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James Cosgrove
Deputy Director, Smart Meter Implementation Programme
Department for Energy Security and Net Zero
Via email

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DCC MARGIN INCENTIVE SCHEME FOR THE 4G COMMUNICATIONS HUBS AND NETWORKS PROGRAMME

Dear James,

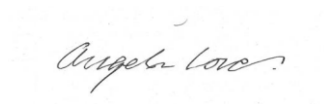
The SEC Panel is pleased to provide its assessment of the Baseline Margin Project Performance Adjustment (BMPPA) Scheme for the 4G Communications Hubs & Networks (CH&N) Programme.

The Panel response provides observations and scores against the Department for Energy Security and Net Zero (DESNZ) questions set out in the BMPPA. The commentary and scores in this response have been provided by SEC Parties, and SEC Sub-Committee Chairs.

The BMPPA assessment and anonymised responses to the BMPPA questions asked of SEC Parties is annexed to this letter.

Should you require any clarification regarding the assessment, please contact Oli Meggitt, Senior Strategy Manager (oli.meggitt@seccoltd.com).

Yours sincerely,



Angela Love
SEC Panel Chair

Annex A – Draft Panel Assessment - Baseline Margin Project Performance Adjustment for PA1 Quality Criteria

Part 1 SEC Panel Sub Committee and SEC Party Assessments

SECAS consulted SEC Parties between 1 April and 16 May 2025 for views against the three questions, with a total of three responses received. The SEC Party scores are considered along with the SEC Panel and SEC Panel Sub-Committee views, providing a formal input for the BMPPA scheme.

The scores are calculated as an average of the responses. In addition to the score, comments received from respondents and Sub-Committee Chairs are included in the response to each question.

This Part 1 provides the scores and comments to each question. Annex 1 contains the responses and scores received from the consultation.

1. Timing and frequency of engagement

Score – 2

Question: Has the DCC communicated and engaged with its customers at appropriate times to seek their views, allowed sufficient time for customers to provide feedback, and provided timely updates on its activities? (This includes providing general updates, reactive engagement, strategic engagement, and unplanned issues) Please provide your rationale.

The overall view of the DCC engagement on CH&N has been positive. The Test Assurance Group (TAG) Chair was of the view that the experience was positive, noting that Programme managers provided candid and transparent briefings, demonstrating a commendable level of openness regarding the testing process.

The engagement relating to CH&N was good for the year. The DCC provided considered content, which was relevant and appropriate. The papers were provided on time and gave members sufficient time to consider the content. The DCC listened to concerns and adjusted their delivery and content accordingly. The DCC provided meaningful input to actions that were raised at the Communications Transition Group (CTG).

However, Sub-Committees and respondents raised concerns over the approach to 4G coverage.

A respondent noted that “the 4G coverage shortfall is clearly disappointing, and should have been identified proactively by the DCC. Reactive solutions (e.g., roaming SIMs / MESH / etc.) were all identified during the scoping phase in 2021 - 2022, but discounted by the DCC, meaning that these will likely increase costs significantly to retrospectively introduce.”

The coverage issue was notified to Parties at the CTG November 2024 meeting, just before the Initial Pallet Validation (IPV) stage went live on 7 December 2024. It is not clear how long the DCC was aware of the issue before bringing it to CTG. It should be noted that the issue of coverage was regularly discussed at CTG, prior to the notification of the coverage shortfall. There was no indication

from the DCC that there was any issue until the news broke, as the DCC had previously expressed confidence that coverage levels would be met.

The Security Sub-Committee (SSC) Chair noted that while engagement on CH&N was good, once CH&N went live, engagement dropped off significantly. The Chair is of the view that the DCC should consider implementing follow-up activities such as progress updates, lessons learned sessions, and ongoing engagement – especially where the SSC played such a significant role.

2. Quality of information provided by DCC

Score – 2.3

Question: Has the DCC’s communication and engagement approach with its customers been tailored to the relevant audience and timed appropriately which enabled the audience to understand the issues to act on, and allowed sufficient time for the audience to provide feedback appropriately? (This includes providing customers with clear information on costs, benefits and/or consequences of the decisions and on DCC’s broader engagement) Please provide your rationale.

The general view is that the DCC has provided clear and honest communication with no issues or concerns standing out as problematic or inappropriate. The TAG was of the view that communication was effective, with the DCC treating engagement and testing with the level of seriousness it deserved.

A respondent from a Large Supplier noted that the quality of information was generally good, but noted an exception with the information that was provided relating to the 4G Comms Hub financing model. The respondent was of the view that the information that was presented on this subject was unstructured at times and it was difficult to understand the DCC's preferred route.

