

Ofgem's Consultation on the Customer Challenge Group Terms of Reference

Smart DCC Response

1. Executive Summary

DCC is pleased to have the opportunity to review Ofgem's consultation on the draft Terms of Reference (ToRs) for the proposed Customer Challenge Group (CCG).

DCC notes that the proposed ToRs are consistent with Ofgem's consultation response on the Process for Determination of Allowed Revenue¹, and our response is focused on clarifications and practical issues associated with the ToRs rather than the policy that underpins them.

Minimum Meeting Requirements. Given that the CCG is a new entity which will be required to deliver its feedback on DCC's business plan and report to Ofgem within tight timeframes, it is important that the focus is on the quality and timeliness of the outputs. With that in mind, we do not think the requirement to meet three times every month between September and December is an appropriate measure of effectiveness.

We have two key concerns relating to the frequency of engagement:

The first is that the CCG's workplan should acknowledge the need for it to provide timely feedback to DCC if we are to have a realistic opportunity to respond to it in the final business plan. We believe a sensible target for provision of CCG feedback would be 31 October 2025, noting the need for DCC to assess options and secure Board approval for the business plan ahead of the Christmas holiday season.

The second is that engagement remains commensurate with the role the CCG is being asked to fulfil, and the business plan inputs we have been asked to provide.

Business Plan Information. In order to optimise the engagement process and give the CCG a more complete picture of our business plan, we would be willing to potentially provide more information to it than envisaged in the draft Business Plan Guidance². Ofgem has indicated that DCC should only provide the Development Plan and the Costed Business Plan, but we believe it would aid the understanding of the business plan if DCC also provides proposed appendices; we have proposed this in our response to the consultation on the draft Business Plan Guidance. This may also support the efficiency of the process by reducing the number of clarification questions that the CCG needs to raise.

Clarification Process. We think it would be helpful for the ToRs to set out requirements around clarification questions from the CCG to DCC on the business plan, so there are clear and agreed expectations upfront. The licence statutory consultation refers to responding within 14 days of a request so wording to this effect in the ToRs would be helpful³.

Quarterly Reporting. Beyond engagement on the draft business plan, our key concern is to ensure that the proposed quarterly review process by the CCG is coherent with DCC's wider customer engagement, most notably with the Quarterly Financial Forum (QFF). There will potentially be an overlap between what is reported to the CCG and the QFF as well as in the attendance by customers.

¹ [DCC Review Phase 2: Determination of Allowed Revenue - conclusions | Ofgem](#)

² [Business Plan Guidance & Cost Control Processes and Procedures for Smart Meter Communication Licence holder v1](#)

³ [Modifications to the Smart Meter Communication Licence for transition to ex-ante cost control and other changes required for Licence closure | Ofgem paragraph 34A.12](#)

While we do not propose any amendments to the ToRs regarding this issue, we would ask that Ofgem and SECCo work with us to ensure the overall landscape of customer engagement required of DCC is efficient, effective and coherent. This is an issue we referenced in our consultation response on the Process for Determination of Allowed Revenue¹, but as yet there is no agreed way ahead for carrying out such a review and we would welcome an early discussion on how it can be progressed.

Review of Re-opener Applications. In our consultation response on the draft Business Plan Guidance we have also suggested that it would be helpful to have a clear timetable for engagement between DCC and the CCG during the re-opener application process.

We very much look forward to working with the Chair, once appointed, to agree an appropriate schedule of support to the CCG.

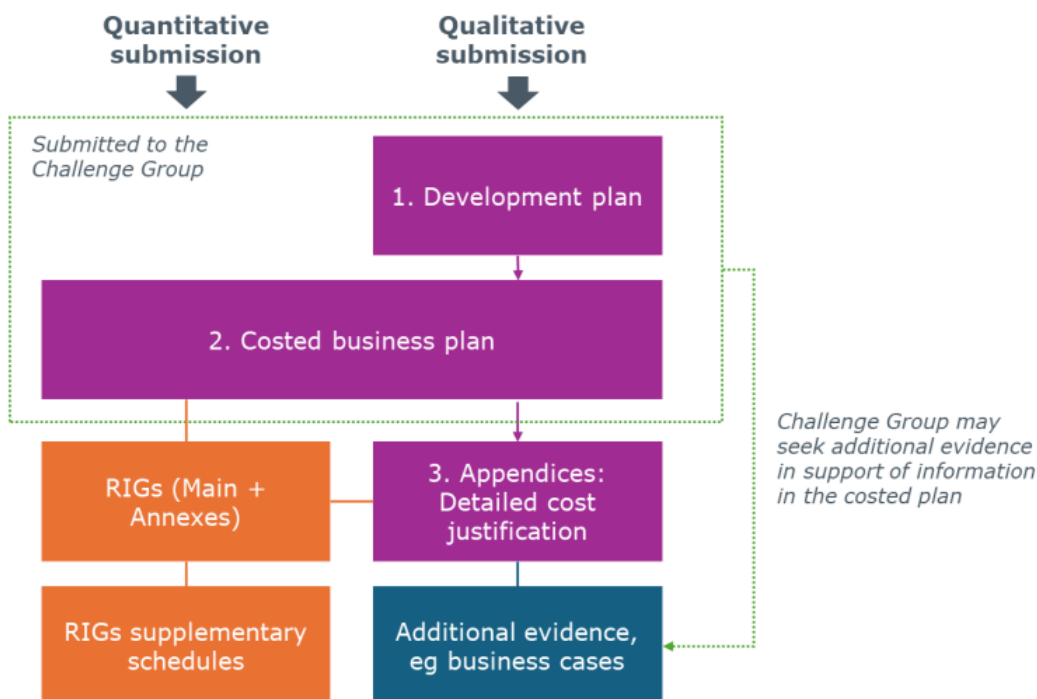
¹ [20250206 DCC Consultation Response on Process for Determination of Allowed Revenue pp46-47](#)

2. Detailed Comments on the Terms of Reference

Paragraph 2.4 states that ‘the Group may seek to challenge all aspects of DCC’s business plan from the perspective of consistency with its objective’. Paragraph 4.6 makes clear that the CCG will not scrutinise matters of Cyber Information Technology or Operational Technology, so it would be helpful to add a clause along the lines of ‘barring those matters covered in paragraph 4.6’.

