
DCC Customer Challenge Group: Terms of Reference v1

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This document sets out the Terms of Reference (ToR) for the Customer Challenge Group to be established as part of the process for Determination of Allowed Revenue of the Successor Smart Meter Communication Licence holder. This document is published as a subsidiary document of a policy decision and should be considered alongside our policy conclusions on the process for Determination of Allowed Revenue published in May 2025.¹

These ToR will take effect from the publication date of 15th July 2025.

¹ Ofgem (2025), DCC Review Phase 2: Determination of Allowed Revenue – conclusions.
www.ofgem.gov.uk/publications/dcc-review-phase-2-determination-allowed-revenue-conclusions

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Executive Summary

The Data Communications Company (DCC) is the central communications body licensed to provide the communications, data transfer and management required to support smart metering. It is responsible for linking smart meters in homes and small businesses with energy suppliers, network operators and energy service companies. It is important that as a monopoly company DCC faces sufficient incentives to play its role well, delivering value for money and high-quality services. It operates under the conditions of the Smart Meter Communication Licence. We are reviewing the regulatory arrangements to put in place following the expiry of the Licence in September 2027.²

In our December 2024 consultation we proposed to move to an *ex-ante* form of cost control with all costs approved upfront by Ofgem on the basis of a costed Business Plan prepared and submitted by the Licensee. We also proposed to establish a customer challenge group under the Smart Energy Code to strengthen the voice of DCC's customers in the business planning process. We decided to carry forward these proposals in our May 2025 conclusions document.³

These Terms of Reference set out the objectives, scope, membership, roles, responsibilities and outputs of this customer challenge group. We expect this challenge group to provide feedback on DCC's first draft Business Plan in autumn 2025.

References to DCC throughout this document should be understood to mean the holder of the Smart Meter Communication Licence. For the purposes of the preparation and submission of the first Business Plan this is Smart DCC Ltd.

This document sets out the Terms of Reference for the Challenge Group being requested by Ofgem. These Terms of Reference will take effect from 15th July 2025.

² Ofgem (2024), Decision on the continuation of the Smart Meter Communication Licence [...]. www.ofgem.gov.uk/decision/decision-continuation-smart-meter-communication-licence-and-rate-shared-service-charge-and-baseline-margin

³ Ofgem (2025), DCC Review Phase 2: Determination of Allowed Revenue – conclusions. www.ofgem.gov.uk/publications/dcc-review-phase-2-determination-allowed-revenue-conclusions

1. Introduction

- 1.1 To strengthen the voice of customers in the process of setting the price control for DCC, a Challenge Group (the “Group”) shall be established by the SEC Panel (the “Panel”) on request of the Authority to review the DCC’s Business Plan (the “Plan”) submitted under a new Licence Condition 34A on the Panel’s behalf.
- 1.2 Through this process, the Authority seeks to empower stakeholders to input into, scrutinise and comment on DCC’s Business Plan and provide DCC and the Authority with a view on whether it meets the needs of DCC’s customers and consumers. This document sets out the draft Terms of Reference (“ToR”) for the Challenge Group for the purposes of review of the first Business Plan to be submitted by the current Licence holder (Smart DCC Ltd), and subsequent Business Plans which will be prepared and submitted by the Successor Licensee.
- 1.3 Ofgem shall publish the first version of these ToR. Thereafter, the document shall be, by resolution, adopted and owned by the SEC Panel, as if it were part of the Smart Energy Code. The Panel shall establish the CCG as a subcommittee under the Smart Energy Code in accordance with these ToR. The Panel shall ensure that these ToR are made available on the SEC website and kept up to date subject to the review policy set out in section 6.

Context and related publications

- 1.4 This draft version should be considered alongside Ofgem’s decision document *DCC Review Phase 2: Determination of Allowed Revenue*, specifically chapter 5 (Customer engagement), *Business Plan Guidance*, and a statutory decision on modifications to the Smart Meter Communication Licence.⁴

General feedback

- 1.5 We are keen to receive your comments about this guidance. We’d also like to get your answers to these questions:
 - a) Do you have any comments about the overall quality of this guidance?
 - b) Do you have any comments about its tone and content?
 - c) Was it easy to read and understand? Or could it have been better written?
 - d) Any further comments?
- 1.6 Please send any general feedback comments to DCCRegulation@ofgem.gov.uk

