of programme delivery and roll-out of the service. The annual Charging Statement and budget process requires the Company to review its ongoing activities and future plans, supported by a monthly review of internal activities and ongoing review of key supplier activities. These are the basis for the charges to be recovered from customers and underpin the base-case cost projections prepared for both the going concern and viability assessments.

In addition to cost identification, the Company can adjust the charges that mitigate the risk of under-recovery of charges for prior years (correction factor) and ensuring that the Company remains cash positive (prudent estimate). The Licence allows the recovery of all costs that are efficiently and economically incurred. Furthermore, the Company has several mechanisms which minimise the risk of shortfall of receipt of payments from customers, these are as follows:

i) Invoice payment cycle and terms are set out in the SEC and require customers to make payments within five working days of receipt of invoice. If customers fail to pay their invoices they are in breach of their obligations as SEC Parties.

ii) Customers that meet the relevant criteria must provide credit support in the form of a bank guarantee, letter of credit, or a cash deposit (refer to note 19. Financial instruments). The Company holds sufficient credit cover for at least one months' charges for most customers. Support provided via bank guarantee or a letter of credit is payable on demand once requested.

iii) After taking all reasonable steps to obtain payment, any outstanding customer debt that the Company is unable to recover can be recovered from all other customers.

iv) The Company sets charges for the year in advance. However, it can revise these charges within the year, if required, to ensure it has enough funds.

iv) In the event of a customer ceasing to trade, Ofgem's 'Supplier of Last Resort' process would apply. Any outstanding debt would be recovered from all other customers.

The Directors confirm that they have conducted a robust assessment of the emerging and principal risks facing the Company as set out in the principal risks and uncertainties section on page 36. Based on this assessment, and providing that the Company can satisfy Ofgem that its costs have been incurred economically and efficiently, and that the Smart Metering Programme is not cancelled, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to March 2027.

DCC Public

3. Corporate Governance Report

Governance

Chairman's introduction to governance

The Directors recognise they are ultimately responsible for the proper management of the Company, achieving a high standard of corporate governance, and engaging with our stakeholders. A robust governance framework is essential in underpinning the delivery of our objectives and promoting long-term, sustainable success and this way, our governance framework supports our vision of making Britain more connected, so we can all lead smarter, greener lives. Below, we describe the role of the Board, how the Board has met its responsibilities and how as required by the Licence we voluntarily apply the principles of the FRC's current UK Corporate Governance Code 2018 in practice, as DCC continues to evolve and mature as a business.

Role of the Board

The Board's role is to provide leadership to the business, having overall responsibility for the Company's strategy, performance, the framework for risk management and internal controls, governance matters and engagement with stakeholders. The Board remains committed to understanding the needs of our stakeholders and on page 46, in our Section 172 statement we explain how we engage with them. The Board's full responsibilities are set out in the schedule of Matters Reserved for the Board in our Board and Governance Manual, which is reviewed on an annual basis.

In this report, we describe how this is carried out through the work of the Board and its Committees. Information on how the Board operates and how the UK Corporate Governance Code's principles are applied can be found:

The Board

At the end of March 2024, the Board had seven Directors: The Chairman (also a Non-Executive Director); one Executive Director, the CEO; two Non-Executive Directors; and three Sufficiently Independent Non-Executive Directors. During the year two directors, Jason Clark and Richard Holroyd resigned and two new directors, Gemma Bate-Williams and Nadia Choudhary were appointed. The Company is currently in the process of recruiting a new CFO to replace Jason Clark and the new CFO will be appointed to the Board as an Executive Director, the CFO position is currently held on an interim basis by Neil Smith.

Board independence

Non-Executive Directors are required to be independent in character and judgement, so that they can exercise independent oversight and effectively challenge management. All relationships that may interfere materially with this judgement are disclosed as required under the conflicts of interest policy. With the exception of Richard McCarthy, Gemma Bate-Williams and Nadia Choudhary, who are employees at the shareholder, all other Non-Executive Directors have been determined to be independent. The Directors of the Company currently in office are listed on page 53.

Board leadership

Board members

Richard McCarthy
(Chairman, Chair of the Remuneration and People Committee and Chair of the Nomination Committee)
Appointed: October 2013

Key skills:
Richard is an experienced Non-Executive Director and Chair, and throughout his career has held senior roles in the public and private sector. He has extensive knowledge of the UK Government's operations and engagement having spent eight years as a Civil Service Director General.

Experience:
Richard joined Capita's Local Government, Health and Property Division as Executive Director for Central Government in February 2012. He subsequently became Capita Group's Senior Director of Government Affairs and in addition to DCC he took on the Chairmanship of Axelos and currently serves as Chairman of Fera Science, both joint ventures with the UK Government with the latter now a joint venture between Bridgepoint Group plc and DEFRA. In 2021, he also became the independent Chairman of Andium Homes, the Jersey Government owned social housing provider and in 2024 Richard took over as Chair of Funding Affordable Homes Housing Association where he had been in the Board since 2017. Prior to joining Capita, Richard was the Director General, Neighbourhoods, at the Department for Communities and Local Government and their lead official for housing, planning, regeneration, local economies, climate change, building standards and the European Regional Development Fund. He received a CBE in the 2009 New Year's Honours for his services to housing and planning.

Angus Flett
(Chief Executive Officer)
Appointed: February 2017
Resigning: August 2024

Key skills:
Angus is an experienced senior leader in the telecommunications and technology sector. He brings his extensive knowledge and in-depth understanding of the industry to leading the DCC in its mission to digitalise Great Britain's energy system.

Experience:
Angus joined DCC as CEO in March 2017. Prior to joining DCC, Angus was a Senior Vice President for Global Enterprise Products at Vodafone and, until 2013, the Managing Director of Customer Services and CRM at BT. Previously he has held senior positions within Cable and Wireless and Ciena. Angus is currently a Non-Executive Director at Jersey Telecom.

Jason Clark
(Chief Financial Officer)
Appointed: February 2021
Resigned: December 2023

Key skills:
Jason is an experienced finance director and leader with a career spanning across Blue Chip and SME private equity backed energy and infrastructure companies with expertise in risk management and financial and commercial leadership.

Experience:
Jason became DCC's Chief Financial Officer on 1 February 2021. Before joining DCC, Jason spent two years as the Chief Financial Officer at Bristol Airport, where he had Board level responsibility for finance, risk management, procurement and IT. Prior to this, Jason spent most of his career in the energy industry with RWE, working across upstream and downstream businesses in the UK and Europe, with his last position being the Finance Director for RWE npower.

Neil Smith
(Interim Chief Financial Officer)
Appointed: June 2024

Key skills:
Neil is an experienced finance director in the technology and telecommunications industry. His proven strength in commercial and financial leadership is driving DCC's focus on value for money.

Experience:
Neil was appointed as interim Chief Financial Officer in January 2024 and as a member of the Board in June 2024. Prior to joining DCC, Neil spent over 10 years with Vodafone, initially as their Finance Director for Internet of Things, and subsequently Finance Director for Vodafone Global Enterprise. Prior to that Neil spent 12 years with BT after qualifying as a Chartered Accountant with KPMG.

Barbara Anderson
(Independent Non-Executive Director and Chair of Audit and Risk Committee)
Appointed: August 2019

Key skills:
Barbara is an experienced Non-Executive Director who has worked extensively with SMEs, PLCs in regulated sectors, international private companies and venture capital

specialists. She brings her deep expertise in innovation for growth and sustainability, strategic planning, start-up acceleration and business transformation and project delivery to the Board. Her experience and work was recognised in April 2023 when she won the Sunday Times Non Executive Director for Private Equity and Private Companies Award.

Experience:
Barbara is currently a Non-Executive Director and Chair of Audit and Risk at Sovereign Housing Association, Non-Executive Director for BSC2 VCT and a Non-Executive Director and Chair of the Remuneration Committee of British Business Bank and in addition this year she has been appointed Chair of Saffron Building Society. Her expertise includes innovation, growth and sustainability, strategic planning, start-up acceleration, business transformation, deal preparation and corporate governance.

Ian McCaig
(Senior Independent Non-Executive Director (from September 2022)
Appointed: April 2021

Key skills:
Ian has a strong track record in leading fast-growing technology-enabled businesses, which gives him insight into, and relevant experience in, strategic planning, strategy implementation and business transformation. Through his former role as the CEO of an independent energy provider, Ian also brings expertise to the Board of UK energy industry and smart-metering technology.

Experience:
Ian is a Board member and Senior Independent Director at M-Kopa Ltd, Non-Executive Chair of Lumon Holdings Ltd, and a Board Member at the Wesleyan Assurance Society. He is also Non-Executive Chair of Powerverse Investments Limited.

In his executive career, he was most recently CEO of First Utility, the largest independent energy provider in the UK and a pioneer in smart-metering technology and energy analytics, which was acquired by Shell at the end of 2017. Prior to that, he was CEO of lastminute.com. His early career was in the IT industry at ICL before moving into telecommunications and spending a number of years at Nokia.

Sarah Eccleston
Chair of the Technology Advisory Committee and Designated Non-Executive Director
Appointed: September 2022

Key skills:
Sarah has extensive experience and skills at a senior level in networks, digital and software management, with a successful track recordon delivering commercial success.

Experience:
Sarah joined the DCC Board in September 2022 in her first Non-Executive role after a 30-year career in IT Networking. Sarah has since been appointed to Non-Executive Director roles at 3 NASDAQ-listed companies in Sweden – Telia Company, NCAB Group and Tobii.

In her executive career, Sarah was most recently a Global Vice President for Cisco. Originally a software engineer, Sarah has wide-ranging experience in the industry, gained in a variety of engineering, sales, and leadership positions with global technology vendors and service providers including Nortel Networks and Verizon. At Cisco, Sarah previously led the Internet of Things (IOT) and Networking practices for UK and Ireland; for Cisco globally, she was Chief Technology Officer for the Small and Mid-Size business sectors.

Richard Holroyd
(Non-Executive Director)
Appointed: September 2022
Resigned: February 2024

Key skills:
Richard is an experienced leader across various sectors, from security to telecoms to energy, including smart metering. Richard has a strong track record, through all his business roles, of being customer and consumer focused.

Experience:
Richard is Managing Director and Client Partner of the Defence, Fire and Security Sector at Capita, one of the largest strategic suppliers to the UK MOD. Earlier, Richard spent 20 years in the Army before joining BT and playing a key role in network transformation, customer experience and new product launches. He later joined the Executive Leadership team of Centrica's Consumer Division, leading its transformation into a customer-centric digital business and delivery of the smart meter programme.

Gemma Bate-Williams
(Non-Executive Director)
Appointed: February 2024

Key skills:
Gemma joined the DCC Board in February 2024. She is a UK Certified Chartered Accountant.

Experience:
Gemma is a Divisional Finance Director at Capita, where she qualified as a chartered accountant and has held various Finance roles since joining as a Graduate in 2001. Gemma holds several Capita subsidiary directorships including Capita One Limited, Capita Business Services Ltd, Capita Managed IT Solutions Limited and Contact Associates Limited.

Nadia Choudhary
(Non-Executive Director)
Appointed: February 2024

Key skills:
Nadia has an expansive knowledge of Commercial, Procurement, Public Sector Regulations, Risk Management, Corporate Governance, Deal Negotiations and Dispute Management.

Experience:
Nadia has an expansive knowledge of Commercial, Procurement, Public Sector Regulations, Risk Management, Corporate Governance, Deal Negotiations and Dispute Management. Nadia joined Capita in January 2023 from the Department of Work and Pensions as the Commercial Director. She was previously a Senior Civil Servant at the Cabinet Office, leading the Disputes Practice across Central Government. Her earlier experience extends into the IT and Telecoms sectors.

UK Corporate Governance Code

DCC applies the Principles and Provisions of the UK Corporate Governance Code 2018, which can be found on the Financial Reporting Council's website at www.frc.org.uk. Throughout the year, DCC complied with all relevant provisions, except for those noted below:

Provision 9: *The Chair should be independent on appointment when assessed against the circumstances set out in the Code.*

The Chair was appointed on incorporation of the Company and is a senior employee of the Company's shareholder, Capita plc. Half of the Non-Executive Directors are independent. Board appointments are conducted in accordance with both, Capita's policy and DCC Licence conditions.

Provision 11: *At least half the board, excluding the chair, should be Non-Executive Directors whom the board considers to be independent.*

There are currently eight directors on the Board. Excluding the Chair, three are Independent Non-Executive Directors, two are Non-Executive Directors and two are Executive Directors. Therefore at least half the Board is not independent. However, the format of the Board is considered appropriate for the Company and the Board has the appropriate skills and knowledge necessary for the business.

Provision 18: *All directors should be subject to annual re-election. The board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company's long-term sustainable success.*

Due to the structure and nature of the Company this provision is not implemented. However, the term for each director is three years and the Board's construct is regularly reviewed.