Paragraph 2.4 states that ‘DCC must ensure maximum transparency with the Group by allowing the Group to review the plans in as full a form as possible’. Figure 4.1 in the draft Business Plan Guidance suggests DCC should only submit the Development Plan and Costed Business Plan, and that the CCG may seek additional evidence (see figure below). We believe it would be helpful for DCC to share the business plan appendices with the Group as it may help reduce the number of clarification questions that the CCG needs to raise. For completeness, we make this same point in our response to the draft Business Plan Guidance.

Figure 4.1: Structure of Cost Control submission



Paragraph 2.10. Given the nature of the outputs expected of the CCG, it would be helpful for the ToRs to be clear what the accountability to the Sec Panel relates to, and how it will be managed.

Paragraph 3.25 It is unlikely that any single individual in DCC could explain all facets of DCC’s business plan in detail. It would be helpful if this paragraph could make clear that the DCC representative may be allowed to call in Subject Matter Expert support from DCC to help explain complex elements of the business plan. This will support the effective working of the CCG and aligns to processes that are applied to the Operations Group (OPSG) and Technical Architecture and Business Architecture (TABASC) Sec Sub-Committees.

Paragraph 3.27 As highlighted in our Executive Summary, we are not clear that the requirement to *'meet at least three times every month within the four months prior to DCC's final submission'* is a necessary requirement. Meeting twelve times in the period is not necessarily an indicator of the effectiveness of the Group. Secondly, DCC expects that it will submit its business plan before the Christmas holiday season to avoid disruption to its staff which will truncate the amount of time available for the three meetings in December to occur. We believe it would be more sensible for the ToRs to focus on the CCG meeting as required for it to fulfil its obligations to provide timely feedback to DCC and to deliver its final report within one month of DCC's final business plan submission.

Paragraph 3.40 The proposed staggered membership changeover will mean that half the membership will be replaced in summer 2027 with the remainder in summer 2028. DCC is expected to submit its second ex ante business plan in July 2027, so it would mean half the membership potentially changing as the CCG prepares its report on the second ex ante business plan. It may be worth Ofgem considering whether the first membership rotation can be deconflicted from this milestone.

Paragraph 4.1 DCC expects that the CCG is likely to ask some clarification questions as part of its review process. It would be helpful for this paragraph to clarify that the CCG should agree an appropriate clarification response process with DCC. The licence statutory consultation refers to responding within 14 days of a request so wording to this effect in the ToRs would be helpful.

Paragraph 4.1 (d) DCC is not clear what *'comparative data from other sectors and other background data already in its possession'* Ofgem is referring to. DCC has limited benchmark data it uses to assess elements of its internal costs but does not hold extensive data on other sectors.

Paragraph 4.1 (g) As currently draft, DCC is expected to *'ensure any reopener applications are available to the Challenge Group with a reasonable amount of time'*. DCC asks that this is more clearly defined in relation to the application window. In our response to the Ofgem's consultation on the draft Business Plan Guidance we have proposed a more detailed timetable which we hope would meet the requirements of Ofgem, the CCG and DCC.

Paragraph 4.2 (b) DCC will need to seek Board approval for the final business plan before submission and secure an Assurance Statement to meet the requirements of Ofgem's draft Business Plan Guidance. As a result, it will be important to agree a latest date for feedback from the CCG. DCC would not be able to address any feedback after such date in its final business plan, given the need to assess options, change the business plan and secure subsequent approvals. Our belief is that a sensible planning assumption would be for the CCG to provide its feedback by 31 October 2025.

Paragraph 4.2 (d) This paragraph refers to the CCG potentially raising its concerns to the SEC Panel following a review of DCC's Quarterly Reporting. However, there is no mention of any role around Quarterly Reporting in the section on the proposed role of the Panel in paragraphs 4.10 - 4.14, and nor is the Panel mentioned in paragraphs 5.7 and 5.8 on the process for handling Quarterly Reports, where the only reference is to Ofgem. This would suggest the reference to the Panel in paragraph 4.2(d) should be removed.

Paragraph 4.4 (a) The CCG's assessment of the completeness of the information provided should be based on the final Business Plan Guidance so there is a clear basis for this assessment.

Paragraph 4.4 (c) DCC would welcome clarification as to how Ofgem expects the CCG to assess the alignment of DCC's Plan to consumer interest. What criteria is the CCG expected to use to define consumer interest? For completeness, this should also be set out in the Business Plan Guidance.

Paragraph 4.5 If Ofgem provides subsequent guidance to the CCG on areas its report should cover that go beyond the scope described in the ToRs, it would be helpful for DCC to be notified so it can ensure it understands requirements for sharing of information.

Paragraph 5.5 Given the need to ensure timely responses to reopener applications ahead of the next regulatory year, it would be helpful for Ofgem to stipulate when the CCG's review of the reopener application must be received by. In our response on the draft Business Plan Guidance we have proposed a potential timetable.