⁴ Ofgem (2025), Modifications to the Smart Meter Communication Licence for transition to ex-ante cost control and other changes required for licence closure: decision. www.ofgem.gov.uk/decision/modifications-smart-meter-communication-licence-transition-ex-ante-cost-control-and-other-changes-required-licence-closure-decision

Terms of Reference

2. Objectives

2.1 The objectives of the Group are to:

- a) Provide effective challenge and feedback to DCC on its draft Business Plan (prepared under LC 34A)
- b) Provide a view on DCC's draft Business Plan to the Authority on behalf of DCC customers and consumers to assist the Authority's assessment of DCC's Price Control submission (through which the Authority determines the amount of Allowed Revenue for the relevant Price Control Period)
- c) Monitor DCC's adherence to, and delivery against, the Business Plan approved by the Authority in subsequent years of the cost control period
- d) Provide feedback to DCC and a view to the Authority on reopener applications for adjustment to the Allowed Revenue submitted by DCC

2.2 To achieve these objectives, the Group shall carry out the activities set out in Section 4.

2.3 The scope of the Group's role shall be advisory. To help fulfil its purpose, the Challenge Panel will provide challenge and feedback to DCC and a written report to the Authority for consideration. However, the Group does not have the power itself to take decisions which are within the Authority's functions. Importantly, this includes the determination of DCC's Allowed Revenue which will remain Ofgem's responsibility. In its decision-making, Ofgem may draw on the views, evidence and arguments provided to it by the Group, or consult with the Group on specific issues, but will be under no obligation to accept them.

2.4 In fulfilling its purpose, the Group may seek to challenge all aspects of DCC's business plan from the perspective of consistency with its objective.⁵ DCC must ensure maximum transparency with the Group by allowing the Group to review the plans in as full a form as possible. All members of the Group will sign contracts with the Panel and be subject to the SEC 'Confidentiality and Non-Disclosure Agreement', which is backed by the obligations set out under section M of the SEC and the Panel Information Policy. For some sensitive information, the Chair may consult with the Licensee and ask members of the Group to sign non-disclosure agreements with the Licensee where necessary.

⁵ barring those matters covered in paragraph 4.6

- 2.5 It is assumed that the Group and DCC will engage constructively to fulfil the objectives of the CCG.

Relationships with other groups and Ofgem

- 2.6 The Group is not a substitute for wider stakeholder engagement that DCC should carry out as part of its BAU operations, change management and Business Plan draft development. DCC is expected to continue its engagement with customers through consultations and other appropriate forums and channels. Neither is DCC's engagement with the Group a substitute for any consultation run by the Authority following its assessment of DCC's submission.
- 2.7 The Group has a distinct advisory remit as described in paragraph 2.3 of this document, separate from any working groups Ofgem or DCC may establish to seek views from wider stakeholders.
- 2.8 The Group is independent from Ofgem, and no action or recommendation on the part of the Group will under any circumstances be construed as any commitment on the part of Ofgem to take similar action or adopt such recommendations.
- 2.9 Where needed, the Group (via its Chair), may be invited to discuss its views at a number of meetings, including with Ofgem officials.
- 2.10 The Group will be accountable to the SEC Panel, taking account of its operational independence in accordance with these terms of reference.

3. Membership and individual roles

Membership

- 3.1 It is assumed that the Group has the flexibility to establish arrangements that work effectively, while maintaining independence and transparency. Nevertheless, the Challenge Group shall comprise the following members:
1. An independent Chair appointed by the SECCo or the Panel on the basis of a transparent and fair recruitment process – mandatory
 2. Core members derived from the SEC constituencies and a consumer representative – mandatory
 3. DCC representative – mandatory
 4. Non-core members appointed at the discretion of the Chair, employed on a contract with SECCo – non-mandatory
- 3.2 Notes: Ofgem is not formally a member of the Group but may attend as a non-participating observer.
- 3.3 Table 3.1 below sets out in further detail the requirements on representation

Table 3.1 Membership of the Group

Core members	Representation
Large Suppliers	At least one representative but no more than three representatives at a time
Small Suppliers	At least one representative but no more than two representatives at a time
Network Operators	At least one representative but no more than two representatives at a time
Consumer members	A maximum of two members who have a background in consumer advocacy
Other SEC Parties	A maximum of one representative, who may act on a rota basis
Non-Core members	
Individual experts at the discretion of the Group	Up to three members at a time coming from various disciplines (examples of which are listed in paragraph 3.18) at the discretion of the Chair.