The DCC advised the CTG in September 2024 that there was potential for a degradation in WAN coverage, but the full extent was unknown. It was not until a workshop in October 2024 that Parties were informed of the significant drop in 4G coverage. This news was then relayed to the CTG at its November 2024 meeting, which led to considerable consternation at the CTG meeting. At that time, the DCC did not provide any details on the cost implications that the failure to provide the requisite 4G coverage will cause; this issue remains outstanding.

The Technical Architecture and Business Architecture Sub-Committee (TABASC) Chair noted that the DCC only identified the issues relating to the 4G coverage assurance at a late stage, just prior to IPV go live on 2 December 2024. The TABASC Chair is of the view that it is likely that the DCC was aware of the issues prior to raising them at TABASC and its delay in communicating these problems to TABASC was notable and concerning. Fundamentally, the DCC should have anticipated these challenges and proactively addressed them. It appears the DCC failed to exercise the necessary foresight and diligence in this instance.

Prior to the 4G assurance issue being communicated to TABASC, the group had regularly queried the DCC regarding how the required CH&N coverage would be achieved and whether alternative solutions might be necessary. The DCC provided assurances that the existing approach would suffice. Despite these reassurances, TABASC continued to raise concerns.

The core issue lies in the assurance process, which was evidently inadequate. It is the view of the TABASC Chair that the DCC should have identified and escalated these concerns much earlier.

The SSC Chair noted that DCC engagement on CH&N was good as the DCC maintained consistent engagement and provided regular updates throughout the lead-up to the go-live phase. However, feedback from SSC Members indicated that the content of the presentations does not always consider the specific audience. DCC often delivers the same generic update across all Sub-Committees, rather than tailoring the content to highlight areas of relevance – such as security-related impacts in the case of the SSC. As a result, it can take multiple iterations before a refined and focused presentation is given to the relevant Sub-Committee.

Taking account of customer views

Score – 2.3

Question: Has the DCC clearly explained how the views of its customers have informed its decision making, and where relevant, why DCC has decided not to incorporate these views? Please provide your rationale.

The TAG was of the view that the DCC approach was notably proactive and well-executed, reflecting a strong commitment to engaging with their customers and incorporating those views into the presentations.

The DCC initiated a programme to address the 4G coverage issue and has provided updates on the progress to fill the gap through 4G WAN coverage enhancement. Information has not been provided each month, but the information and presentation has been of reasonable quality. However, there is an outstanding question on the cost to address the 4G Coverage issues that was raised at the January CTG; this remains an open action.

There is also concerns regarding the pace at which decisions are required, particularly in the lead-up to the Live Service Criteria (LSC) decisions. It is a general concern, but specific examples include when the SSC is asked to make decisions outside of formal meetings with very short notice, in order to avoid delays to go-live dates. These compressed timelines could be better managed to reduce unnecessary pressure on SEC Parties and the SEC Sub-Committees and ensure more robust decision-making.

Annex 1 Anonymised Responses to Questions by SEC Parties.

1. Timing and frequency of engagement

Question: Has the DCC communicated and engaged with its customers at appropriate times to seek their views, allowed sufficient time for customers to provide feedback, and provided timely updates on its activities? (This includes providing general updates, reactive engagement, strategic engagement, and unplanned issues) Please provide your rationale.

Respondent	Comment	Score
Respondent A	No Comment	2
Respondent B	The emergence of the 4G coverage shortfall is clearly disappointing, and should have been identified proactively by the DCC. Reactive solutions (e.g., roaming SIMs / MESH / etc.) were all identified during the scoping phase in 2021 - 2022, but discounted by the DCC, meaning that these will likely increase costs significantly to retrospectively introduce.	2
Respondent C	No Comment	2

2. Quality of information provided by DCC

Question Has the DCC's communication and engagement approach with its customers been tailored to the relevant audience and timed appropriately which enabled the audience to understand the issues to act on, and allowed sufficient time for the audience to provide feedback appropriately? (This includes providing customers with clear information on costs, benefits and/or consequences of the decisions and on DCC's broader engagement) Please provide your rationale.

Respondent	Comment	Score
Respondent A	No Comment	2
Respondent B	Yes - with the exception of the 4G Comms Hub financing model. Information has been unstructured at times and difficult to determine DCC's preferred route.	2
Respondent C	No Comment	3

3. Taking account of customer views

Question: Has the DCC clearly explained how the views of its customers have informed its decision making, and where relevant, why DCC has decided not to incorporate these views?
Please provide your rationale.

Respondent	Comment	Score
Respondent A	No Comment	2
Respondent B	No Comment	3
Respondent C	No Comment	2