

To:

Smart DCC Ltd

SEC parties

REC parties

Other interested stakeholders

Date: 09 May 2025

Dear Company Secretaries and Stakeholders,

Consultation on draft Terms of Reference (TOR) for Customer Challenge Group and Business Plan Guidance including the revised price control processes and procedures

The Data Communications Company (DCC) is responsible under the Smart Meter Communication Licence for establishing and operating a secure national communications network for smart metering in Great Britain. The current Licensee is Smart DCC Ltd¹ ("DCC1") whose Licence was awarded by the Government in 2013 and is now due to expire in September 2027.²

In August 2023 we concluded the first, scoping phase of our review with a set of key features to form the basis of the design of the new regulatory model.³ One of these was a transition to an *ex-ante* form of cost control. In December 2024 we published a consultation on the detailed design of an *ex-ante* cost control regime and its implementation.⁴ The consultation closed in February 2025. The proposals in this consultation should be read alongside our consultation response.⁵

¹ A wholly owned subsidiary of Capita Plc

² Having been extended by Ofgem for a period of 24 months. See Ofgem (2024) Decision on the continuation of the Smart Meter Communication Licence and the rate of Shared Service Charge and Baseline Margin. www.ofgem.gov.uk/decision/decision-continuation-smart-meter-communication-licence-and-rate-shared-service-charge-and-baseline-margin

³ Ofgem (2023), DCC review: Phase 1 Decision. www.ofgem.gov.uk/decision/dcc-review-phase-1-decision

⁴ Ofgem (2024) DCC Review Phase 2: Determination of Allowed Revenue. www.ofgem.gov.uk/consultation/dcc-review-phase-2-determination-allowed-revenue

⁵ Ofgem (2025), Ofgem (2024) DCC Review Phase 2: Determination of Allowed Revenue – conclusions. www.ofgem.gov.uk/publications/dcc-review-phase-2-determination-allowed-revenue-conclusions

What we are consulting on

We are seeking views on the draft text of two guidance documents to underpin the implementation of our conclusions on the process for determination of the Successor Licensee's Allowed Revenue.

1. Draft Terms of Reference for Customer Challenge Group

The first document, which we are seeking your views on, are draft terms of reference (TOR) for a customer challenge group (CCG) to be established under the Smart Energy Code for the purposes of providing a challenge to the Licensee's business planning process and monitoring the Licensee's business plan delivery.

The ToR outlines the following matters relating to the establishment and functioning of the Customer Challenge Group:

- Objectives
- Membership
- Roles and responsibilities
- Outputs
- Process for review of the ToR

The ToR will act as a blueprint for the engagement process, ensuring clarity and accountability for all stakeholders.

Consultation questions:

1. Do the Terms of Reference provide a clear description of the role, membership, operations and outputs of the Customer Challenge Group?
2. Do you have any views on the draft text of the Terms of Reference?
3. What, if anything, is missing from the draft Terms of Reference?

2. Draft Business Plan Guidance

The second document, which we are seeking your views on, is a draft Business Plan Guidance (BPG). The purpose of the BPG is to set out our expectations and provide a guidance to the Licensee on the preparation of the Business Plan to be submitted for the purposes of determining the Licensee's Allowed Revenue under LC 34A.⁶

The draft BPG covers the following:

- The Business Planning process – provides guidance on the steps, processes and timings involved in the Business Plan cycle
- Contents of the Business Plan – outlines our expectations on the contents of the Business Plan and provides specific guidance on what different elements of the Business Plan should contain
- Presentation and structure of the Business Plan
- Principles of cost assessment – outlines the principles that we will apply when determining whether forecast costs are economic and efficient, the methods of assessment we are likely to use, and the types of criteria we are likely to apply
- Uncertainty mechanisms guidance – sets out the information required for application of Uncertainty Mechanisms (Automatic adjustments and re-opener applications submitted to the Authority) and the procedure for Ofgem's assessment of those

Consultation questions:

4. Does the draft Business Plan Guidance provide a clear description of the cost control process?
5. Does the draft Business Plan Guidance provide clear expectations on the evidence required from the Licensee and the principles that Ofgem will apply in assessing the Licensee's Cost Control submission?
6. Do you have any views on the draft text of the draft Business Plan Guidance?
7. What, if anything, is missing from the draft Business Plan Guidance?

⁶ Subject to our statutory consultation on Licence modifications. Ofgem (2025), Modifications to the Smart Meter Communication Licence for transition to ex-ante cost control and other changes required for Licence closure. www.ofgem.gov.uk/publications/modifications-smart-meter-communication-licence-transition-ex-ante-cost-control-and-other-changes-required-licence-closure

Consultation process

We invite all interested parties to provide their feedback on the proposed ToR and the draft BPG by 6th June 2025. Subject to the outcome of the consultation and the responses received, we intend to publish the final version of both documents in July 2025.

We may publish responses on our website. If you consider that information you provide should be treated in confidence, please provide the reasons for this when submitting your response.

How to respond

Please submit responses by 6th June 2025 to DCCregulation@Ofgem.gov.uk. We encourage concise, detailed, and specific feedback and welcome any additional suggestions or concerns stakeholders may wish to provide. Stakeholders may wish to consider forming their response based on the questions in this document.

We look forward to hearing from you,

Jakub Komarek

DCC Oversight & Regulatory Review
Consumer Protection and Retail Markets
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