Provision 19: *The Chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing Non-Executive Director on appointment. A clear explanation should be provided.*

Whilst the Chair has now served on the Board for more than nine years, the Board has agreed that his continued appointment remains in the best interests of the Company. The Board's membership has been refreshed during the year, and the Board believes that its composition benefits from both Directors with longer corporate memory, and challenge provided by fresh thinking. The Chair's longer tenure, his expertise and deep understanding of the business and the complex environment in which it operates is considered desirable in the context of the Company's longer-term strategy. Ofgem and Capita have also requested stability on the board whilst licence renewal is considered.

Provision 24: *The Board should establish an audit committee of independent Non-Executive Directors.*

DCC's ARC has three committee members: two Independent Non-Executive Directors, and one Non-Executive Director, who brings recent and relevant financial experience and understanding of the Shareholder.

Provision 32: *The Board should establish a remuneration committee of Independent Non-Executive Directors. In addition, the Chair of the Board can only be a member if they were independent on appointment and cannot chair the committee.*

All members of the Remuneration and People Committee are Non-Executive Directors, three of whom are Independent Non-Executive Directors and the Chair of the Board chairs the Committee. The Board considers this arrangement to be appropriate for the size and nature of the business, and regularly reviews this to ensure these arrangements remain appropriate.

Provision 36: *Remuneration schemes should promote long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.*

Due to the nature of DCC's shareholding this provision cannot be implemented and there are no share awards.

Provision 37: ***Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. They should also include provisions that would enable the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so.***

The Company's remuneration scheme and policy does not currently include provisions that enable the Company to recover and/or withhold sums from Directors. There are no share awards. The Remuneration and People Committee does, however, have discretion to override formulaic outcomes and set final awards each year.

Governance and strategy

The Board's role is to ensure the long-term sustainable success of the Company. Maintaining the highest standard of governance is integral to the effective delivery of our strategy and ensuring that the Board takes decisions that create sustainable long-term value for the mutual benefit of our stakeholders and employees while also considering the obligations placed on the Company by the Licence.

The Board determines the strategic objectives and policies of the Company to best support the delivery of long-term value, providing overall strategic direction within an appropriate framework of rewards, incentives and controls. The Board is collectively responsible for the success of the Company. The Executive Directors are directly responsible for running the business operations; and the Non-Executive Directors provide constructive challenge, bring independent judgement and scrutiny, offer strategic guidance and hold management to account. Following presentations by Executive and Senior Management, and a disciplined process of review and challenge by the Board, clear decisions on policy or strategy are adopted, and the Executive Management Team are fully empowered to implement those decisions.

The Board's full responsibilities are set out in the schedule of Matters Reserved for the Board in our Board and Governance Manual, and certain responsibilities are delegated to the Board Committees, to help the Board operate effectively and give an appropriate level of attention and consideration to pertinent matters. Our Board and Governance Manual and committee Terms of Reference can be found on DCC's website. We explain how the Directors discharged their duties under Section 172 on page 41. Board policies, which help to codify its processes, are reviewed and, if needed, periodically updated, with the support and guidance of a Company Secretary.

Company Secretary services are provided to the Board by Link Company Matters Limited and Capita Group Secretary Limited and all Directors and Executives have access to the Company Secretary service providers.

There is a clear division of responsibility between the running of the Board by Richard McCarthy as Chairman and the running of the business by Angus Flett as CEO. During the year, in line with good practice, the Chairman meets with the Non-Executive Directors without the CEO present, and the Senior Independent Non-Executive Director also holds meetings with the Non-Executive Directors without the Chairman.

Matters Reserved for the Board and Committees

The Board

Ensure long-term sustainable success of the Company and create long-term value for the mutual benefit of all stakeholders and employees.

Matters reserved for the Board

Strategy and governance
Oversight of business and operations
Financial reporting
Internal controls
Significant contract approvals
Shareholder communication
Board membership and succession planning
Board performance

Audit and Risk Committee

- External audit
- Financial reporting
- Risk management and internal controls
- Internal auditit

Remuneration and People Committee

- Remuneration policy and principles
- Incentive design and target setting
- Executive and senior remuneration
- Employee engagement, culture and people policies

Nomination Committee

- Board succession planning
- Appointments and re-appointments to the Board
- Board composition, including diversity

Technology Committee

- Medium to long term technology planning
- Alignment between technology capability, business strategy and user requirements

Division of responsibilities

Chair	Responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. This includes setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. The Chair is also responsible for ensuring the Board has the right balance of skills, experience and diversity appropriate for the business, there is sufficient evaluation of Board performance and that appropriate actions are taken to ensure compliance with best practice.
Senior Independent Director	Acts as a sounding board for the Chair on Board-related matters, chairs meetings in the absence of the Chair and acts as an intermediary for other Directors when necessary, leads the evaluation of the Chair's performance, leads the search for a new Chair, when necessary, and is available to the shareholder to discuss matters which cannot be resolved otherwise.
Non-Executive Directors	Constructively challenge and help develop proposals on strategy. They should scrutinise the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration for Executive Directors
Executive Directors	Responsible for the day-to-day running of all aspects of the business. This responsibility is different from the Chair's role in running the Board. The role of CEO is separate from that of Chair to ensure that no one individual has unfettered powers of decision making.
Designated Non-Executive Director	The DNED works with the Chief People Officer, to ensure that the views and concerns of employees are brought to the Board and taken into account, are consistent with the Company's values and support its long-term sustainable success.

Culture and employee engagement

The Board reviews policies to ensure they are aligned with the Company's purpose, values and strategy, are well understood by the workforce and are driving the right behaviours.

All people related matters are discussed by the Board on regular basis and our Chief People Officer frequently presents at Board, Nomination and Remuneration and People Committee meetings, providing updates and inviting discussion on matters such as attracting and retaining talent, employee satisfaction, remuneration policy, incentive schemes, as well as any other matters raised through the People Forum. More information on our people initiatives can be found on page 22.

Directors discuss the results of the annual People Survey results, which provide valuable insights into how well the culture is embedded across the organisation and, importantly, key areas of focus for development. More information on our culture transformation programme can be found on page 23.

Employees can raise concerns, anonymously if they wish to do so, using the Company's 'Speak Up' policy. There are several channels through which employees can share their concerns, including an independent Speak Up facility that is available 24/7. In addition, there is an internal Whistleblowing policy.

Diversity and inclusion

The Board considers diversity in all its forms across DCC to be important for the future development of the business; Board diversity sets the tone for the rest of the organisation and allows us to draw upon a variety of experiences and perspectives. Diversity of skills, experience, gender, social and ethnic backgrounds, cognitive and personal strengths, outlook and approach amongst other factors are all taken into consideration as part of the appointments process and succession planning. We are also aware that diversity of outlook and approach, whilst hard to measure, may be equally as important.

We are supportive of the ambitions expressed in reviews on diversity, including the most recent updates on the FTSE Women Leaders Review 2024, and the Parker Review 2024. Female representation on the Board is as at 30th June 2024 50%, an increase from 28% in the previous year, and our ethnic minority representation is 14%, an increase from 0%. Although we are not a listed company, we strive to maintain and increase all diversity matrix and increase the number of Directors with an ethnic minority background.

The Nomination Committee ensures that new Board appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board and leadership for the Company. The Nomination Committee Report on page 61 includes more details on this.

Supported by the Remuneration and People Committee, the Board also monitors progress against the plan for diversity and inclusion across the organisation and ensures the appropriate sponsorship from Senior Management is in place. Please refer to page 24 for more information on our commitment to diversity and inclusion in the wider workforce.

Shareholder engagement

The Chairman, Richard Holroyd, Gemma Bate-Williams and Nadia Choudhary are employees of the shareholder, and there is ongoing engagement via their roles on the Board. In addition, the Quarterly Shareholder Review, established in 2020, comprises senior representatives from both Capita plc and the Company, including the Chairman, Gemma Bate-Williams and Nadia Choudhary and the Executive Directors. The group meets quarterly throughout the year and discusses matters such as operational and financial performance, risk management and future regulatory framework.

Evaluation of Board Performance

Directors consider the evaluation of the Board, its Committees and themselves to be an important aspect of corporate governance, and evaluations are undertaken annually.

The evaluation undertaken in 2023/2024 was internally facilitated by the Company Secretary and took the form of detailed questionnaires to both the Directors and members of the Executive Committee.

The review focused on key areas in order to assess the strengths and effectiveness of the Board and its Committees and identify possible areas for improvement, and these included: purpose, strategy and long-term value generation; governance; culture; relationships with stakeholders and management; skills; decision making and meeting management.

The Board welcomed the results of the evaluation, which were broadly positive from Board members and Executives and indicated that the Board and its Committees are operating effectively, with a clear strategy and risk appetite and a strong approach to governance.

Key recommendations of areas for development agreed by the Board to take forward over the following year include:

- **Purpose, strategy & long-term value generation**
– Increased monitoring of financial performance, particularly in relation to mitigating price control risk and; development of the Board's position on licence renewal and the future DCC regulatory construct and its impact on DCC strategy.
- **Relationship with stakeholders**
Enhanced collective Board level engagement with key stakeholders, supported by individual representation, particularly in relation to the future DCC regulatory construct and strategic direction.
- **Culture & relationship with management**
Increased collective engagement with Executives and planned engagement with the Senior Leadership Team at set events.
- **Skills & succession planning**
Development of more formal succession plans and greater clarity provided (to be pursued in detail when the position of the regulator on the range and timeline for Board changes is known).
- **Decision making**
Ensure there is designated time for Non-Executive Directors to review and reflect on previous decisions made and ensure those decisions are seen through.
- **Meeting management**
Continuous review by the Board and Executives of meeting paper length and quality to ensure these are succinct whilst retaining the right balance of detail to ensure effective decision making.

The Board has started to implement changes to address these actions and we will report on the progress we make in the next Annual Report.

The actions arising from last year's Board evaluation, which was an external review facilitated by Socia Limited, were also reflected on and implemented during the year and an update on the progress is included below:

Actions arising from the previous Board evaluation	Actions we have taken
• Develop the Board's plan for Licence Renewal, including: – agreeing on strategic plans and associated risks, and set out how the Board would monitor that; – address any conflicts of interest and agree with Capita the extent of the independence of the Board regarding the approach to licence renewal; and – agree the future tenure of all NEDs and have a clear Executive succession plan.	– Regular reporting has been provided to the Board on Licence Renewal, Licence Extension and the move to ex-Ante. – Engagement with Capita has increased and matured over the past year. – Ofgem's plans on Board composition up to Licence Renewal are yet to be confirmed and it is expected that Board succession planning will come to the fore following the outcome of upcoming Ofgem consultations. – The Board has discussed approaches to Executive retention, and these will be developed further following clarity of the length of the licence extension and Ofgem's timetable. – The Board actively reviews any conflict of interest at every Board meeting. It is currently building a governance plan to address the changes that will be needed as part of Licence renewal.
• Review and monitor principal / enterprise risks. The Board has agreed to dedicate more time to deep dives on principal and enterprise risks.	– The Strategic Risk register has been fully reviewed and redrafted and the Board has held specific risk meetings to discuss the Board's risk appetite and discussed in detail current risks and new evolving risks.
• Raise the Board's profile and engage stakeholders, including by: – the Board taking a proactive approach to stakeholder management in line with a stakeholder plan agreed with the CEO; and – raising the Board's profile with DCC staff.	– Good progress has been made on building relationships with external stakeholders, primarily through the CEO and the Chair. This will mature further with wider board input in 2024/25. – Ms Eccleston has been appointed as the designated NED to liaise with the workforce and bring its voice to the Board, and act as the Whistleblowing NED.
• Continue to develop the governance system, by: – clarifying roles and accountabilities of the Capita-appointed NEDs and ensuring the Terms of Reference for the TAC were confirmed; and – enhancing the performance of the secretariat through clear direction on the Board's requirements to the secretary and the appointment of a General Counsel.	– The Roles & Responsibilities document and separation of roles have been reviewed. – Terms of Reference for the TAC have been confirmed. – Secretariat performance has been successfully addressed and will be monitored routinely.

Board meeting and attendance

The following table shows the attendance of Directors at scheduled Board and Committee meetings during the year:

Director	Position	Board	Nomination Committee	Audit and Risk Committee	Remuneration and People Committee	Technology and Advisory Committee)
Richard McCarthy CBE	Chairman	6 (6)	1 (1)	n/a	4 (4)	
Angus Flett (Resigning August 2024)	CEO	6 (6)	n/a	n/a	n/a	5 (5)
Jason Clark (Resigned December 2023)	CFO	5 (5)	n/a	n/a	n/a	
Barbara Anderson	Independent NED	5 (6)	1 (1)	3 (3)	4 (4)	
Gemma Bate-Williams (Appointed February 2024)	NED	1 (1)	n/a	2 (3)	1 (1)	
Nadia Choudhary (Appointed February 2024)	NED	1 (1)	n/a	n/a	1 (1)	
Sarah Eccleston	Independent NED	6 (6)	1 (1)	n/a	3 (4)	5 (5)
Richard Holroyd (Resigned February 2024)	NED	4 (5)	1 (1)	n/a	2 (3)	
Ian McCaig	Senior Independent Director	6 (6)	1 (1)	3 (3)	4 (4)	

During the year, the Board also met twice for trading update meetings and twice for Board strategy meeting.