Chair

- 3.4 The Chair shall be appointed by SECCo or the Panel on the basis of a fair and open process. The Chair may be employed on a contract with SECCo which may include remuneration.
- 3.5 In appointing the Chair, SECCo or the Panel shall invite candidates that have a strong track-record of demonstrating leadership at a senior level. Candidates should have a proven record of challenging opinions, assumptions and vision. Experience of operating in the energy, or other regulated utility sectors would be desirable, but not essential. All candidates will be required to declare any actual, or potential, conflicts of interest that may arise from acting as Chair. The Chair may not currently or recently (in the preceding 12 months) either be employed by, or hold a director position in, the Licensee, any of its Related Undertakings, or its External Service Providers.
- 3.6 Prior to appointing the Chair, SECCo or the Panel will share with Ofgem a shortlist of candidates (explaining how they meet the above criteria) and have a due regard to any view Ofgem may provide to SECCo or the Panel in response.

- 3.7 The Chair will normally chair all the meetings of the Group; act as its representative in meetings with other parties; and be the principal point of contact between Ofgem and the Group.
- 3.8 The Chair will decide the agenda of Group meetings; organise and direct the Group's deliberations; request from SEC and Ofgem any technical assistance or advice that the Group needs; and lead the Group in its engagement with DCC on its Business Plan. The Chair will act as an individual and not as a representative of a particular organisation, or group of stakeholders.
- 3.9 SECCo or the SEC Panel shall provide details on its terms for changing or terminating its agreement with the Chair. For the first *ex-ante* business plan cycle, the Chair shall remain in post until at least Ofgem has received the CCG's report (submitted in accordance with paragraph 4.4). From the second *ex-ante* business plan cycle, the Chair shall be in position at least until Ofgem has issued its final decision on the Successor Licensee's Allowed Revenue for that cost control period. During these periods, we do not expect the Panel to be able to dismiss the Chair without first notifying both core members of the Group and us. Ofgem may seek further information on the reasons for dismissal, including through direct contact with the Chair and other members of the Group, before the Panel should proceed.

Core members

- 3.10 Subject to the representation requirements in table 3.1, core members shall be elected by Party Categories with at least three members who have completed the DCC User Entry Process. These are: Large Supplier Parties, Small Supplier Parties, Electricity Network Parties and Other SEC parties.⁶
- 3.11 To ensure that DCC's proposals are subject to robust challenge across a range of topics, members should have sufficient experience, qualifications and expertise. Examples of desirable areas of experience include:
- a) energy policy and regulation
 - b) contract management
 - c) data and telecommunications
 - d) finance
 - e) innovation, incl. non-traditional business models, community energy
 - f) consumer research & advocacy, incl. fuel poverty

⁶ Current SEC Parties can be found here: <https://smartenergycodecompany.co.uk/current-sec-parties/>

- g) specialism in device and meter manufacturing and network architecture
- 3.12 Up to two members with experience in consumer advocacy may be nominated:
 - a) In the first instance by Citizens Advice/Citizens Advice Scotland; or
 - b) By the SEC Panel or the Group's Chair, if no nomination is received from Citizens Advice/Citizens Advice Scotland
- 3.13 Members shall act independently, not as delegates of any organisation, without regard to the interests of any Related Person and will act in a manner designed to facilitate the Group's performance of its duties under the SEC.
- 3.14 Members should seek to attend and contribute to the effectiveness of the Group such that the Group can provide consistent feedback to Ofgem and DCC. Core members must be available as reasonably required by the Group to attend at least 50% of meetings and miss no more than 3 meetings in a row.
- 3.15 Members should ensure that their contribution enables the Group to function in a cohesive and collaborative manner, and each member gets the opportunity to participate fully.
- 3.16 Core members may propose a natural person as an alternate (the "Alternate") from within their respective constituency to act on their behalf. The Chair must approve such an appointment. The Alternate, once approved, may attend the Group and must act in the capacity as the Alternate to discharge the member's duties.
- 3.17 Core members are expected to carry out their role within the Group on a voluntary basis; however they will be able to claim expenses for travel and subsistence subject to SEC expenses policy. Core members are not prohibited from serving as members or chairs of other SEC sub-committees but SEC Panel members shall not serve as core members of the CCG.

Non-core members

- 3.18 The Chair may invite non-core members where additional expertise may be required to facilitate the functioning of the Group. Non-core members may be internal or external experts, who are natural persons, invited to attend specific meetings to provide disciplinary expertise in areas which may include (but not be limited to): regulatory finance and economics, banking, contract management, legal or commercial expertise, academia, innovation, data & digital, telecommunications, or energy policy.
- 3.19 Non-core members shall contribute to the Group their own views as individuals and not seek to represent any particular constituency other than the interests of existing and future consumers.

