

DCC review: phase 1 consultation

I am an electricity consumer and micro generator. I am responding to this consultation as a member of the public.

Currently I have a SMETS2 smart meter but it has never worked as there is no viable signal from the DCC's communications hub across a wide area where I live. As a result I am unable to monitor electricity usage properly, have lost out on the tariff paid for electricity I sell to the grid, and have lost from not being able to take advantage of 'smart' or 'agile' tariffs. To date the DCC has offered no solution or ideas to remedy the signal problem in my area.

My responses to Ofgem's questions are set out below.

Principles and outcomes

The principles as set out by Ofgem are important and necessary. But they are not enough. I suggest that further items be added as follows:

Principle	Additional item
Drive delivery of a quality, cost efficient and secure service	Universal service obligation. A future DCC must not be allowed a get-out-of-jail-free card in the form of 'disproportionate cost'. All premises with mains electricity pay toward the infrastructure and must be able to access a usable signal from the comms hubs. Commitment to geographical equality. As technology develops, differences between the long wave service in the North and the mobile network service in the Midlands and South will become increasingly apparent. No area or region must be allowed to fall behind another in terms of access to reliable communications.
Be customer-centric and consumer-focused	Commitment to consumers. Consumers must be able to bring complaints about signalling direct to the DCC. The DCC must establish an effective complaints system for consumers, and must join the ombudsman service to allow consumers to escalate complaints. The DCC must not be allowed to impose premium rate phone charges on members of the public.

<p>Enable full accountability and decisive governance</p>	<p>Duty of openness. The DCC must publish timely, accurate and comprehensive data on its performance. The data would be subject to assurance tests and analysis by Ofgem.</p> <p>The DCC must hold its board meetings in public and publish the minutes.</p> <p>The DCC must be subject to FoI or an equivalent.</p> <p>Duty of independence. If the DCC continues to be part of a private firm, that firm must not be awarded service or supply contracts by the DCC. Firms linked to members of the board must not be awarded DCC contracts.</p>
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Question 1: Which of the two broad models do you think we should adopt as the basis for our design of the future regulatory framework for DCC and why? What are the features of your preferred option that lead to you to this choice?

I see Option B as far preferable. Under Option A control would be largely through financial incentives, which produces perverse outcomes. The current model is all about producing returns for private shareholders: quality of service comes second. The current DCC also has its sights on creating profit via other services, which will not help to achieve a focus on delivery of mandated services.

Option B would remove these problems and, as the consultation says, allow the new DCC to concentrate on quality of service.

The problematic structure created in the energy industry has parallels in other privatised industries such as rail and telecoms. A fragmented system that is distant from end users is always going to create inefficiencies, lack of value for money and poor outcomes. In both of the other cases government has had to take action to bring greater accountability. It is wholly appropriate that a vital part of UK public infrastructure should be publicly owned with an independent board.

Question 2: Do you agree with the way we have applied the principles in our analysis of the options? Please state your reasoning.

The principles are broadly correctly applied but as the principles are incomplete (see above), key issues have not been addressed.

The section on governance and accountability at 3.52-3.55 appears mistaken. It discusses accountability to customers, but offers no accountability to consumers. Ofgem has

repeatedly said that the DCC is in a natural monopoly situation. In any such framework, strong regulation will be essential. Currently Ofgem regulates only on price and does not collect the performance data it needs to determine properly what level of service is being provided to consumers. It has also commented that the burden of proof for taking action is high and its powers limited: this needs to change. In future the necessary data, Ofgem's analysis of it, and its actions on behalf of consumers must form a key part of the governance arrangements. Consumers must also have avenues to hold the DCC to account.

Question 3: With regard to Option A, to what extent do you think that changes to the DCC licence alone could provide incentives that result in a third party investor-controlled DCC Board providing the quality and cost of service that DCC customers require, and managing DCC effectively?

It is most unlikely that the changes to the licence alone would provide the correct incentives. The incentives would still be based on price/cost, with all the problems that brings. The regulator would still be unable to take effective action on poor performance.

Question 4: With regard to Option B, how effective do you think a non-profit-making, stakeholder-controlled or independent DCC Board would be in providing the quality and cost of service that DCC customers require, and managing DCC effectively?

Much would depend on the calibre of the board. But assuming that the board is competent, it would be able to focus strongly on delivering high quality services. It would not be pulled in a different direction by the need to make profits for shareholders. The regulator would need to have a range of powers to ensure the board acts in the interests of consumers and is competent.

Question 6: What are your views on the options identified and the associated trade-offs for a possible licence extension?

Question 7: What are your views on the assumptions we have made for Options A and B transition periods?

Given the timelines offered in the consultation it is somewhat puzzling as to why this consultation was not conducted earlier. If an extension of 3 years is envisaged, this will create five and a half years of uncertainty for the existing DCC. Uncertainty is detrimental to any organisation and its ability to operate properly. It is therefore no kindness to the existing organisation, its customers or consumers to have this uncertainty for a long period. The decisions and implementation should be carried through as quickly as possible.

Key CSP contracts are due to expire in 2028 and preparations for new contracts are either underway or will start soon. It would be very unhelpful to settle the new contracts before a new DCC was functioning. So this is a further reason to avoid lengthy extension of the current DCC contract.

Finally, there is a moral obligation to get a new DCC in place as quickly as possible. The whole smart metering programme – paid for by consumers – is years behind schedule and

the comms network is still not properly functioning. The [ombudsman service](#), which currently cannot take any role in complaints about the DCC, has this to say:

‘Energy suppliers have experienced long delays waiting for the DCC to resolve queries and this can impact on the time taken to resolve consumer complaints.’

Even the DCC itself said it had had to develop an action plan to put right ‘the deficiencies we see in the current solution’ in the North (which include taking five years to figure out the solution to the RAF Fylingdales problem that it created itself, of using a different radio frequency). Sadly the action plan has not delivered the necessary changes. The [DCC added](#): ‘We recognise that we have not always been effective or proactive in our day to day customer engagement and have not always adapted our processes to support users in the most effective manner required.’ The [new business plan](#) promises again to ‘drive a step change’ to focusing on customer outcomes, and once again there is emphasis on sorting out the problems with the DCC’s activities in the North.

Ofgem is currently [consulting](#) on holding back £1.4m in payments to the DCC over disputed claims for payment. That is a tiny sum compared with the reported cost of the DCC for 2021/22 of more than £530m and is not likely to be an effective incentive to improve.

Performance has been poor, to the detriment of the consumers who fund the service. Such oversight and regulation as exists has focused solely on costs, not quality of service, and needs to improve. The country simply cannot wait many more years for a properly functioning system.

Question 9: What is your view on implementing incremental changes to the regulatory framework during a transition period?

A contract extension of more than six months is not desirable. If this must happen, however, Ofgem should introduce changes as soon as possible to strengthen governance. If it has the power to switch to ex-ante price control then it should do so – provided that introducing these changes does not affect the preparation to get a new DCC in place as quickly as possible.

Question 13: Do you agree that the future framework should enable exploration of re-use of DCC’s infrastructure? What are your views on the specific conditions and measures that may need to be in place to enable it?

It is reasonable to explore this question but commercial re-use is highly problematic. The fundamental principle should be that any new use of the infrastructure should primarily be to the benefit of the public. The infrastructure has been created via very large investment from consumers (in effect, almost all members of the public): it is not for the DCC, or suppliers, to make commercial gain from it. An argument could be made for the idea that commercial re-use would bring down costs to consumers but this would need to be fully transparent and quantifiable. That openness will not happen when commercial contracts are involved.