The Board generally meets formally at least six to seven times a year and in 2023/24 we continued to adapt the ways in which we meet, holding virtual and hybrid meetings but with an increased focus on in person meetings at both the London and Manchester offices. The Board's annual corporate calendar helps us plan meeting agendas, ensuring that all responsibilities and duties of the Board and its committees are discharged during the year, and allows flexibility for updates and debates on any pertinent matters that arise throughout the year.

Management of conflicts of interest

During the year and until the signing of this Report, none of our Directors or their connected persons have any family relationship with any other Director or officer, nor do they have a material interest in any contract to which the Company is a party. Each Director has a duty under the Companies Act 2006 to avoid a situation in which they have or may have a direct or indirect interest that conflicts or might conflict with the interests of the Company. This duty is in addition to the existing duty owed to the Company to disclose to the Board any interest in a transaction or arrangement under consideration by the Company. If any Director becomes aware of any situation which might give rise to a conflict of interest, they must, and do, inform the rest of the Board immediately and the Board can either authorise such conflict or request that the Director recuse themselves from certain relevant discussions. This information is recorded in the Company's Register of Conflicts and in addition, every year each Director certifies that the information contained in the Register of Conflicts is correct.

Directors' indemnities

The Company has indemnified each Director in respect of certain liabilities and costs they might incur in the execution of their duties as a Director. Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) were in force during the year and continue to remain in force.

Richard McCarthy CBE

Chairman Smart DCC

30 July 2024

Nomination Committee report

Members	
Richard McCarthy	Sarah Eccleston
Barbara Anderson	Richard Holroyd (resigned February 2024)
Ian McCaig	Gemma Bate-Williams (appointed February 2024)

Purpose

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and its committees, ensuring they have the right balance of skills, experience knowledge and diversity, including that of gender, cognitive and personal strengths, needed to carry out its duties. The Committee also leads the process for appointments to the Board and Senior Management (Executive Committee) positions, considers and formulates succession plans and oversees the development of a diverse succession pipeline of candidates in the context of DCC's strategic plans, its leadership needs and ensuring the Company's continued ability to compete effectively in a marketplace.

Membership and Attendance

All Non-Executive Directors are members of the Committee and the CEO and other members of Management are regularly invited to attend meetings to provide a comprehensive updates and insight into any key issues and developments. Details of attendance by Board members are disclosed on page 60.

Committee activity

Following the establishment of the Committee in 2021, a schedule of agenda items was established to ensure that all matters required to be considered by the Committee were given due consideration and are reviewed at appropriate intervals.

To maintain the right balance of skills and experience, the Nomination Committee keeps Board composition under review, and recommends to the Board if any additional skills should be recruited.

Talent management and succession

The Committee believes that effective succession planning can mitigate the risks associated with the departure of well qualified and experienced Directors. Our aim is to ensure that the Board, and Senior Management, is always well resourced with an appropriate mix of skills and experience. We established a skills and diversity matrix to allow us to identify any potential gaps in skills and experience that might need early consideration, and also considered how this might align with the future strategic direction of the Company. The skills matrix is reviewed on regular basis and was last completed following the change of Directors in February 2024.

We have a formal, rigorous and transparent procedure in place for the appointment of new Directors, which includes consideration of candidates from a wide range of backgrounds and reviewing candidates' other significant commitments to ensure they have suitable time to devote to the position.

The Committee works to identify and develop a suitable pipeline of succession candidates for Senior Management roles, both internal and external, and ensures that it meets with potential candidates well ahead of any selection decision being necessary. The Committee also engages the Board early in the process to ensure all Directors have an opportunity to meet and assess prospective candidates. In July 2023, the Committee received a detailed update on the talent pipeline and current succession plans for each of the Executive Committee members. This included succession plans for the role of the CEO, as well as the needs and development plans for individual Executive Committee members and a reorganisation of the Executive Committee and reporting structure to the CEO.

The terms and conditions of appointment of the Independent Non-Executive Directors are available for inspection at the Company's registered office. Since the terms and conditions of appointment of the Non-Independent Non-Executive Directors are set out in their employment contract with the shareholder, these are not available for inspection at the Company's registered office.

New appointments

Jason Clark, the Chief Financial Officer (CFO) and a Director of the Company resigned in December 2023. The CEO is leading the recruitment process for the new CFO, supported by the recruitment advisors Russell Reynolds. Barbara Anderson, as Chair of the Audit and risk Committee, and Ian McCaig as the Senior Independent Director, are part of the interviewing panel and have worked with the CEO to identify the specific skills and experience required, and in particular, the financial skills to manage the licence renewal requirements set by Ofgem. Neil Smith is acting as Interim CFO until new CFO is in post.

During the year, the Nomination Committee oversaw the resignation of Richard Holroyd and the appointment of Gemma Bate-Williams and Nadia Choudhary as the new Non-Independent Non-Executive Directors on behalf of the shareholder.

Induction, training and development

Following appointment, Directors receive a comprehensive induction and can discuss with the Chair any training and development needs. The Chair reviews Directors' development and training needs through the annual Board evaluation process. Non-Executive Directors are encouraged to meet regularly with Senior Management to share knowledge, advice and broaden their understanding of the business, strategy and risks that DCC faces.

All Directors can obtain independent professional advice at the Company's expense and have access to the services of the Company Secretary. This ensures that the Board has sufficient resources available to undertake its duties satisfactorily.

Audit and Risk Committee report

Members	
Barbara Anderson	Gemma Bate-Williams (appointed June 2023 as a co-opted member and appointed February 2024 as a director)
Ian McCaig	

Chair introduction

Throughout the year the Committee has continued to assist the Board in fulfilling its responsibilities by monitoring and reviewing the effectiveness and integrity of the financial reporting, risk management systems and internal controls, challenging and by guiding management where appropriate. As DCC grows, the supporting business processes and reporting continue to evolve and be embedded in the organisation.

The Committee has also continued to oversee the key financial processes and policy updates as well as review the principal risks to the business against the risk appetite limits set by the Board. Following the Committee's decision to tender the external audit services and invite tenders from audit firms, including challenger firms, the Committee approved the appointment of MacIntyre Hudson LLP (MHA) as the new external auditor of the Company in November 2023.

Committee membership and attendance

All members of the Committee, except Gemma Bate-Williams are sufficiently independent Non-Executive Directors. Ms Bate-Williams is an employee of Capita and appointed by Capita Group.

Ms Bate-Williams is a UK Certified Chartered Accountant and is a Divisional Finance Director at Capita where she qualified and has held various Finance roles since joining as a Graduate in 2001. For the purposes of the UK Corporate Governance Code, Ms Bate-Williams is considered to have recent and relevant financial experience.

The Board Chairman, CEO, CFO (and current acting CFO), the Director of Financial Control and the Director of Risk and Assurance are regular attendees of the committee, and other members of the Senior Management Team and representatives from MHA are invited as appropriate. Opportunity exists at the end of each meeting for the representatives of the internal and external audit teams to meet with the Committee members without Management present, and both audit teams have access to the Committee should they wish to voice any concerns outside formal meetings.

The Board is satisfied that the combined knowledge and experience of the Committee's members is such that the Committee discharges its responsibilities in an effective, informed and challenging manner and that, as a whole, the Committee has competence relevant to the sector in which the Company operates. The Committee reviewed its effectiveness as part of a broader review of all Board Committee's effectiveness facilitated by the Company Secretary. The Board was satisfied the Committee is performing effectively and its composition remains appropriate. More information on the Board Evaluation, which included the Committee's performance, can be found on page 61.

How the Committee operates

The Committee has established an annual forward agenda aligned with the key events in the financial reporting cycle, and which includes all matters the Committee is required to consider in accordance with its terms of reference. The annual agenda is supported by agenda setting meetings held in advance of each Committee meeting, led by the Chair and attended by Senior Management. Their purpose is to identify key issues impacting the business that may require consideration by the Committee. At each Committee meeting, the members receive reports and presentations covering key financial reporting, risk, compliance and audit matters which are delivered by senior personnel. The Committee provides regular reports of its activities, significant matters and/or any decisions or recommendations to the Board.

During the year under review, the Committee met three times.

Role and responsibilities

The Committee monitors the effectiveness of the Company's financial reporting, systems of internal control and risk management and the integrity of DCC's external and internal audit processes. The Committee's key responsibilities are:

Financial reporting	Review the reporting of financial and other information to stakeholders of the Company and monitor the integrity of the financial statements, including the application of key judgements in determining reported outcomes to ensure that they are fair, balanced and understandable.
Internal controls and risk management systems	Review and assess the adequacy of the systems of internal control and risk management and monitor the risk profile of the business.
Compliance, whistleblowing and fraud	Responsibility for the whistleblowing policy resides with the Board, and both the Board and the Committee receive annual and ad hoc reports on the whistleblowing process, and on any significant issues raised. The Committee will also review the adequacy and security of the Company's policies and procedures for whistleblowing and detecting fraud.
Internal audit	Approve the annual internal audit plan, review the effectiveness of the internal audit function and review all significant recommendations and ensure they are addressed in a timely manner.
External audit	Review the effectiveness and objectivity of the external audit process, assess the independence of the external auditor and ensure appropriate policies and procedures are in place to protect such independence.
Effectiveness	Report to the Board on how it has discharged its responsibilities.

Activities during the year

Financial reporting

As part of the process of monitoring the integrity of the financial information presented in the Annual Report and Accounts, the Committee reviewed the key accounting policies and judgements adopted by Management to ensure that they were appropriate. The significant areas of judgement identified by the Committee, in conjunction with Management and the external auditor, are set out below:

Existence and accuracy of costs		
Matter considered	**Action**	**Outcome**
The amount of costs recognised in the period and whether they are permitted to be recharged to service users directly determines the amount of revenue recognised in the statement of profit or loss. Therefore, there is a risk that if costs are not accurately recorded, revenue would be misstated.	Members of the Committee receive regular updates from the CFO on costs incurred throughout the year as part of management information presented to the Board. The Committee reviews a reconciliation of costs in the financial statements to this management information.	The Committee is satisfied that the disclosures given within the accounts are sufficient to gain a proper understanding of the methodology of accounting for revenue and cost recognition.
Management override of controls		
Matter considered	**Action**	**Outcome**
Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	Members of the committee receive regular updates from the CFO on the financial performance of the company throughout the year. Additionally, Internal Audit Director has prepared and presented a full review of the control environment to the Audit Committee. MHA have conducted substantive testing of those procedures and have identified no specific additional risks of management override relating to the audit.	The Committee is satisfied that controls have been adhered to ensure accounting records have been prepared in good faith and represent a true and fair view of the company financial position and that the controls underpinning those numbers have been carried out by professionally qualified people with sufficient independence and segregation of duty controls in place.

Fair, balanced and understandable

The Committee considered whether the Annual Report was fair, balanced and understandable and whether the information provided was sufficient for a reader of the statements to understand the Company's position and performance, business model and strategy. The Audit and Risk Committee reviewed both the narrative and financial sections of the reports to ensure they were consistent and gave a balanced view of the performance of the business in the year and that appropriate weight was given to both positive and negative results or developments. The Committee also assessed whether the Annual Report enabled readers to understand the Company's financial position and prospects, its going concern status and longer-term viability. The Committee concluded that the report provided a fair, balanced and understandable view of the year under review and recommended it for approval to the Board.

Materiality

Materiality is important in determining the risk attached to any judgement. The Committee considers the audit materiality set by the external auditor, MHA, and ensures that it is informed of individual items above a certain threshold that had, or are most likely to have, an impact on the financial statements. It reviews the external auditor's report and the individual items that breach the materiality thresholds and assesses their relative impact on the financial statements. Where needed, the Committee requests further clarification from both the external auditor and Management on the nature of these items and their relative importance in the financial statements. After having made such enquiries, the Committee is satisfied that materiality has been applied correctly in the accounts and that there are no material items that remain unadjusted.

External auditor

The Committee provides a forum for reporting by the external auditor and advises the Board on the appointment, independence and objectivity of the auditor, as well as fees for both statutory audit and non-audit work. The Committee discusses the nature, scope and timing of the statutory audit with the auditor and, in making a recommendation to the Board on auditor reappointment, performs an annual assessment of the auditor's suitability and performance. The auditor attends meetings of the Committee and provides updates on statutory reporting, any non-audit work and ongoing audit items. The auditor has opportunity to raise concerns with myself as Chair separately, as well as in private sessions with the Committee.

Auditor independence

The Committee is committed to ensuring appropriate independence in its relationship with the auditor and the key safeguards are:

- The CFO monitors the independence of the auditor as part of the assessment of the auditor's effectiveness and reports to the Committee.
- The CFO monitors the level and nature of non-audit fees. Specific assignments are discussed in advance with the auditor and flagged for the approval of the Committee as appropriate. The Committee considers implications for the objectivity and independence of the relationship with the auditor.