- 3.20 Non-core members may be engaged via a contractual agreement with SECCo and may be entitled to a reasonable remuneration for their role, or to any payment in respect of time they incur in their role.
- 3.21 The Group, via its Chair, may also seek advice from experts outside of the Group's regular meetings. The names of any such experts and nature of any advice provided by them will be declared in the independent report prepared by the Group.

Ofgem representative

- 3.22 Subject to paragraph 3.2, Ofgem may nominate a representative to act as an observer to any Group session and arrange any attendance at their discretion. As an observer, the Ofgem representative takes no part in the deliberations and discussions of the Group. Furthermore, the Ofgem representative has no remit to respond to *ad hoc* regulatory or administrative queries during the Group's meetings. Accordingly, the parties acknowledge and agree that the Group will avoid raising such matters with the Ofgem representative.
- 3.23 The Ofgem observer's remit is subject to the need for the Authority to have full discretion to exercise its functions as set in paragraph 2.3
- 3.24 The Ofgem representative shall not act as a full member of the Group and not have voting rights.

DCC representative

- 3.25 DCC shall nominate a representative to the Group to act as a permanent contact for the Group, who shall present the draft Business Plan or other documentation, receive feedback and respond to questions. DCC representative may, at the Chair's discretion, invite DCC's subject matter expert(s) to assist him/her with presenting the Plan or responding to questions. DCC's representative shall not have voting rights.
- 3.26 The DCC representative shall attend regular meetings of the Group. However, the Chair may ask the DCC representative to recuse themselves from a meeting (in part or in full).

Meeting frequency

- 3.27 The Group shall commence its engagement with DCC no later than 4 months in advance of the due date for DCC's Price Control submission to Ofgem.⁷ This may be in parallel with the additional engagement that DCC will be undertaking. The Group shall hold meetings with such frequency as it may determine or the Chair may direct to fulfil its obligations but shall meet at minimum twice a month during the period of engagement, starting with DCC's submission of the draft Business Plan to the Group and ending with DCC's final submission to Ofgem.
- 3.28 The Group shall continue to meet at minimum quarterly to monitor DCC's delivery against its Business Plan and to assess any reopener applications submitted by the Licensee.
- 3.29 No business shall be transacted at any meeting of the Group unless a quorum is present at that meeting. The quorum for each Group meeting shall be one half of all Group's core members appointed at the relevant time, at least one of whom must be the Group's Chair or the Group's Chair nominated Alternate.
- 3.30 Each meeting shall be minuted. The agreed final minutes shall include:
- a) Information on the key comments, questions or challenges from the Group to DCC
 - b) How DCC has addressed the Group's comments, questions or challenges
 - c) A note of any items for inclusion in the register of confidential matters
 - d) Any updates to the register of conflicts of interest
 - e) Confirmation that the agreed minutes of the previous meeting were dispatched to Ofgem
 - f) Result of votes taken by the Group and the rationale behind the majority and minority votes

Voting arrangements

- 3.31 Each core member shall be entitled to attend, and to speak and vote at, every meeting of the CCG.
- 3.32 All decisions of the CCG shall be by resolution. In order for a resolution of the CCG to be passed at a meeting, a simple majority of the core members voting at

⁷ Set out in LC 34A.12. Ofgem (2025), Modifications to the Smart Meter Communication Licence for transition to ex-ante cost control and other changes required for Licence closure: decision. www.ofgem.gov.uk/decision/modifications-smart-meter-communication-licence-transition-ex-ante-cost-control-and-other-changes-required-licence-closure-decision

that meeting must vote in favour of that resolution. In the event of a voting deadlock, the CCG Chair shall have the casting vote.

- 3.33 A resolution in writing signed by or on behalf of all the core members shall be as valid and effective as if it had been passed at a meeting of the CCG duly convened and held. Such a resolution may be signed in any number of counterparts.

