Department for Energy Security & Net Zero
3-8 Whitehall Place
London SW1A 2AW
www.gov.uk/energysecurity

Department for Energy Security & Net Zero

The Authority (Ofgem), the SEC Panel, SEC Parties
and other interested parties

27 February 2026

Dear Colleague,

VIRTUAL WAN: ADDITIONAL VIRTUAL WAN COMMUNICATIONS HUBS

In January 2026, the DCC made available 1008 Virtual WAN Communications Hubs (VWCHs) to energy suppliers to support the Soft Launch phase of the introduction of the Virtual WAN Arrangements.

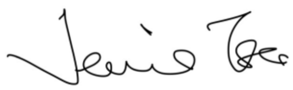
These VWCHs were allocated between energy suppliers based on provisions set out in the Virtual WAN Transition Document[1].

It is now proposed that an additional 10 pallets of MR1 VWCH (8960 VWCHs) should be made available by the DCC to ensure the ongoing ability to install the VWAN solution by energy suppliers in the period between the end of Soft Launch and the wider availability of MR2 VWCHs which is currently expected in April 2027.

A discussion on these proposals was held in the Technical and Business Design Group meeting held on 18 February 2026, where, whilst the proposals were received positively, a number of questions were raised. The attached consultation seeks to explain DESNZ's proposals in more detail and consider the issues raised, as well as inviting wider views on the proposals being put forward.

Responses to the questions set out in the consultation (and associated reasons) should be submitted to smartmetering@energysecurity.gov.uk by 17:00 on 23 March 2026.

Yours faithfully,



Jennie Tse
Director
Smart Metering Implementation Programme

(An official of the Department for Energy Security & Net Zero authorised to act on behalf of the Secretary of State).

Annex 1: Consultation on proposals for making available additional VWCHs

[1] https://smartenergycodecompany.co.uk/documents/sec-subsidiary-documents/sec-appendix-az-virtual-wan-transition-document/

Annex 2: Virtual WAN Transition Document (SEC Appendix AZ) version 5.0(draft)

Annex 1: Consultation on proposals for making available additional VWCHs

1. Introduction

1.1. In January 2026, DCC delivered 1008 VWCHs to energy suppliers via a process set out in the Virtual WAN Transition Document (VWTD). Essentially, the VWCHs were allocated to those suppliers who indicated that they wished to receive VWCHs on a pro-rata market share basis (subject to suppliers receiving a minimum of 2 VWCHs and any maximum numbers specified by suppliers).

1.2. The 1008 VWCHs have a firmware version that is referred to as "MR1+VWAN" and the associated Device Model does not hold a CPA Certificate. The Device Model has, however, been added to the Central Products List because the Security Sub-Committee (SSC) has approved it as being a Trial Device Model pursuant to Section F2.18 of the SEC. As part of this approval, the SSC originally agreed that the 1008 VWCHs in the initial deployment could be installed in consumer premises and be connected to the DCC via the Virtual WAN Provider. On 25 February 2026, the SSC approved an increase in this number to permit up to 10,000 MR1 VWCHs to be deployed.

1.3. The MR1 VWCH firmware is due to be replaced by the MR2 firmware which is expected to complete the CPA process by October 2026. When this takes place, it is planned that the DCC will remotely upgrade the firmware of any installed MR1 VWCHs to become MR2 VWCHs and we understand that prioritisation of these upgrades when the MR2 firmware becomes available is a condition of the SSC's Trial Device Model approval.

1.4. Whilst it is expected that all 4G Communications Hubs that are delivered by the DCC will eventually have Virtual WAN capability as a result of the MR2 upgrade, as it stands, these will not begin to be delivered as the standard 4G Communications Hub until around April 2027[2]. The basis of the proposals in this consultation is to make available additional VWCHs for use in the period between the end of Soft Launch and April 2027.

2. Proposal

2.1. It is proposed that the DCC should make available an additional 10 pallets of VWCHs, amounting to an additional 8960 VWCHs in addition to the 1008 that have already been delivered (and so a total of 9968 WVCHs). The number of VWCH indicated here is thought to provide enough to allow continued VWAN installations after Soft Launch concludes, up to the point MR2 Comms Hubs become available. Further orders may be considered in future should more be required, to be fulfilled by either MR2 or MR1 VWCH models dependent upon when required.

2.2. Unlike the 1008 VWCHs that were made available in January 2026, the DCC is proposing that these additional VWCHs should be delivered as part of existing 4G Communications Hub orders rather than being additive to suppliers existing orders. The principal reason for this is to make use of existing component stock in the manufacturer rather than delay manufacture due to having to source additional components.