Non-audit services and fees

Permitted non-audit services are those closely related to the audit, including some required by laws and regulations, or where it is more practical for the external auditor to perform the service. The auditor will continue to perform the Agreed Upon Procedures that are issued by Ofgem and required by the Licence as well as audit of the Certificate of Financial Resources. Details of audit and non-audit fees are given in note 7 to the financial statements.

Disclosure of information to the auditor

The Directors who held office at the date of the approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and that they have taken all steps that they ought to as a Director to make themselves aware of any relevant audit information required for the audit and to establish that the Company's auditor is aware of that information.

External auditor performance

During the year, the Committee has reviewed the auditor's terms of engagement and the audit plan, assessed MHA's performance, effectiveness and quality of the audit process, considered its remuneration and whether its appointment was in the best interests of DCC and its shareholder. The Committee also reviewed its Non-Audit Services Policy, which helps to ensure that the auditor's independence and objectivity are not impaired. Following this review, the Committee was satisfied that MHA had carried out its duties in a diligent and professional manner and was in line with requirements.

External auditor tender and appointment

In 2022 the Committee decided to put the audit out to tender. However, the process was slower than anticipated. As advised in the 2023 Annual Report audit firms including challenger firms were invited to submit a tender. The Company received tenders from three audit firms and following a rigorous review process MHA was appointed auditor in time for the audit to commence for the year ending 31 March 2024.

Internal control and risk management

The Committee is responsible for reviewing the effectiveness of the Company's risk framework and systems of internal controls. As part of that, the Committee receives updates on Licence and Code (SEC and REC) compliance, internal audit activity, compliance and enterprise risk at each Committee meeting.

The 2024/2025 to 2026/27 internal audit plan, approved by the Committee in November 2023, includes risk-based audits that have been identified through reviewing DCC's Enterprise and Functional Risk registers as well as review and discussion with the Senior Management Team. The Policy-based audit topics have been included based on the ARC-approved policy for audit schedule.

The 2024/2025 audit schedule includes a review of the GDPR controls and compliance in relation to DCC's role as a Data Controller under the REC (Switching), review of DCC's Retention, Succession and Capability Processes, review of DCC's Crisis Management & Business Continuity capability, review of the SEC-compliance and accuracy of the customer charging model, Programme review: CH&N – review of programme, risk, and financial management, review of the benefits realised as a result of Enterprise Planning, review of Benefits Realisation of Commercial Transformation programme and Assurance of DCC's savings programme.

The effectiveness of the internal control framework and the risk management system has been reviewed throughout the year and an updated Strategic Risk Register and New Risk Management Strategy were approved in March 2024. The Committee has assured the quality, experience and expertise of the internal control and risk management function through review of the papers presented to both the Committee and Board and through regular meetings between the Chair and the Senior Management Team. Regular reporting to the Committee during the year included:

- outcomes of planned controls and compliance monitoring activity, including an independent Compliance Officer Work Plan;
- outcomes of planned internal audit activity, including findings, risk assessment and recommendations;
- enterprise risk assessment, including review and approval of changes and proposed mitigations;
- completion of agreed internal audit, risk, and compliance related actions, and measures taken to manage overdue or outstanding actions; and
- review and approval of Internal Controls Document and Risk Management Strategy.

Barbara Anderson
Chair Audit and Risk Committee
30 July 2024

Remuneration and People Committee report

Members	
Richard McCarthy	Richard Holroyd (resigned February 2024)
Barbara Anderson	Gemma Bate-Williams (appointed February 2024)
Ian McCaig	Nadia Choudhary (appointed February 2024)
Sarah Ecclestone	

Annual Statement

I am pleased to present the Remuneration and People Committee report for the year ended 31 March 2024. In 2022, the role and objectives of the Committee was expanded beyond simply remuneration, and now includes governance, strategy and policies generally relating to employee matters. Consequently, the Committee's Terms of Reference have been updated and are available along with all other Terms of Reference on DCC's website www.smartdcc.co.uk. We also continue to have the responsibility for determining and approving the remuneration policy for all Directors, Senior Managers and to review, at least annually, the pay and bonuses awarded to the wider workforce. When determining the Company's remuneration policy and incentive schemes, the Committee considers a range of factors including the economic conditions, guidance received from governing bodies and the feedback and views from our shareholder and stakeholders.

The key activities of the Committee during the year have included:

- The review of the remuneration policy for Executive Directors and members of the Executive Committee for 2024;
- The review of the Executive performance and annual pay award recommendations;
- Review of 2023/2024 corporate objectives outturns and bonus awards;
- Review of 2024/2025 corporate objectives;
- Reviewing the people priorities and the culture and engagement initiatives, advising on corporate culture and values, developing the Company's leadership capabilities, and reviewing the Pay and Promotions Policy;
- Monitoring the 'Your Voice' employee surveys conducted every 6 months;
- Engagement of contractors;
- Approval of annual payments for 2024 under the annual bonus scheme and pay award effective from 1 April 23.

How the Remuneration and People Committee operates

The Committee operates under delegated authority from the Board and comprises three independent Non-Executive Directors and three Non-Executive Directors. Although the composition of the Committee is not in compliance with the UK Corporate Governance Code because not all members are independent, it is considered to be suitable given the size and nature of the Company. Fifty percent of the members of the Committee are Independent Non-Executive Directors and the three Non-Executive Directors bring valuable insights to the discussions and the operation of the Committee.

The Committee is required to meet at least twice a year and otherwise as required. The number of formal meetings held throughout the year and attendance by each Committee meeting is shown on page 56. The work of the Committee is planned with reference to an annual agenda to ensure that the key policies and incentive schemes are regularly reviewed and that the Committee operates effectively. In addition, the Chair, CFO, CEO and CPO meet prior to any meeting to identify any issues related to remuneration or the people agenda that may require consideration by the Committee. At each meeting, the members receive reports and presentations covering wider workforce arrangements which include the annual pay and bonus review, future incentive schemes, and ensuring pay equality.

Remuneration and People Committee discretion

The Remuneration and People Committee retains the right to exercise discretion to override formulaic outcomes, to ensure that the level of bonus or award payable is appropriate. It may use its judgement to adjust outcomes downwards to ensure that any payments made reflect overall Company performance and the individual's contribution during the relevant period. Where exercised, the rationale for this discretion will be fully disclosed in the Annual Report.

Remuneration policy

This section sets out the remuneration policy, which is unchanged from the previous year. The Remuneration and People Committee is responsible for determining and agreeing with the Board the remuneration policy for the

Executive Directors, members of the Executive Committee and the wider workforce. The Committee reviews workforce remuneration and related policies and the alignment of incentives and rewards with culture. As part of the review process the Committee seeks the views of the Executive Directors, who participate in an advisory role and are not involved in the decision-making process.

In setting the remuneration policy, the Committee ensures that the arrangements are in the best interest of both the Company and its stakeholders, taking into account the following general principles:

- Value for money is achieved for customers in accordance with the Company's Licence commitments.
- Total remuneration packages are simple and fair so that they are valued by employees.
- Total remuneration strongly reflects performance.

During the year, shareholder representation on the Committee through Richard McCarthy, Richard Holroyd, Gemma Bate-Williams and Nadia Choudhary ensures that the shareholder's views on remuneration policy can be communicated and considered.

The Committee has ensured that the remuneration policy and practices are consistent with the six factors set out in Provision 40 of the UK Corporate Governance Code:

Clarity	The policy is well understood by the Executive Directors and clearly articulated to the parent company and the wider workforce.
Simplicity	The policy is well established and does not include complicated reward structures. The incentive schemes have been designed to be as simple as possible with clear and well-defined objectives.
Risk	The Committee considers that there is a low risk of excessive rewards because of the strict policy in place to benchmark base salaries and its right to exercise discretion to override formulaic outcomes of variable pay. Objectives have been designed to minimise behavioural risk associated with target-based incentive schemes.
Predictability	The value range of possible rewards to the Executive Directors can be easily identified through the analysis of individual performance scores and performance against corporate objectives.
Proportionality	There is a clear link between individual rewards, delivery of strategy and our long-term performance.
Alignment to culture	The remuneration policy is fully aligned to the DCC's culture by using metrics in the annual bonus scheme that measure how we perform against financial and non-financial objectives, including employee and supplier-related targets. There is no difference in the policy for Executive Directors and all other employees.

Summary Executive Director remuneration policy table (unaudited)

The following table sets out the key aspects of the policy:

Base salary

Purpose and link to strategy	Operation	Maximum levels of payment	Performance framework
To attract and retain talent by ensuring base salaries are sufficiently competitive and appropriately benchmarked.	Normally reviewed annually in March with any changes usually effective in April. The committee may award salary increases at other times of the year if it considers it to be appropriate. The review takes into account: • Comparable salaries in the market • Economic climate • Company performance • The role and responsibility of the individual Director • Employee remuneration across the broader workforce	There is no prescribed maximum monetary annual increase to base salaries, but an increase is normally in line with inflation. A higher increase may be proposed in the event of a role change or promotion, or other exceptional circumstance. Any annual increase in salaries is at the discretion of the Committee.	Pay award from April 2023 is inflationary and is not performance related.

Benefits

Purpose and link to strategy	Operation	Maximum levels of payment	Performance framework
Consistent with benefits available to all employees.	Benefits include car allowance, private medical insurance and life insurance, and are provided by the parent company. The Committee has discretion to add benefits not currently provided, such as relocation expenses.	Benefit provision varies between different executive Directors. No maximum level is set by the Committee.	Not performance related.

Pension

Purpose and link to strategy	Operation	Maximum levels of payment	Performance framework
Consistent with benefits available to all employees.	Pension contributions are paid into the defined contribution scheme offered by the parent company.	5% of salary in line with the wider workforce.	Not performance related.

Annual performance bonus scheme

Purpose and link to strategy	Operation	Maximum levels of payment	Performance framework
Incentivises delivery of the business plan on an annual basis, and rewards performance against corporate and individual objectives set at the beginning of each year.	At the end of the year the Committee approves the Company's performance against the corporate objectives, which accounts for 60% of the pay-out. The remaining 40% is dependent on individual performance against objectives set at the beginning of the year. The Committee approves individual performance for the CEO and CFO. The Committee has full discretion to adjust outcomes under the annual bonus scheme.	The maximum opportunity is 62.5% of base salary.	The Committee will determine the appropriate corporate objectives at the start of the financial year, with a balance of objectives based on financial performance, operational performance and strategic focus. Performance against each corporate objective is measured at three levels; threshold (75%), target (100%) and stretch (125%). The Committee retains the discretion to adopt any corporate objective that is relevant to the Company.

Non-Executive Director (NED) fees (unaudited)

A NED fee benchmarking exercise was conducted in March and April 2023 with the assistance of Korn Ferry. As a result, the basic fee for NEDs was increased by £2,000 to £47,000 and the additional fee increased from £5,000 to £8,000 with effect from 1 June 2023.

Purpose and link to strategy	Operation	Maximum levels of payment	Performance framework
Market competitive fees are set to attract and retain NEDs with required skills, experience, and knowledge so that the Board can effectively carry out its responsibility.	The NED fees comprise an annual basic fee with additional fees for further Board responsibilities such as: • Senior Independent Director • Committee Chair for any Committee of the Board. No NED participates in the Company's incentive arrangements or pension plan or receives any other benefits.	The annual basic fee is £47,000, with additional fees of £8,000 for additional duties such as a Senior Independent Director or Committee Chair.	Not performance related.

Annual bonus scheme 2023/24 (unaudited)

Executive Directors are entitled to an annual bonus under the Company's performance bonus scheme. The scheme is applicable for all employees who meet the eligibility criteria. The maximum bonus entitlement is split between performance against corporate objectives (60%) and individual performance against personal objectives (40%).

The corporate objectives are set at the beginning of the financial year by the Board. Assurance of DCC's savings programme Performance against them is assessed by the Committee and achievement as at end of March 2024 was agreed at 86%, detailed in the table below:

Objective area	Corporate objective	Weighting and Target performance	Final performance
Fast and Flexible	Delivering an accessible and flexible platform, enhancing our capabilities to provide a shift and seamless experience for both current and future customers.	20%	22.50%
Right first time	Delivering our services to the time, cost and quality expectations of our customers and wider stakeholders.	25%	23.75%
Secure and stable	Delivering a reliable network performance, nationwide, while maintaining a security posture and resilience expected of 'deemed Critical National Infrastructure.'	25%	28.75%
Responsible and efficient business	Delivering a responsible and efficient business that recognises our obligations to our people, our customers and ultimately GB consumers.	30%	11.0%
		100%	**86.0%**

Executive Directors' service agreements (unaudited)

The service contracts for Executive Directors are for an indefinite period and provide for a six-month notice period. There are no arrangements in place between the Company and its Directors to provide compensation for loss of office.