Governance arrangements and transparency of the Group

- 3.34 The SEC Secretary (or their nominee) shall act as the secretary of the Group and will ensure that the Group receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
- 3.35 The Group shall publish on a designated webpage on the SEC website at minimum:
- a) The up-to-date membership of the Group, how this was decided and a code of conduct on any conflicts of interests
 - b) Its governance arrangements and ways of working
 - c) Minutes of meetings (anonymised/redacted if information is commercially sensitive) and other documentation, classified as 'clear' in the Panel Information Policy, such as a log of challenges raised and the DCC's response
- 3.36 Core members will be required to provide a written undertaking confirming that:
- a) They agree to serve on the Challenge group in accordance with the Panel's duties and SEC Obligations
 - b) They shall abide by the confidentiality and disclosure provisions, as set out in Section M of the SEC and the Panel Information Policy
 - c) They shall abide by any other confidentiality and disclosure provisions as the Group may agree with DCC
- 3.37 The Chair shall:
- a) Consult with DCC on whether additional non-disclosure agreements would be required to facilitate the sharing of commercially sensitive (eg cost) information
 - b) Be responsible for approving any redactions for the CCG Report as required by paragraph 4.14 and authorising its release to the Panel
- DCC shall prepare requisite paperwork at the request of the Group.
- 3.38 Non-core members, whom the Chair has invited to attend at least one meeting, will also be asked to sign a Confidentiality and Disclosure Agreement but will only

- be permitted to attend the Group during discussions on agenda items relevant to their subject matter expertise.
- 3.39 In carrying out the work of the Group, the Chair, and the Members shall observe the highest standards of integrity and independence and comply with the Principles established by the Committee on Standards in Public Life.
- 3.40 It is members' responsibility to ensure their compliance with legal obligations, including those arising from the law of competition while participating within the Group.
- 3.41 The Group shall maintain a register of members' interests. The Chair and the members will be required to disclose in the register of members' interest any financial or other interest or circumstance which could give rise to a conflict of interest (actual or potential). At the beginning of any meeting, members will disclose any new or previously undisclosed relevant interest. Members may recuse themselves from a meeting or part of a meeting on their own initiative or at the request of the Chair, if any actual or potential conflict of interest arises.
- 3.42 A member may be removed from the Group by the Panel on recommendation of the Chair if they have committed a serious breach of the Terms of Reference set out in this document. The Chair will notify Ofgem of a change in membership within 7 days.
- 3.43 The Chair shall review membership of the Group following the Authority's decision on the Allowed Revenue for each cost control cycle. The first such review shall occur after the Authority's decision in respect of the second cost control cycle.⁸ Thereafter, the normal term of office for each member shall be 36 months. A regular election should be scheduled for those members whose end of term is approaching.

⁸ Expected in Q1 2028

4. Roles and responsibilities in the process

The role of DCC

4.1 DCC will be responsible for (including but not limited to):

- a) Designing and running its own programme of engagement with its stakeholders, notably DCC customers and consumer representatives as appropriate, and demonstrating how it has ascertained and taken account of stakeholder views and needs
- b) Fielding a suitably qualified representative to the Challenge Group
- c) Ensuring the Challenge Group has access to relevant information and data including information on past performance, outturn costs, and cost forecasts in line with Ofgem-issued Business Plan Guidance; if necessary, drafting appropriately scoped non-disclosure agreements for the Group members to facilitate sharing of any sensitive information
- d) Providing the Challenge Group with access to other data in its possession to inform the Group's scrutiny of the draft Business Plan, which the Group may request
- e) Responding, in writing, to any clarification questions received in writing from the Group within 14 days
- f) Ensuring a draft Business Plan is made available to the Challenge Group no later than 4 months prior to DCC's submission due date to Ofgem. The draft Plan should be sufficiently well developed in line with Ofgem's Business Plan Guidance to allow the Group to review and comment on its contents. As part of this process, DCC may orientate core members around its business, challenges it seeks to address and key risks and mitigation approaches prior to the submission of subsequent drafts of the Business Plan to the Group
- g) Providing at least quarterly updates to the Group on its delivery to the final Business Plan (which has been approved by the Authority). This quarterly reporting should include at minimum information on:

In Q1 (July), Q2 (October) and Q4 (April):

- Whether each programme⁹ is being delivered on time and budget, explaining any delays to change programmes; as well as information on spend against approved Internal Costs

⁹ Defined via the Regulatory Instructions and Guidance published by the Authority

- What savings have been achieved against the Business Plan baseline (drawing a distinction between cost reductions and deferrals)
 - Any emerging or actual cost overruns and mitigation strategies with explanation of root cause of issues, including the likelihood of re-opener applications being required, their scope and rationale
 - What decisions must be taken to maintain successful delivery of the Business Plan with associated trade-offs
 - Update on upcoming and live procurements
- h) In Q3 (December)
- In addition to the general quarterly update, information on any non-emergency annual reopener application to be submitted to Ofgem, including which assumptions in the Business Plan have changed and why
 - DCC should ensure any reopener applications are available to the Challenge Group with a reasonable amount of time for the Group to review, challenge and provide a recommendation to Ofgem¹⁰
- i) Developing own reporting templates and internal processes to facilitate the provision of this information to the Group