2.3. The DCC has indicated that it can arrange for the May 2026 manufacturing run to produce the 8960 MR1 VWCHs with the remaining manufacture being regular 4G MR1 Communications Hubs. Under normal shipping arrangements they would be delivered (as part of the fulfilment

[2] Whilst some MR2 Communications Hubs may be made available before this time for trial purposes, these are intended to test the functionality of the MR2 Communications Hub, and not be used for regular no-WAN installations per se, and as such are not required to be targeted at premises that need the VWAN solution although may do so.

of CH orders placed in April 2026) to suppliers in August 2026, although if airfreighted, we understand that they could be delivered in early July 2026.

2.4. The question arises therefore as to whether some of the of the additional VWCHs should be airfreighted, including whether if some are air-freighted, would it be better for them all to be airfreighted. Having earlier availability of the VWCHs may avoid a hiatus for energy suppliers. In addition, there may be other benefits of not splitting the 8960 VWCH into two separate consignments as follows:

i. Suppliers may wish to have sufficient VWCHs to ensure that they are readily available to their installers for use across their estate if necessary. If only a relatively few VWCHs are made available at first, then suppliers may face additional logistical issues in managing their stock of VWCHs to make sure they are available when needed;

ii. having a single delivery of VWCHs means that the process for allocation of the VWCHs between suppliers would be simpler; and

iii. if the VWCHs are delivered in a single consignment, there may be logistical savings for the DCC (which would result in a reduction in the overall costs to DCC Users), particularly given that in discussions in TBDG, suppliers have indicated that they would like VWCHs to be delivered separately from other Communications Hubs.

2.5. DESNZ understands from the DCC that the costs of airfreighting range between £3.00 and £4.50 per Communications Hub over and above the costs of shipping by sea. To the extent that the VWCHs are airfreighted, then DESNZ proposes that in order to avoid disincentivising take-up, the additional costs of transportation would not be recovered via an Explicit Charge on those Suppliers taking delivery of the VWCHs, but instead through DCC's Fixed Charges.

2.6. On balance DESNZ believes that the additional VWCHs should be airfreighted and should be kept together in a single consignment for delivery in July 2026.

2.7. In summary therefore it is proposed that:

i. the DCC would arrange for the manufacture of Communications Hubs in May 2026 to include the additional 10 pallets of VWCH;

ii. the VWCHs should be airfreighted for delivery, and kept together for such purposes to minimise any logistical management issues for both DCC and suppliers, and so be available for delivery in early July 2026;

iii. the number of VWCHs allocated to each supplier would be determined by a process run by DESNZ, as follows:

1. Suppliers would be invited to indicate whether they wished to be allocated a number of the VWCHs, and if so, whether they wished to specify a maximum number of cartons;

2. The cartons of VWCHs would be allocated between participating suppliers pro-rata based on a measure of market share within the following bounds:

a. each participating supplier receiving at least 1 carton;

b. not exceeding the maximum number of cartons a supplier has stipulated (if any);

c. no participating supplier being allocated more VWCHs than the number of 4G Communications Hubs they had ordered in their relevant 2026 order[3]; and

[3] We believe that this would be the order placed in March 2026.

d. the allocation would be rounded up or down such that all Suppliers receive whole cartons and all the VWCHs have been allocated.

iv. DCC will run the allocation process in parallel with this consultation, and notify Suppliers of their allocation during April 2026;

v. VWCH will be packed in a consignment for delivery in isolation from other Comms Hub variants;

vi. the VWCHs would be delivered to suppliers in early July 2026; and

vii. any additional charges for delivery will be arranged without any Explicit Charges to the Supplier.

2.8. The proposed changes to the Virtual WAN Transition Document are set out in the document in Annex 2 to the covering letter to this consultation. The changes essentially provide for the allocation of the additional VWCHs between suppliers. As described above, the proposed process is very similar to that used to allocate the original 1008 VWCHs. The differences are that it is proposed to allocate cartons, rather than Communications Hubs – so that DCC does not need to split cartons and that the allocations will be capped at the number of 4G Communications Hubs Suppliers ordered in their March 2026 order, since these Communications Hubs will be used to contribute to the fulfilment of that order, rather than being additional. The document also makes it clear that DCC should not levy an explicit charge for the delivery of the additional VWCHs.

3. Consultation Questions

Q1 Do you agree with the Additional VWCH proposals set out within this consultation – please give reasons for any views?

Q2 Do you have any comments on the proposed amendments to the Virtual WAN Transition Document (set out in Annex 2 to the covering letter to this consultation)?

Q3 Do you agree with DESNZ’s proposal to re-designate the updated Virtual WAN Transition Document for incorporation into the SEC on 23 March 2026 (or as soon as practicable within one month thereafter)?

4. Next Steps

4.1. Responses to the questions set out in the consultation should be submitted to smartmetering@energysecurity.gov.uk by 17:00 on 23 March 2026.