Non-Executive Directors' terms of engagement (unaudited)

Independent Non-Executive Directors are appointed by letter of appointment for a period no longer than three years. An individual in this role can be re-appointed only once for a further period of no longer than six years. Each appointment can be terminated by one month's notice by either party. The letters of appointment are available for inspection during normal business hours at the Company's registered office.

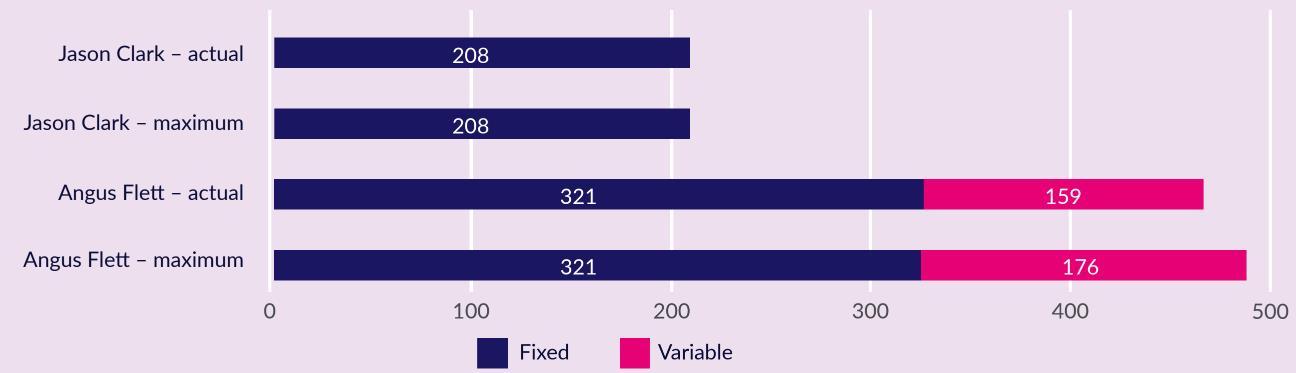
Directors' remuneration earned in 2023/24 – single-figure table (unaudited)

Director	Salary & Fees[4] (£)		Taxable benefits[5] (£)		Pension related benefits[3] (£)		Annual Bonus (£)		Total (£)	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Angus Flett, CEO	288,750	275,000	18,239	19,327	14,438	13,750	158,697	153,813	480,123	461,890
Barbara Anderson, Independent Non-executive Director	54,167	50,000	543	958	–	–	–	–	54,710	50,958
(Ex) Jason Clark, CFO	183,575	234,225	15,649	18,122	9,179	11,711	–	109,172	208,402	373,231
(Ex) Patrick Elliott, Non-executive Director	–	57,608	–	–	–	–	–	–	–	57,608
(Ex) Philip Male, Senior Independent Director	–	22,159	–	228	–	–	–	–	–	22,387
Ian McCaig, Independent Director	54,167	50,000	547	503	–	–	–	–	54,714	50,503
Richard McCarthy, Chairman[6]	110,176	141,983	–	–	–	–	–	–	110,176	141,983
(Ex) Richard Holroyd, Non-executive Director[7]	26,354	21,095	–	–	–	–	–	–	26,354	21,095
Sarah Eccleston, Independent Director	54,167	33,333	809	554	–	–	–	–	54,975	33,887
Nadia Choudhary, Non-executive Director[8]	2,730	–	–	–	–	–	–	–	2,730	–
Gemma Rebecca Bate-Williams, Non-executive Director[9]	4,732	–	–	–	–	–	–	–	4,732	–
	778,818	**885,403**	**35,787**	**39,692**	**23,617**	**25,461**	**158,697**	**262,985**	**996,916**	**1,213,542**

Total remuneration for the highest paid Director is 4.1 times (2023: 4.1 times) the average total remuneration of all employees.

The value and composition of the Executive Directors' remuneration for the year compared to the maximum achievable is shown in the charts below. The charts are broken down to show how the total is composed of both fixed and variable elements of remuneration.

Executive Directors' Remuneration (£'000s)



Richard McCarthy CBE
Chair Remuneration and People Committee
30 July 2024

3 Capita Executive Cash pension plan.
4 Inclusive of PAYE.
5 Taxable benefits are composed of car allowance and optional benefits selected by the employee. Examples of available benefits are private healthcare and critical illness cover.
6 Richard McCarthy's cost in relation to time worked on DCC related activities only, other roles held in Capita.
7 Richard Holroyd's cost in relation to time worked on DCC related activities only, other roles held in Capita.
8 Nadia Choudhary's cost in relation to time worked on DCC related activities only, other roles held in Capita.
9 Gemma Bate-William's cost in relation to time worked on DCC related activities only, other roles held in Capita.

Technology Advisory Committee report

Members	
Sarah Eccleston	Phillip Male (External Subject Matter Expert)
Angus Flett (Resigning August 2024)	

Chair Introduction

The Technology Advisory Committee is responsible for ensuring the DCC's long-term technology planning supports the DCC in achieving its mandate in line with mid and long-term strategy, while making use of the most suitable, agile and commercially appropriate technology. The Committee has continued to develop and evolve since it was formed in November 2022.

The Committee reviews medium and long-term technology strategy for the effective use of technology and information across the DCC network. The primary purpose of the Committee is to ensure there is a clear medium and long-term vision for technology adoption and alignment between technology capability, business strategy and user requirements.

Decisions and recommendations from this advisory committee are clearly communicated to the Board.

Membership and Attendance

The membership of the Committee has been changed during the year. There are two directors, Sarah Eccleston, who is the Independent Non-Executive Director Chair and Angus Flett; and one external technology expert who sits on the Committee. Other members of the Senior Management Team, including internal technology experts and matter specific experts are regularly invited to attend meetings to provide comprehensive updates and insight into any key issues and developments. A minimum of 5 participants are present in every meeting. Details of attendance by Board members are disclosed on page 60.

The current external technology expert who sits on the Committee is Phillip Male.

Phil has 20 years' experience as an Executive Director within FTSE companies. He has an extensive background in telecoms, media and Internet. He has operated in small start-ups through to large global companies and high growth environments. Phil has also developed extensive knowledge of the industries key stakeholders and the sectors key regulations and guidelines.

Previously, he has held a number of senior posts including Executive Director at Demon Internet, Chief Operating Officer at THUS Group plc and Executive at Cable and Wireless Worldwide. Early in his career, he was one of two founding Directors of Computer Newspaper Services (CNS) which pioneered electric content in the media industry. Phil was previously an Independent Director on the DCC Board, retiring in September 2022.

Committee activity

The Committee has met five times in the reporting year. Committee activity is driven by business activity, but following its formation a schedule of agenda items was established to ensure that all matters required to be considered by the Committee were given due consideration and are reviewed at appropriate intervals.

During the year the focus of the Committee has been:

- Overall mid and long-term Strategic Technology, including Security & Technology Roadmap.
- Cybersecurity Risks and Strategy.
- Consideration of solutions to the No-WAN issue.
- Data Service Provider (DSP) Procurement.
- SMETS1 & SMETS2 swap out.
- Long Term Connectivity Strategy (e.g., Fibre, 4G, 5G, etc) in recognition of the limitations of Long-Range Radio, and the sunsetting of 2G/3G.
- Network Performance.
- Agreement on, and documentation of, Ideal & Future End State Architecture.
- Scaling and Optimisation.

The Committee continues to consider long range strategic technology planning, network security and the wider technology environment, as well as pre-review OBC/SBC submissions prior to review by the board.

Sarah Eccleston
Chair Technology Advisory Committee
30 July 2024

Directors' Report

The Directors present their report and accounts for the year ended 31 March 2024. The Corporate Governance Statement on pages 80 to 82 also forms part of this Director's Report.

Board Members

The names and biographical details of the Board members who served on the Board as at the year end can be found on pages 53 to 55.

Status of the Company and Share Capital

The Company was incorporated on 7 August 2013 and is a private limited company, 100% owned by Capita Business Services Ltd. As at 31 March 2024 the Company had 1 share of £1 each.

Directors' and Officers' Insurance and Indemnities

Capita has arranged insurance cover in respect of legal action against Directors. To the extent permitted by UK law, Capita also indemnifies the Directors. These provisions are qualifying third party indemnity provisions which were in force throughout the year and in force at the date of this report.

Dividend Policy

No dividend is paid.

Future Developments

Indications of likely future developments in the business are discussed in more detail in the Strategic Report.

Research and Development Activities

Details of any research and development activities in the business are discussed in more detail in the Strategic Report.

Subsequent Events

Since the year end Angus Flett, Chief Executive Officer has resigned and he will leave the Company on 30th August 2024.

Employment Policy

Our policy is to promote equal opportunity in employment regardless of gender, race, colour or disability, subject only to capability and suitability for the task and legal requirements. Where existing employees become disabled, it is our policy to provide continuing employment under equivalent terms and conditions, and to provide equal opportunity for promotion to disabled employees wherever appropriate. The Board recognises that the Company's performance and success are directly related to our ability to attract, retain and motivate high-calibre employees.

Employee Engagement

We keep our team members regularly updated with issues affecting the running of the business and obtain their views on any key matters, all of which is in accordance with our obligations under the Information and Consultation Regulations 2004. Sarah Eccleston is appointed as the Designated Independent Non-executive Director and she attends regular meetings with employees. The dissemination of information is achieved in many ways including weekly and quarterly newsletters, regular regional and area meetings, our company intranet and Directors and Managers briefings. These are opportunities for team members to express their views and ask questions. Outside of these specific events, we welcome any questions that team members may have about the business. Further information on employee engagement is provided on page 23.

Directors' responsibility statement

The directors are responsible for preparing the Annual Report and the Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Company financial statements for each financial year. Under that law they have elected to prepare the Company financial statements in accordance with UK-adopted international accounting standards and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Company's profit or loss for that period. In preparing each of the Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, prudent, relevant and reliable;
- state whether they have been prepared in accordance withapplicable UK-adopted international accounting standards; have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of all of its financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

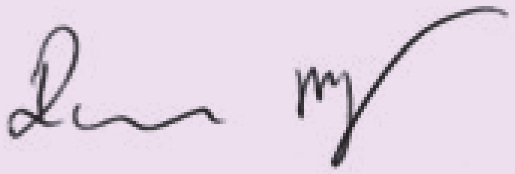
The directors have decided to prepare voluntarily a Corporate Governance Statement and have sought to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters where appropriate, as a matter of good governance.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board,



Richard McCarthy CBE
Chairman Smart DCC
30 July 2024

4. Independent auditor's report to the Director General, Ofgem ("the Regulator") and the directors of Smart DCC Limited

Opinion

We have audited the Regulatory Accounts of Smart DCC Limited ("the Company") for the year ended 31 March 2024 which comprise the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes to the Regulatory Accounts. The financial reporting framework that has been applied in their preparation is Condition 30 of the Company's Regulatory Licence and the accounting policies set out therein.

In our opinion, the Regulatory Accounts are properly prepared, in all material respects, in accordance with Condition 30 of the Company's Regulatory Licence and the accounting policies set out therein.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and having regard to the guidance contained in ICAEW Technical Release 02/16AAF (Revised) Reporting to regulators on regulatory accounts. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the Regulatory Accounts section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Regulatory Accounts in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw attention to note 2 of the Regulatory Accounts, to the fact that the Regulatory Accounts have been prepared in accordance with a special purpose framework, Condition 30 of the Company's Regulatory Licence and the accounting policies set out therein. The nature, form and content of Regulatory Accounts are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly, we make no such assessment.

The Regulatory Accounts are separate from the statutory financial statements of the Company and have not been prepared under the basis of UK-adopted international accounting standards ("UK IAS"). Financial information other than that prepared on the basis of UK IAS does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006. As a result, the Regulatory Accounts may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks, such as losing the License or putting future License renewal at risk, to the Company's operations and specifically its business model.
- The evaluation of how those risks might impact on the Company's available financial resources.
- Where additional resources may be required, the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Liquidity considerations including examination and challenge of the Company's cash flow projections, including considerations for the cost-of-living increase and performing sensitivity analysis on the information through changes in the assumptions.
- Challenges of management to the extent of identifying mitigating actions in various scenarios to confirm that they are within their control and capable of being implemented based on reasonably available resources of the company.
- Viability assessment including consideration of reserve levels and future business plans.
- Review and concluding on the accuracy and completeness of the company's going concern disclosures, including the viability statement and in the Audit Conclusions of the financial statements.

We have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Scope	Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement. This is the first year we have been appointed as regulatory auditors to the company. We undertook the following transitional procedures: • We held meetings with senior management to gain an understanding of the Company's operations and strategic objectives. • We held meetings with the predecessor auditors, including reviewing their audit working papers for the prior financial period to gain an understanding of the Company's processes, their audit risk assessment, and the design of their audit approach for the year ended 31 March 2023. The results of these procedures were considered in our audit planning and risk assessment for our audit for the year ended 31 March 2024.