The role of the Challenge Group

4.2 To achieve its objectives, the Group shall:

- a) Receive DCC's draft Business Plan, prepared by DCC in accordance with Ofgem's Business Planning Guidance, and provide a challenge to, and scrutiny of, DCC's draft Business Plan (including any excerpt or subsection of the document) from the perspective of DCC customers, and current and future consumers, with a focus on effective delivery of the DCC's Mandatory Business, and the DCC's objectives as set out within DCC's Licence
- b) Engage with DCC for a period of at minimum 4 months prior to DCC's submission of the Plan to the Authority to allow DCC to reflect on feedback
- c) Provide a response to Ofgem's consultation on its determination of Allowed Revenue for the cost control, and advise the Authority on any aspects of these determinations from the perspective of DCC customers and consumers

¹⁰ A reopener window is set out in the Business Planning Guidance (published alongside these ToR).

- d) Meet at minimum quarterly to review information from DCC on its delivery of the Business Plan (described in paragraphs 4.1(g),(h)), provide feedback to DCC and, if appropriate, raise concerns to either the Panel or the Authority
 - e) Following engagement on reopener applications in Q3, provide a recommendation to the Authority for approval of the reopener application presented to the Group by DCC
- 4.3 The focus of the Group should be to constructively challenge DCC on the following areas (including but not limited to):
 - a) The alignment of the Plan to DCC's Licence objectives
 - b) DCC's development objectives and the link to a longer term strategy
 - c) Stakeholder engagement DCC has undertaken to inform its Plan and how it has reflected the feedback it has received in the given circumstances
 - d) Assurance that costs of major procurements and SEC changes are in line with the most up to date business cases and SEC modification documents
 - e) Scrutiny of drivers, assumptions and engagement on External Costs associated with change requests driven by factors other than SEC change process
 - f) DCC's assumptions for Internal Costs, both resource and non-resource relative to the Business Plan.
 - g) Proposed outputs and associated forecast costs including the modelling assumptions behind all of the above costs and how the costs compare to historical levels, other companies, and other industries relative to the business plan.
 - h) DCC's approach to managing risk and uncertainty, for example identification of volume sensitive costs, a copy of DCC's risk register, or other customer dependencies
 - i) Reopener applications submitted by DCC during the cost control period
- 4.4 In furtherance of its purpose the Group shall submit to Ofgem a written report (the "Report") no later than one month following the date on which DCC makes its Business Plan submission to Ofgem. In this report the Group shall set out its views on:

- a) The quality of the Plan presented to it by DCC in terms of completeness of the information provided in accordance with the Business Plan Guidance issued by Ofgem¹¹
 - b) How DCC has reflected in its Plan the views of its customers, including the feedback provided to DCC by the Group during the engagement process
 - c) How DCC's Plan aligns to DCC's objectives, customer needs and consumer interest
 - d) Any areas of disagreement with DCC's Plan for Ofgem's consideration, inclusive of relevant reasons and evidence for consideration
- 4.5 The purpose of the Report will be to assist Ofgem by identifying areas of contention. Ofgem may from time to time provide further verbal guidance to the Group on what areas the report should cover.

What is out of scope for the Group?

- 4.6 The Group will not scrutinise matters of cyber information technology and cyber operational technology as these are matters of national security and may involve sensitive information that may not be appropriate to share with external parties.
- 4.7 The Group will have no remit on the development of approaches or tools DCC takes in relation to financial decisions, such as cost benefit analyses.
- 4.8 The Group will not have decision-making powers and is not expected to jointly own the Business Plan that DCC submits. The ownership of the Business Plan sits entirely with DCC.
- 4.9 Engaging with this Group is not a substitute for DCC's wider consultation with its end-users or other stakeholders.

The role of the SEC Panel (the "Panel")

- 4.10 It is assumed that the Customer Challenge Group will be formed as a subcommittee of the SEC Panel and that Panel will have the responsibility for establishing the initial governance arrangements. However, the Group shall be operationally independent.
- 4.11 The Panel, or SECCo, shall appoint the Group's Chair. The Panel may assist the Group's Chair in sourcing additional members, including non-core members or consumer representatives (subject to paragraph 3.12).