Materiality	2024	2023
Company	**£10m**	**£13.5m 2% (2023: 2.35%) of revenue**
Key audit matters		
Recurring	**• Recognition and accuracy of costs**	

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition and accuracy of costs

Key audit matter description	Operations of the company must comply with the terms of the Smart Meter Communication Licence (the 'Licence'), which permits the company to recharge the costs to Service Users ('Customers'), inclusive of a profit margin. There is a risk that operating costs included in the financial statements do not meet the criteria of allowable costs under the terms of the Licence. Therefore, these costs would not be able to be recharged to Customers. As revenue is derived from costs, there is a risk that both revenue and costs are materially misstated if allowable costs do not exist. In addition, certain costs (and revenue) are recognised at milestone stages of completion. There is a risk that both revenue and costs are materially misstated in the current year if costs are recognised without milestones having been met and formally agreed.
How the scope of our audit responded to the key audit matter	We undertook the following procedures: • Obtained an understanding of the internal processes, systems and controls around the recognition of costs and how they are recorded in the financial statements. We completed a walkthrough to test the design and implementation of the relevant controls. • Data analytics were used for the purchase cycle to identify any transactions which did not fall into the typical cycle that we would expect. Such transactions were discussed with management and supporting documentation requested where necessary. • Substantive testing was performed on a sample of costs that were recharged to customers, by vouching source documents to confirm the existence of costs that meet the criteria to be recharged and that these costs were recorded accurately. • A sample of completed milestones achieved in the year were confirmed by reviewing the relevant contracts and confirming that these milestones were formally agreed through obtaining support evidence. • Cut-off testing was performed on contract costs to ensure purchases around the year end were accounted for in the correct period and in line with contract terms/milestones. • Disclosures in respect of cost recognition were reviewed to ensure accounting policies were adhered to and disclosures were adequate.
Key observations communicated to the Company's Audit Committee	Recognition, accuracy and disclosure of costs were adequate and in accordance with the financial reporting framework laid out in Condition 30.

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Company was set at £10.0m (2023: £13.5m) which was determined on the basis of 2% (2023: 2.35%) of the Company's revenue. Revenue was deemed to be the most appropriate benchmark for the calculation of materiality rather than profit-based benchmarks, as the Company is not set up to generate a profit. It is also a key area of the financial statements with which the users of the financial statements are principally concerned.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Company was set at £7.0m (2023: £11.4m) which represents 70% (2023: 85%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding £0.5m (2023: £0.675m) to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

The control environment

We evaluated the design and implementation of those internal controls of the Company which are relevant to our audit, such as those relating to the financial reporting cycle.

We deployed our internal IT audit specialists to obtain an understanding of the general IT environment, however we did not place reliance on the IT general controls operating across the Company.

Climate-related risks

In planning our audit and gaining an understanding of the company, we considered the potential impact of climate-related risks on the business and its financial statements. We obtained management's climate-related risk assessment, along with relevant documentation and reports relating to management's assessment and held discussions with management to understand their process for identifying and assessing those risks.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the Regulatory Accounts and our auditor's report thereon. Our opinion on the Regulatory Accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounts, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's voluntary compliance with the provisions of the UK Corporate Governance Code.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 46;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 46;
- Director's statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 46;
- Directors' statement on fair, balanced and understandable set out on page 46;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 46;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 52; and
- Section describing the work of the audit committee set out on page 62.

Responsibilities of the Directors

As explained more fully in the Directors' Responsibility Statement set out on page 75, the directors are responsible for the preparation of the Regulatory Accounts and for such internal control as the directors determine is necessary to enable the preparation of Regulatory Accounts that are free from material misstatement, whether due to fraud or error.

In preparing the Regulatory Accounts, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements Regulatory Accounts

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector, the control environment, business performance including remuneration policies and the Company's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Company focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Company including the regulatory and supervisory requirements of the Financial Conduct Authority (FCA) and the contractual requirements of the licence with Ofgem.
- We enquired of the directors and management, including the audit committee, concerning the Company's policies and procedures relating to:
  - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to improve financial performance, and management bias in accounting estimates.

Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Company's board meetings, audit committee meetings, inspection of legal and regulatory correspondence including Ofgem, and correspondence from the FCA;
- audit procedures performed by the engagement team in connection with the risks identified included:
  - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
  - testing journal entries, including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations;
  - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
  - enquiry of management around actual and potential litigation and claims.
  - challenging the assumptions and judgements made by management in its significant accounting estimates; and
  - obtaining confirmations from third parties to confirm existence of a sample of balances.
- the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on Other Legal and Regulatory Requirements

Opinion on other matters prescribed by Condition 30.

Under the terms of our engagement letter, we have agreed to report on any non-compliance with Condition 30.1. We have nothing to report in respect of the following matters:

- adequate accounting records have not been kept by the Company; and
- the Regulatory Accounts are not in agreement with the accounting records, or returns not retained for the purpose of preparing the Regulatory Accounts.

Use of our report

This report is made, on terms that have been agreed, solely to the Company and the Regulator in order to meet the requirements of the Regulatory Licence. Our audit work has been undertaken so that we might state to the Company and the Regulator those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Regulatory Licence to procure such a report and (b) to facilitate the carrying out by the Regulator of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Regulator, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounts is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2024 on which we reported on 30 July 2024, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Andrew Gandell

Andrew Gandell FCA
Registered Auditor

for and on behalf of MHA, Registered Auditor

London, United Kingdom

30 July 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

5. Financial Statements

Statement of profit or loss and other comprehensive income

For the year ended 31 March 2024

	Notes	2024 £'000	2023 £'000
Revenue	3	499,757	517,108
Cost of sales	5	(352,814)	(358,380)
Gross Profit		**146,943**	**158,728**
Administrative expenses	6	(147,080)	(156,617)
Depreciation	12	(1,774)	(1,774)
Total administrative expenses		**(148,854)**	**(158,391)**
Operating profit		**(1,911)**	**337**
Interest received		2,752	223
Finance income	9	7,823	5,882
Finance costs	9	(8,664)	(6,442)
Profit before taxation			
Tax	10	–	–
Result for the year		–	–
Other comprehensive income for the year		–	–
Total comprehensive income for the year attributable to the owners of the Company		**–**	**–**

Statement of financial position as at 31 March 2024

	Notes	2024 £'000	2023 £'000
Assets			
Non-current assets			
Unbilled revenue due in more than one year	11	364,210	417,919
Property, plant and equipment	12	3,124	4,899
Total non-current assets		**367,334**	**422,818**
Current assets			
Trade and other receivables	13	233,675	194,945
Cash and cash equivalents	14	69,589	112,387
Total current assets		**303,264**	**307,332**
Total assets		**670,598**	**730,150**
Liabilities			
Current liabilities			
Trade and other payables	15	299,399	289,717
Deferred revenue		5,476	20,359
Lease liability	16	626	625
Total current liabilities		**305,501**	**310,702**
Non-current liabilities			
Payables due in more than one year	11	364,210	417,919
Lease liability	16	197	839
Other non-current liabilities	11	690	690
Total non-current liabilities		**365,097**	**419,448**
Total liabilities		**670,598**	**730,150**
Total net assets		**–**	**–**
Equity			
Share capital	18	–	–
Retained earnings		–	–
Total equity		–	–

The financial statements on pages 89 to 107 were approved and authorised for issue by the Board of Directors on 30 July 2024 and signed on its behalf by:

Richard McCarthy CBE, Chairman
30 July 2024
Smart DCC Limited
Company registered number: 08641679

The notes on pages 89 to 107 form an integral part of the financial statements.

Statement of changes in equity for the year ended 31 March 2024

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
At 1 April 2022	–	–	–
Profit for the year	–	–	–
Other comprehensive income for the year	–	–	–
At 31 March 2023 and 1 April 2023	–	–	–
Profit for the year	–	–	–
Other comprehensive income for the year	–	–	–
At 31 March 2024	–	–	–

Statement of cash flows for the year ended 31 March 2024

	Notes	2024 £'000	2023 £'000
Net cash flows from operating activities	20	(41,957)	(16,344)
Net cash flows used in investing activities	20	–	-
Net cash flows used in financing activities	20	(841)	(560)
Net increase in cash and cash equivalents		**(42,798)**	**(16,904)**
Cash and cash equivalents at the beginning of the year		112,387	129,292
Cash and cash equivalents at the end of year	14	**69,589**	**112,387**

The notes on pages 89 to 107 form an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 March 2024

1. GENERAL INFORMATION

Smart DCC Limited is a private Company limited by shares incorporated, domiciled and registered in England and Wales under the Companies Act 2006. The address of the registered office is 65 Gresham Street, London, England, EC2V 7NQ. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 14 to 18 but can be summarised as managing the delivery of services to Great Britain's energy industry that facilitates secure communications between energy systems and smart meters.

2. MATERIAL ACCOUNTING POLICIES

a) Basis of accounting

The Company's financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards as modified by Condition 30 of the Company's Regulatory Licence.

The financial statements have been prepared on the historical cost basis. Historical cost is based on the fair value of the consideration given in exchange for goods and services. The significant accounting policies adopted are set out below.

b) Going concern

In determining the appropriate basis of preparation of the financial statements for the year ended 31 March 2024, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken an assessment of the financial forecasts with specific consideration of the current economic conditions in the UK and the increase in inflation driven by the conflict in Ukraine, for the reasons set out below.

As at 31 March 2024, the Company had total assets less current liabilities of £365.1m (2023: £419.4m). Liquidity as at that date was £69.6m (2023: £112.4m), made up of cash and cash equivalents.

Management has modelled several plausible downside case scenarios that cover the period to 31 March 2026. As the Company is entirely funded by SEC Parties, who are also impacted by the current economic conditions, the plausible downside scenarios focus on the impact of lack of payment by customers. The Directors consider the scenarios to be extremely prudent and unlikely to occur. However, by considering such cases Management has ensured that mitigations the Company has in place would be sufficient to ensure adequate liquidity in extreme circumstances.

The Company is unique in having legal mechanisms in place under the SEC that significantly minimise both the risk and impact of customers not paying invoices:

i) Invoice payment cycle and terms are set out in the SEC and require customers to make payments within five working days of receipt of invoice. If customers fail to pay their invoices they are in breach of their obligations as SEC Parties.

ii) Customers that meet the relevant criteria must provide credit support in the form of a bank guarantee, letter of credit, or a cash deposit (refer to note 19. Financial instruments). The Company holds sufficient credit cover for at least one months' charges for most customers. Support provided via bank guarantee or a letter of credit is payable on demand once requested.

iii) After taking all reasonable steps to obtain payment, any outstanding customer debt that the Company is unable to recover can be recovered from all other customers.

iv) The Company sets charges for the year in advance (refer to note 2f. Revenue). However, it can revise these charges within the year, if required, to ensure it has enough funds.

v) In the event of a customer ceasing to trade, Ofgem's 'Supplier of Last Resort' process would apply. Any outstanding debt would be recovered from all other customers.

In addition, the Company has access to financial support, if required, through agreements with its Parent Company, worth a total value of £15.0m (2023: £15.0m).

Whilst the current licence is due to expire in September 2025, there is on-going discussions/negotiations with Ofgem to extend the licence for a further term, length to be agreed but expected to be between 1 and 3 years.

The Directors have reviewed the impact on monthly closing cash balances of the following plausible downside scenarios:

1. The six largest[7] customers failing to pay one months' invoice in the same month
2. The largest customer failing to pay invoices for three consecutive months
3. The largest customer failing to pay invoices for six consecutive months
4. Several medium[8] sized customers failing to pay invoices for the same three consecutive months
5. All smaller[9] customers failing to pay invoices for the same six consecutive months

The impact of each scenario has been assessed after allocation of available credit cover, as this would be allocated immediately in the event of payment default.

If payment plans could not be agreed any outstanding debt would be recovered from all other customers in the next available billing month.

The most severe downside case modelled by Management indicates the greatest negative impact on the Company's cashflows but is considered by both Management and the Directors to be highly improbable. Any indication of such a scenario arising would be highlighted early on through engagement mechanisms in place with the customer, the SEC Panel, Ofgem and DESNZ. Due to the Company's role as part of Critical National Infrastructure in delivering smart metering services, Directors expect that the government would use its Special Administration Regime provisions to intervene if a severe scenario was to materialise.

The Directors have also considered the impact of the withdrawal of the UK from the EU and have assessed there to be low risk to the Company.

At the same time as the approval and signing of this Annual Report the Directors have approved a certificate of financial resources, as required by the Licence, which confirms that the Directors have a reasonable expectation that the Company will have sufficient financial resources and financial facilities available to itself to carry on operations for a period of at least 12 months from the approval of the financial statements. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts. Further detail is contained in the Strategic Report on pages 14 to 18.

c) Functional and presentational currency

These financial statements are presented in Pounds Sterling which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

d) Use of judgements and estimates

In preparing these financial statements, Management has made judgements and estimates that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The judgements considered significant included the assessment of risk as to whether costs were accurately recorded which would lead to a misstatement of revenue and also whether controls were sufficient to prepare fraudulent financial statements by overriding controls , both of these judgements were considered against the actions taken by the Audit and Risk Committee and were satisfied that the disclosures given within the accounts are sufficient to gain a proper understanding of the methodology of accounting for revenue and cost recognition and also that controls have been adhered to ensure accounting records have been prepared in good faith and represent a true and fair view of the company financial position and that the controls underpinning those numbers have been carried out by professionally qualified people with sufficient independence and segregation of duty controls in place.

7 Determined by value of monthly invoices
8 Customers just outside the top six largest customers
9 Customers with monthly invoices less than £0.3m

e) Changes in accounting policies

A number of new or New and amended standards are effectiveadopted by the Company.

The Company has applied the following standards and amendments for the first time for its annual reporting commencing 1 April 2023:

- IFRS 17 Insurance Contracts;
- Definition of Accounting Estimates – amendments to IAS 8;
- International Tax Reform (Pillar Tow Model Rules) – amendments to IAS12;
- Deferred Tax related to Assets and Liabilities arising from 1 January 2021 but they doa Single Transaction – amendments to IAS12; and
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

The amendments listed above did not have any impact on the amounts recognised in the prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted.

Certain amendments to accounting standards have been published that are not mandatory for 31 March 2024 reporting periods and have not been early adopted by the Company. These amendments are not expected to have a material effectimpact on the Company's financial statements. entity in the current or future reporting periods.

f) Revenue

The principal activity of the Company is the delivery and operation of the smart metering communication service in Great Britain to the energy industry (the Company's customers). All revenue, result, assets and cash flows in the current and prior year have arisen from the provision of core communication Services under the mandatory business of the Company, as set out in the Licence.

The Company's revenue is generated from the delivery and operation of the smart metering communication service to the energy industry. Revenue is equivalent to the value of costs incurred plus margins earned for its shareholder in delivering and operating this service, as the Company currently operates on a nil profit model. The costs incurred by the Company are assessed by Ofgem on an annual basis. If Ofgem determines any costs that should not be recovered from customers, this value will reduce revenue in a future year. Ofgem also determines whether the Company can earn margin for its shareholder through additional activities. Any margin awarded to the shareholder is recognised as revenue in the relevant years in which the activities are delivered.

All energy suppliers that have adhered to the SEC are deemed to be customers of the Company. The Company does not have individual contracts with each customer, but the Company deems the contract to be the arrangement in place under the SEC. The duration of the contract is currently until August 2025, which is in line with the duration of the Licence. The delivery and operation of the smart metering communication service is considered a single performance obligation in the Licence. The Company recognise revenue in relation to this activity over time as the service is delivered.

Customers are billed for the service in line with the Charging Methodology set out in the SEC. Charges for the year are set in advance and are based on expected cashflow over the next 12 months. Therefore, a proportion of the Company's revenue is billed in the year. The remainder will be billed in future years and represents amounts due from customers for work completed in the period but not due for payment as at the reporting date. This balance is included within trade receivables for amounts that will be billed within 12 months, and in non-current assets for amounts that will be billed after 12 months. A contract asset is not recognised as the Company has an unconditional right to consideration for work completed, subject to price control assessment by Ofgem.

With respect to some of the goods and services that customers receive directly from Service Providers, including communication hubs, the Company is acting as an agent and accounting for revenue and associated costs accordingly. The Company does not earn any commission on these services. The amounts owed for the services and the amounts to be recovered from customers are recognised in the Statement of Financial Position. No amounts are recognised in the Statement of Profit or Loss.

g) Taxation

Tax is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The DCC's operating model is such that all costs match the revenues for the year, which leads to a zero-tax liability.

h) Recognition of costs for work completed against contracts

Amounts due to Service Providers in respect of work completed against contractual milestones and other contractual obligations are recognised based on the stage of completion of work where this can be reliably estimated. The cost and revenue associated with each milestone or obligation is therefore recognised to the extent that work has been completed. If the stage of completion cannot be reliably estimated the cost and revenue associated with each milestone or obligation is recognised when fully achieved. Finance costs are accounted for as part of cost of sales as these costs are directly attributable to revenue and they would not have arisen if sales were not made.

Costs that have been recognised at the reporting date but have not been paid are recognised as a liability; initially at fair value, and then subsequently at amortised cost. Amounts due within 12 months of the reporting date are recognised as a current liability. Amounts due after 12 months are recognised as a non-current liability. Liabilities are recoverable through future charges to customers and therefore a corresponding asset is recognised in the Statement of Financial Position.

i) Financial instruments

i. Recognition and initial measurement
Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value except for the financing of 4G Communications Hubs which has been accounted for a cash flow hedge (see note a) below)). For a financial asset or financial liability not measured at fair value through profit and loss (FVTPL), it is recognised at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

a) The Company (in Q1 2023) contracted external financing facilities in order to fund the Design, Build and Testing phase of the Communications Hubs and Networks 4G programme. The financing will be split across two lenders and the Company will draw down on these facilities in equal measure to pay suppliers as work is complete and repay those funds to the lenders over a five year period financed by recharges to customers. In order to protect the Company and Customers from fluctuations in interest rates, the Company has entered into an interest rate swap which has been accounted for as a cash flow hedge. (The Company has fixed the interest rate with one of the lenders with the other one floating, so the interest rate swap applies to only 50% of the loaned value). See Notes 11,13 and 15 for balances.

ii. Classification and subsequent measurement
On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial assets at FVOCI – debt investments	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Financial assets at FVOCI – equity investments	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its Statement of Financial Position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Impairment

A financial asset not carried at FVTPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset (excluding receivables) is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. In determining credit risk, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, and forward-looking information.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

v. Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the Statement of Financial Position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

j) Leases

The Company entered into a property lease arrangement in January 2019 and chose to early adopt IFRS 16 for the year ended 31 March 2019 (IFRS 16 was effective for periods starting on or after 1 January 2019). Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

i. fixed payments (including in-substance fixed payments), less any lease incentives receivable;

ii. variable lease payment that are based on an index or a rate;

iii. amounts expected to be payable by the lessee under residual value guarantees;

iv. the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

v. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

i. the amount of the initial measurement of lease liability;

ii. any lease payments made at or before the commencement date less any lease incentives received;

iii. any initial direct costs; and

iv. restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

k) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Freehold buildings and long leasehold property – not applicable
- Leasehold improvements – period of the lease
- Plant and equipment – 2 to 10 years

Depreciation is only calculated once the asset becomes available for use. The carrying values of property, plant and equipment are reviewed for impairment whenat the end of each reporting period to assess whether any events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Residual values and the Useful Economic Lives are also reviewed at the end of each reporting date. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the Statement of Profit and Loss in the administrative expenses line item. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Profit and Loss in the year in which the item is derecognised.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of the Company's revenue is as follows:

	2024	2023
	£'000	£'000
Continuing operations		
Provision of core communication services	596,036	553,414
Accrued income	(96,279)	(36,306)
	499,757	**517,108**

Accrued income represents revenue earned in the year for work completed by our key Service Providers in line with contractual obligations, to be billed to customers in future periods, offset against amounts billed to customers for revenue earned in previous periods.

Contract balances

The following table provides information about opening and closing receivables from contracts with customers:

	2024	2023
	£'000	£'000
Unbilled receivables due >12 months	364,210	417,919
Trade receivables	172,207	147,440
	536,417	**565,359**

4. OPERATING SEGMENTS

Segmental revenue and results (Mandatory Business Services – core communication)

All revenue, result, assets and cash flows arise from the provision of Core Communication Services under the Mandatory Business of the Company, as set out in the Licence, therefore there is one segment for revenue and results.

Geographical information (external customers)

The Company's revenue has all arisen from Great Britain for services provided to British energy suppliers.

Information about major customers

During the year the Company earned revenue from 105 customers. Of these, two customers, British Gas Trading Limited and E.ON Energy Solutions Limited, combined contributed to more than 36% of revenue.

5. COST OF SALES

	2024	2023
	£'000	£'000
External costs	317,993	335,178
Pass through costs	29,204	17,636
Other external costs	5,617	5,566
	352,814	**358,380**

External costs represent costs incurred by our key Service Providers for the set up and delivery of the smart metering communication service. These Service Providers include the DSP, the CSPs, SMETS1 Service Providers and Switching Service Providers. Pass through costs are those relating to the cost of service provided by the SEC administrator SECCo Ltd, and the Alt HAN Co. Other external costs represent amounts for other Service Providers providing services directly related to the set up and delivery of the smart metering communication service, such as the SMKI Trusted Service Provider, that are not defined as external costs in the Licence.

6. ADMINISTRATIVE EXPENSES

	2024	2023
	£'000	£'000
Staff costs	85,298	78,728
Margin and gain share	1,681	14,218
Professional fees	20,477	27,858
IT operating expenses	16,329	15,682
Corporate overhead	10,206	11,897
Office accommodation	4,732	3,483
Recruitment costs	2,781	2,407
Travel and subsistence	2,095	1,138
Other costs	3,481	1,206
	147,080	**156,617**

Margin and gain share reflect the relevant price control results recognised in the year. Disallowed costs are presented against the relevant expense category, that costs were disallowed for.

Staff costs are received from a recharge from Capita Business Services Ltd.

7. AUDITOR'S REMUNERATION

An analysis of the auditor's remuneration is as follows:

	2024 £'000	2023 £'000
Fees payable to the Company's auditor for the audit of the annual accounts	193	178
Total audit fee for statutory and regulatory accounts	**193**	**178**
Fees payable to the Company's auditor for other services to Other assurance services	45	42
Total non-audit fee	**45**	**42**

Other assurance services include review of a certificate of financial resources and carrying out of a set of Agreed Upon Procedures, as required under the terms of the Licence.

8. STAFF COSTS

Staff are legally employed by a related party, Capita Business Services Limited (CBSL) for the benefit of the Company. Staff costs incurred by CBSL on behalf of the Company are recharged to the Company on a monthly basis at cost, with an overhead charge added. This includes pension contributions made by CBSL for employees enrolled in the Capita defined benefit pension scheme, the liability for which is included in the financial statements of the ultimate parent undertaking. No costs associated with the administration of the scheme are charged to the Company.

The average monthly number of employees (including Directors) was:

	2024	2023
Operations	187	180
Programme management	123	135
Finance, Commercial, Legal and Facilities	143	121
Technology	114	130
Other	163	139
	730	**705**

Their aggregate remuneration (including overhead) comprised:

	2024 £'000	2023 £'000
Wages and salaries	77,105	70,569
Severance pay	862	525
Social security costs	5,948	5,622
Other pension costs	1,382	2,013
	85,298	**78,728**

9. FINANCE INCOME AND COSTS

	2024 £'000	2023 £'000
Finance income		
Recovery of finance costs from customers	7,823	5,882
Total finance income	**7,823**	**5,882**
Finance costs		
Finance costs on milestone repayments	(7,823)	(5,882)
Lease interest expense	(7)	(10)
Finance bond interest and charges	(497)	(540)
Bank service charges	(337)	(10)
Total finance costs	**(8,664)**	**(6,442)**

10. TAX

	2023 £'000	2023 £'000
Current tax	–	–
Deferred tax	–	–
	–	–

The Company has nil taxable profit, and hence nil tax at the UK Corporation rate of 25%. No tax amounts have been recognised directly in equity during the year (2023: £nil).

11. NON-CURRENT ASSETS AND LIABILITIES

Included in both non-current assets and non-current liabilities are amounts of £364.2m (2023: £417.9m), representing amounts due from customers and due to Service Providers respectively.

	2024 £'000	2023 £'000
Unbilled receivables in respect of milestones	65,252	126,023
Unbilled receivables in respect of communication hubs	298,958	291,896
	364,210	**417,919**

	2024 £'000	2023 £'000
Supplier payables in respect of milestones	65,252	126,023
Supplier payables in respect of communication hubs	298,958	291,896
Provision for lease hold restoration costs	690	690
	364,900	**418,609**

At 31 March 2024, our Service Providers had achieved multiple contractual milestones and completed work against other contract obligations. Payments against these are due over the term of the contracts with Service Providers. As the milestones have been achieved and work has been completed the Company has a contractual obligation for payment, hence a non-current liability of £65.2m (2023: £126.0m) has been recognised, representing amounts payable after 31 March 2025.

These amounts will be recoverable from customers and therefore, a corresponding amount of £65.2m (2023: £126.0m) has been recognised as a non-current asset.

In addition, our Service Providers have been providing our customers with SMETS2 communication hubs. These hubs are installed in consumer homes and allow our customers to use our network. The cost of a communication hub is charged to the DCC by our Service Providers over time, and similarly we recover the value of a communications hub to our customers over the same time period at the same value. As at the end of the reporting period we have recognised the amounts payable over 12 months for communication hubs accepted by customers at £298.9m (2023: £291.9m).

These amounts will be recoverable from customers and therefore, a corresponding amount of £298.9m (2023: £291.9m) has been recognised as a non-current asset.