¹¹ Under LC34A.9

- 4.12 The Panel will set up contractual agreements with members in order for them to carry out their role and will have discretion to set a reasonable rate of remuneration for non-core members.
- 4.13 The Panel shall receive recommendations from the Chair following their review of membership and act accordingly. The Panel itself may admit or remove any person from the Group; however, it must first notify both the Chair of the Group and Ofgem. Ofgem must be provided with an opportunity to seek further information on the reasons for dismissal, including through direct contact with the Chair and other members of the Group, before the Panel proceeds.
- 4.14 The Panel will receive a non-commercially confidential version of the CCG's Report from the Challenge Group prior to the full Report being submitted to Ofgem. The Panel may discuss the content of the Report it receives with representatives of the Challenge Group and may request clarification of any information which it considers to be unclear. The Panel may not direct or request any changes to the full Report or delay the submission of the Report to Ofgem.

Disputes

- 4.15 Having regard to the status of these ToR under paragraph 1.3, if a dispute arises between members of the CCG (including between the Group and DCC) the parties involved are expected to work together to resolve that dispute themselves or through informal escalation procedures mandated by the SEC Code (the "escalation procedure"),¹²
- 4.16 Where a dispute cannot be resolved through the escalation procedure the parties may invoke the SEC Code Dispute Resolution Procedure.¹³ The Panel shall manage and co-ordinate arrangements for the resolution of certain disputes under or in relation to the SEC.
- 4.17 As set out in paragraph 4.4 above, where the Group and DCC disagree on any aspect of DCC's draft Business Plan, both the Group and DCC should highlight their views in their respective submissions to Ofgem. Ofgem will not mediate any disputes in respect of the contents of DCC's draft Business Plan through the framework of the Group's meeting.

¹² SEC Code, M7.1, dispute resolution, duty to seek to resolve.

¹³ SEC Code, M7.3 and M7.4 along with the arrangements the Panel has put in place in accordance with C2.3 (e)

5. Outputs

- 5.1 The primary output of the Group will be an independent Report setting out the Group's view of DCC's draft Business Plan. Please see Appendix for guidance on potential questions for the Group to consider as part of its review of the draft Business Plan.
- 5.2 The Group will agree the presentation style of the Report. The Group will discuss the development of the Report with Ofgem as and when appropriate. Broadly, the Report will present a summary of the Group's recommendations, identifying specific areas or issues where, in the opinion of the Group, the DCC's plans are weak or not properly justified.
- 5.3 It is important that the Group highlight in its report areas where it has challenged DCC, and how DCC has responded, and any parts of the business plan that it disagrees with. The Report should also clearly identify (with reasons) the list of questions or concerns the Group believes should be interrogated further by Ofgem.
- 5.4 Ofgem may request further information to ensure the report meets the requirements set out in the scope/Terms of Reference. The final report must be issued to Ofgem no later than one month following DCC's submission of the Business Plan to the Authority, unless a different date is agreed with Ofgem. The full report will then be issued to DCC and the Group will issue a non-commercially confidential version of this report to be circulated to the SEC Parties and the Panel. A non-commercially confidential version of the Report will also be published on the SEC website.
- 5.5 During the regulatory year, the Group will review DCC's applications to adjust its Allowed Revenue in-period ("reopeners"). It will present to Ofgem a concise summary of the Group's recommendation as to whether Ofgem should (in part or in full) approve or reject the reopener, identifying specific areas or issues for consideration.
- 5.6 Ofgem may draw on this recommendation alongside other relevant evidence it receives from DCC or other parties and may request further information.
- 5.7 The Group will also be expected to convene quarterly to provide ongoing monitoring as to whether DCC is delivering to the approved Business Plan, drawing on information provided to it by DCC.¹⁴ The Group shall provide an update to Ofgem and DCC with the results of this assessment, which may identify

¹⁴ The reporting obligation shall be set out in the Successor Licence

specific areas or issues where DCC is not delivering to its plan and suggested improvements. DCC will be expected to take on board the feedback from the Group.

6. Review

- 6.1 The SEC Panel shall maintain an up-to-date version of the ToR on the SEC website. It shall review the ToR at minimum once every 12 months to ensure that it remains accurate and continues to support the Group's operations. Following a review, the SEC Panel may propose changes to the ToR for the Authority's consideration.
- 6.2 Ofgem may review and direct changes to the ToR at any time. Ofgem will consult with DCC and SEC Panel prior to making any changes.