Within the unbilled receivables and supplier payables includes £34m (2023: £11.2m) of matched assets and liabilities in relation to the repayment of 4G Communications Hubs drawdown and recovery from Customers. See Financial Instruments note a) on page 92 for detail of the hedging arrangement that this transaction relates to.

All remaining balances are recoverable over a maximum period of five years until the end of the supplier contracts.

The provision for restoration costs relate to a dilapidation provision against the Brabazon House property.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Right of Use £'000	Total £'000
Cost or valuation			
At 31 March 2023	8,380	3,418	11,798
Additions	-	–	–
Transfers	-	–	–
Disposals	-	–	–
At 31 March 2024	**8,380**	**3,418**	**11,798**
Depreciation			
At 31 March 2023	(4,874)	(2,026)	(6,900)
Charge for the period	(1,275)	(499)	(1,774)
Eliminated on disposal			
At 31 March 2024	**(6,149)**	**(2,525)**	**(8,674)**
Carrying amount			
At 31 March 2023	3,506	1,392	4,898
At 31 March 2024	**2,231**	**893**	**3,124**

There were no additions or disposals during the year (2023: nil) and the depreciation charge for the period was £1.8m (2023: £1.8m) and is included as a component of total administrative expenses, presented above operating (loss)/profit. Depreciation for the prior year was presented below the operating (loss)/profit. An adjustment has been made within the current year financials statements to present this consistently. The directors do not consider this to be a material adjustment to the financial statements and the impact on profit before tax was £nil.

At year end, the net carrying amount of land and buildings was £0.9m (2023: £1.4m) which relates to the lease of Brabazon House, Manchester. The lease obligations are disclosed in note 16.

13. TRADE AND OTHER RECEIVABLES

	2024 £'000	2023 £'000
Unbilled receivable for milestones due in less than 12 months	82,302	80,838
Unbilled receivable for communication hubs due in less than 12 months	85,227	62,589
Accrued income	*48,471*	45,308
Trade receivables due from customers	*4,678*	4,013
Prepayments	11,693	717
Other receivables	1,304	1,480
	233,675	**194,945**

Unbilled receivables of £167.5m (2023: £143.4m) is the amount to be recovered in the next year from customers for work completed as at the reporting date, and for communication hubs accepted by customers as at the reporting date, this includes £11.4m (2023: £3.0m) in relation to the financing of 4G Communication Hubs. The corresponding amount due to Service Providers less payments in advance is recognised in trade payables (see note 15). The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Accrued income represents amounts due from customers for the month of March 2024 but billed in April 2024, therefore not received at the reporting date. The due date is the later of five working days following receipt of invoice and eight working days following the end of the month. The average credit period taken on sales of service is five days from receipt of invoice.

In accordance with Section J of the SEC, the Company determines if credit cover is required for each customer. If it is required customers provide Credit Support in the form of a bank guarantee, a letter of credit, or a cash deposit. The value of Credit Support must be equal to or greater than the customer's credit cover requirement, which is calculated on a weekly basis as specified in the SEC. If a user fails to pay their invoice by the due date and a notice has been issued, the Company can claim unpaid amounts plus interest from the Credit Support provided. If a customer does not have enough credit cover in place to cover their outstanding balance the Company will investigate other options for recovery of funds, but in all circumstances the option to recover the debt from all other customers is available. In this way the Company is not exposed to any risk of losses.

14. CASH AND CASH EQUIVALENTS

	2024 £'000	2023 £'000
Cash at bank	39,815	87,749
Credit cover deposits from customers	29,774	24,637
	69,589	**112,386**

Cash at bank reflects the amount available for use by the Company. Credit cover deposits are customers funds held in a ringfenced account and only to be used as a drawn down facility to cover non-payment of invoices.

15. TRADE AND OTHER PAYABLES

	2024 £'000	2023 £'000
Trade payables for milestones due in less than 12 months	82,302	80,838
Trade payables for communication hubs due in less than 12 months	85,227	62,589
Accruals	68,482	70,513
Trade payables due to customers	29,765	27,998
Related party payable	16,950	30,487
Trade payables due to suppliers	237	9,889
Total Trade payables	46,952	*68,374*
Other payables	11,444	3,000
VAT payable	4,993	4,404
	299,399	**289,718**

Amounts due in less than one year for milestones and communication hubs are amounts that are due to be paid in the next year to Service Providers in respect of payments due in line with supplier contracts at the reporting date, this includes £11.4m (2023: £3.0m) in relation to the financing of the Design, Build and Testing of 4G Communication Hubs. These amounts will be recoverable from customers and therefore an amount of £167.5m (2023: £143.4m) has been recognised in trade and other receivables (see note 13).

Accruals reflect amounts outstanding for costs which will be invoiced subsequent to the year end.

Trade payables due to customers comprise of amounts held as cash deposits from customers for Credit Support.

The Directors consider that the carrying amount of trade and other payables is approximately equal to their fair value.

16. LEASE LIABILITY

	Carrying amount 2024 £'000	Carrying amount 2023 £'000
Opening balance	1,464	2,085
Lease liability addition	-	-
Interest charge	8	11
Repayments made during the year	(649)	(632)
Closing balance	**823**	**1,464**
Of which:		
Lease liability due in less than 12 months	626	626
Lease liability due in more than 12 months	197	838
	823	**1,464**

The Company recognises depreciation charges and additional interest charges in relation to leases within the statement of profit and loss and other comprehensive income as well as disclosing in the notes to the financial statements.

17. OFF BALANCE SHEET ARRANGEMENTS

At the date of the Statement of Financial Position, the Company had unrecognised, future operational charges of £1,389.7m (2023: £1,641.1m). This represents payments that the Company is obliged to make for contractually committed operational charges to Service Providers in line with their contracts from the date of services going live.

18. SHARE CAPITAL

	2024 £'000	2023 £'000
Authorised, issued and fully paid:		
1 ordinary share of £1 each	–	–

19. FINANCIAL INSTRUMENTS

Categories of financial instruments:

	2024 £'000	2023 £'000
Financial Assets at amortised cost		
Unbilled revenue due in more than one year	364.210	417,919
Trade and other receivables	233.675	194,945
Cash and bank balances	69,589	112,387
	667,474	**725,251**

	2024 £'000	2023 £'000
Financial Liabilities at amortised cost		
Payables due in more than one year	364.210	417,919
Trade and other payables	299.399	289,717
Lease liability	822	1,464
	664,431	**709,100**

The Directors consider that the carrying amount of all financial assets and liabilities as shown in the table above approximately equal to their fair value. The maturities of assets match exactly to those of the liabilities.

Contractual cash flows of milestones achieved and communication hubs delivered to customers

	2024 £'000	2023 £'000
Contractual cash flows		
1 year or less	195,457	157,345
1 to 2 years	131,182	160,141
2 to 5 years	252,810	229,432
Beyond 5 years	-	36,725
Total	**579,449**	**583,643**
Amounts due in more than one year	364,210	417,919
Amounts due in less than one year	167,529	143,427
Carrying amount	**531,739**	**561,346**

FINANCIAL RISK MANAGEMENT

Capital risk

The Company manages its capital to ensure that it can support the business and continue as a going concern. The Company's capital consists of cash, which is managed to ensure there is sufficient operating liquidity at all times. The Company is not subject to any externally imposed capital requirements.

Credit risk

Credit risk is the risk of financial loss to the Company because of a counterparty defaulting on its contractual obligations. The Company trades only with recognised, creditworthy third parties. It is a requirement of Section J of the SEC that all customers provide Credit Support in the form of a bank guarantee, letter of credit, or a cash deposit. The level of Credit Support required is determined by the following formula:

Customer Value at Risk (VaR) x Customer Unsecured Credit Factor (UCF) factor

The UCF is determined based on maximum credit value and recognised credit ratings from independent rating agencies or based on credit assessment scores from independent credit assessment agencies. The requirement is reviewed on a weekly basis by the Company.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Cash balances are held with Lloyds Bank plc.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's policy is to hold cash at a level sufficient for the Company to meet its medium-term payment obligations. The Company does not have external financing, and therefore includes a Prudent Estimate (as defined in the Licence) contingency in charges to customers to allow for timing differences between receipts and payments.

Management monitor the risk of having a shortage of funds using a daily cash management process. This process considers the maturity of both the Company's creditors (e.g. accounts payable, VAT payments) and projected cash receipts from operations. The Company has access to financial support, if required, through agreements with its Parent Company, worth a total value of £15.0m.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company is exposed to foreign exchange risk and to fluctuating lending rates, with respect to communication hub purchases. This risk is mitigated by the fact the DCC operates on a cost recovery model.

20. CASH FLOW STATEMENT

	2024 £'000	2023 £'000
Profit for the year	-	–
Adjust for:		
Net finance costs	841	560
Depreciation	1,774	1,774
Other non-cash movements		
– Lease liability movement	(642)	(622)
– Non-cash receivables	(35,078)	(26,567)
– Non-cash payables	24,101	26,050
Increase in trade and other receivables	(3,652)	(35,891)
(Decrease)/Increase in trade and other payables	(14,419)	40,576
Decrease in deferred revenue	(14,883)	(22,225)
Net cash from operating activities	**(41,957)**	**(16,344)**
Net cash used in investing activities	**–**	**–**
Recovery of finance costs from customers	7,823	5,882
Finance costs on milestone repayments	(8,664)	(6,442)
Net cash used in financing activities	**(841)**	**(560)**

Receivables and payables are those classified as being current and due for settlement within 12 months of the date of the reporting date.

21. RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

The Company is a subsidiary undertaking of Capita Business Services Ltd. The ultimate parent company is Capita plc (Group), incorporated in the UK. Each year the Group reassess whether it has control over the Company as required under IFRS 10. The Group's ability to control the relevant activities of the Company is restricted by the Company's operating Licence. The power that the Group has over the Company's relevant activities, by virtue of owning it, is limited given the restrictions in the Licence. That power is held by the Board of the Company where the Group has minority representation in compliance with the Licence. The Group has therefore not consolidated the Company within its Group accounts.

Key Management Personnel

The total amounts for Directors' remuneration were as follows:

	2023 £'000	2023 £'000
Total remuneration	997	1,213

Included in the amount shown above is £480.1k (2023: £461.9k) in respect of qualifying services for the highest paid Director which was all paid as salary, bonus and benefits. There was £14.4k (2023: £13.8k) paid in pension contributions. The Directors of the Company are considered to be the Key Management Personnel. For details of the components of remuneration please see the Directors' remuneration report on page 72.

Balances and transactions with Capita Business Services Ltd (Parent Company)

	2024 £'000	2023 £'000
Amounts included in operating profits	117,506	124,137
Amounts owed to related parties	16,950	30,487
Amounts owed from related parties	–	–

The transactions with related parties are concluded on an arm's length basis. Amounts owed are settled within 30 days of invoicing.

22. EVENTS AFTER BALANCE SHEET DATE

There were no other significant events subsequent to the reporting date.

DCC Public

Glossary

Acronym/ abbreviation	Meaning
ARC	DCC Audit and Risk Committee
CBSL	Capita Business Services Limited
CEO	Chief Executive Officer
CES	Customer Effort Score
CFO	Chief Finance Officer
CH	Communications Hubs
CO2e	Carbon Dioxide equivalents
CSP	Communication Service Provider
CSS	Central Switching Service
DBCH	Dual Band Communications Hubs
DCC	Data Communications Company
DEFRA	UK Department for Environment, Food and Rural Affairs
DESNZ	Department for Energy, Security and Net Zero
DNO	Distribution Network Operators
DSP	Data Service Provider
ECoS	Enduring Change of Supplier
eNPS	Employee Net Promoter Score
EV	Electric vehicle
ExCo	DCC Executive Committee
FOC	Final Operating Capability
FRC	Financial Reporting Council
FVOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit and Loss
GBCS	Great Britain Companion Specification
GDPR	General Data Protection Regulation
GFI	GBCS for Industry (a testing tool)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMF	Implementation Managers Forum

Acronym/ abbreviation	Meaning
IOC	Initial Operating Capability
ISO	International Standards Organisation
IT	Information Technology
KPI	Key Performance Indicator
MEDapps	Modernising Energy Data Applications
MHHS	Market-Wide Half-Hourly Settlement
MOC	Middle Operating Capability
NCSC	National Cyber Security Centre
NED	Non-Executive Director
OCI	Other Comprehensive Income
OPR	Operational performance regime
QFF	Quarterly Finance Forum
REC	Retail Energy Code
SAF	Security Architecture Framework
SEC	Smart Energy Code
SECMOD242	Smart Energy Code modification 242
SET	Switching Enterprise Transition
SECAS	Smart Energy Code Administrator & Secretariat
SMIP	Smart Meter Implementation Programme
SMKI	Smart Metering Key Infrastructure
SOC	Security Operations Centre
TOC	Technical Operation Centre
TOM	Target Operating Model
UCF	Unsecured Credit Factor
UK	United Kingdom
VAR	Value at Risk
VAT	Value Added Tax
WBCSD/WRI	World Business Council for Sustainable Development and World Resources Institute's