Appendix 1 - List of potential questions for the CCG

In this appendix, we have set out potential questions that the Group may wish to consider as part of their review of DCC's draft and final Business plan. This is not a definitive list and while these are intended to aid the Group in providing the appropriate level of challenge, the Group will decide all necessary questions that should be asked.

1. Quality of Business plan

- a) Does the Business plan meet the Group's expectations of what would constitute a business plan of acceptable quality taking into account the requirements of Ofgem's Business Plan Guidance?
- b) Is it comprehensive with evidence and justifications?
- c) Is there a clear link to DCC's objectives and wider strategy?
- d) Does the Group agree with the Licensee's assessment of risks, assumptions, and dependencies that could impact the delivery of the business plan?

2. Customer research and stakeholder engagement

- a) Has DCC adopted and executed robust processes of customer research and stakeholder engagement and have the results of these processes been reflected in the Business plan?
- b) Has DCC demonstrated it has used different methods, tools and techniques to understand the interests of a wide range of customers and stakeholders, including future customers, and the likely changes in customers' interests?
- c) Has DCC demonstrated it has presented customers and stakeholders with meaningful choices in determining priorities for expenditure?
- d) Is the plan justified by reference to the results of customer research and stakeholder engagement?

3. Efficiency and value for money

- a) Has DCC shown that its plan is as efficient as possible? Does the Group consider that DCC's planned efficiency is sufficiently stretching?
- b) Has DCC explained and justified the ongoing efficiency assumptions it has used in its plan, for example, by reference to comparisons with historical and cross-section performance?
- c) Has the DCC provided a justification for any uncertain costs, including forecast spend?
- d) Has DCC demonstrated that the costs reflect the standard of service customers should expect to receive? For instance, do the costs have regard to the results of

comparisons with historical performance, or performance across the industry or in different sectors?

- e) Has DCC demonstrated a robust methodology to calculate value to customers, for example, reference to independent validation of assumptions and the approach it has used?
- f) Has DCC provided an assessment of value for money factors from a consumer perspective, as well as consumer impacts of its proposed activities?
- g) Has the DCC benchmarked itself against other organisations and other sectors to establish that its costs reflect best practice?
- h) Has the DCC proposed appropriate metrics for how success will be measured – are they relevant and robust?
- i) Are there areas where the costs don't align to what DCC had presented to customers?
- j) Are there areas where there isn't a clear regulatory/customer mandate?

4. Other issues

The Group may choose to comment upon whether the DCC's approach to additional key issues is appropriate. We have set out additional questions below:

- a) Has DCC engaged with its customers and stakeholders to understand future requirements and how it could most effectively meet them?
- b) What factors have impacted on delivery by the Licensee since the previous Business Plan?
- c) Has the DCC demonstrated it has been through a robust process to ensure its plan is informed by changes in the whole energy system?
- d) Does the DCC's plan reflect its thinking about how the whole energy system might respond to the challenges it faces?
- e) Does the plan protect the interests of existing and future consumers including, for example, their interests in net-zero and security of supply?
- f) Does the plan set out how it is proposing to deliver an environmentally sustainable approach?

These questions are not exhaustive. Underpinning DCC's justification of their proposed costs is the need to ensure that a full range of possible solutions have been considered, the chosen solution is economic and efficient and that it represents best value for customers.

The Group should challenge the DCC on its options assessment, ensuring that a full range of possible solutions have been identified and given appropriate consideration.

Appendix 2 – NDA Form

Confidentiality and Non-Disclosure Agreement (NDA)

I, the undersigned, have read and understood the Customer Challenge Group (CCG) Terms of Reference (ToR).

I confirm that I have sufficient expertise. As required by paragraphs 2.4 and 3.3 of these ToR, I understand that I am required to comply with the confidentiality and disclosure obligations in respect of each of the five information sharing levels Clear, Green, Amber, Amber-Strict and Red), as set out in the Panel's Information Policy.

I understand that I must declare any conflict of interest that I have to the CCG Chair whether it exists now or during my continued membership of the group, as soon as I become aware that such a conflict exists.

I understand that should I fail to abide by the information sharing levels confidentiality and disclosure obligations or conflict arrangements (as set out in the CCG's ToR) I may be excluded from the CCG.

Having understood and accepted the above statements, I therefore agree to abide by these ToR in my engagement with this Group.

Name:

SEC Party Category (if Appropriate):

Primary/Alternative Participant (delete as appropriate)

Signature:

Date: