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Gavin Baillie  
Ofgem Code Governance Reform team  
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*By email only*

28 March 2025

Dear Gavin,

**RE: DCC response to Ofgem consultation on the preliminary SDS and code governance arrangements**

Thank you for the opportunity to respond to Ofgem's consultation on the preliminary Strategic Direction Statement (SDS) and supporting code governance arrangements as part of Energy Code Reform (ECR). This letter is our response to the relevant questions posed in the consultation and follows our responses to previous consultations on ECR.

**Background**

The Data Communications Company (DCC) is a key enabler of the future smart energy system. Our mission is to help digitise Britain's energy network, make a critical contribution in the effort to achieve net zero greenhouse gas emissions, and to improve the nation's connectivity.

We operate under two industry codes, the Smart Energy Code (SEC) and the Retail Energy Code (REC), which govern the end-to-end management of smart metering and the operation of the retail market respectively. DCC therefore has a unique perspective as a central service provider operating under different codes, one of which, the REC, is newer and more in line with the proposed future code governance arrangements. This view underpins our responses.

**DCC's view on Ofgem's proposals**

In broad terms, DCC's view remains that the codes must become more forward looking, agile and able to accommodate the growing number of market participants as well as evolving market needs. DCC supports the introduction of the SDS, as this will provide the industry with a clearer direction and plan of the areas of change that it needs to focus on. We raise the following points on each consultation area for consideration:

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### ***Approach to the SDS***

DCC is broadly supportive of the proposed approach to the SDS. We agree with the structuring of the SDS into the three proposed time horizons. In addition, we believe that the SDS should also include an assessment of:

- How each policy area links back to the Strategy & Policy Statement, the Multiyear Strategy, and any other relevant strategic documents.
- How the time horizon assigned to each policy area fits into or supports the delivery of wider policy timelines (e.g. the 2030 net zero target).
- Any links or dependencies between strategies and policy areas that need to be accounted for (for example, if delivery of one policy area is necessary to facilitate another).
- How Ofgem intends to co-ordinate across the different policy areas, to ensure there is a holistic delivery plan across the whole SDS.

The consultation document is not clear on how the industry will be able to contribute to the development of the SDS in future years. Ofgem has previously proposed consulting the wider industry on the draft SDS each year, prior to it being finalised and published. We seek confirmation that this remains Ofgem's intention, and on how comments raised by industry participants would be considered and accounted for in the final SDS.

We note that the wider strategy and policies that the SDS is based on will evolve over time, and other developments will arise following these being set out in the SDS. We would like to understand how open the policy areas in the SDS will be to change, and what scope there is for any significant developments that arise mid-year to be accounted for within the SDS.

We also note Ofgem's intention to introduce future regulatory sandboxes and would like to understand how the SDS will align with this work.

We note the proposal for Code Managers to be subject to a licence obligation to prepare delivery plans to facilitate the delivery of the SDS. As Code Managers will be appointed over three phases, there will be a period where some Code Managers will be subject to this requirement and some Code Administrators will not. We seek clarity on how the delivery of policy areas affecting multiple Codes will be managed during this transition



period, particularly for policy areas affecting both Codes that would be subject to this requirement and Codes that wouldn't.

We note the ongoing work on the DCC regulatory framework and the development of the Successor DCC Licence. We would welcome the opportunity to work with Ofgem to ensure that any potential to align and coordinate the development of the SDS with this work will be recognised and fully exploited, particularly around DCC's future role, scope and objectives.

DCC has also reviewed the policy areas in the preliminary SDS, and we have provided some comments for consideration as an appendix to this response.

### ***Prioritisation of code changes***

DCC is supportive of implementing a consistent approach to prioritising modifications. We consider this will help to harmonise arrangements between different Codes, supporting the wider goals of Code Reform.

We are unclear if having only two prioritisation levels will be sufficient. This may still result in many modifications within each category that may need to be further prioritised to manage industry workload (for example, based on how well they meet the prioritisation factors and/or facilitate the relevant Code objectives). We also believe more detail is needed on how each of the four factors should be assessed, especially on 'importance', to better ensure a consistent approach is taken across all the codes.

We note the prioritisation mechanisms currently used by the SEC and the REC, which produce four prioritisation levels based on assessing the impact or expected benefit of the modification against several factors. We believe their approaches could be used as a model for calculating the priority of each modification under this new approach.

We agree with the proposed prioritisation criteria of 'alignment with the SDS', 'importance' and 'time-sensitivity'. However, we are not clear how the complexity of a change should determine whether a modification is seen as of high importance or not. We do not believe a modification that may deliver large benefits to the industry or consumers should be set as a lower priority simply because it may require more time or resource to progress. We believe the impact or benefit of a change on the consumer should also be used as a specific factor in determining the priority of a modification.

We would welcome further evidence that underpins Ofgem's proposal, for example showing how implementing this approach will speed up decision-making. We would also



like to see some measure or review take place after a suitable interval following implementation to assess whether the prioritisation of modifications has been successful.

The consultation document sets out that Code Panels will determine the prioritisation of each modification. We ask whether this same approach would apply to Code Managers following their appointment. We also ask how Code Managers may be expected to balance the views of their different stakeholders in determining the prioritisation of modifications.

### ***Role of stakeholders***

We agree with the proposal to introduce a new standard licence condition to all gas and electricity licences requiring co-operation with the Code Manager on the delivery of SDS-related modifications.

We note that the current DCC Licence expires in September 2027 and that the Successor Licence is being developed. We would like to confirm whether Ofgem intends to introduce this change into the current DCC Licence or whether this change will only be included within the Successor DCC Licence.

### **Next steps**

We would welcome further engagement with Ofgem to discuss our position and to share our experiences in relation to both the SEC and the REC. In the meantime, if you have any questions, please do not hesitate to contact David Kemp ([david.kemp@smartdcc.co.uk](mailto:david.kemp@smartdcc.co.uk)) in the first instance.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Arik Dondi'.

**Arik Dondi**  
**Head of Regulatory Compliance**

## Appendix: DCC comments on the preliminary SDS

DCC has reviewed the preliminary SDS, and provides the following comments for consideration:

- **1.2 'Work with others to tackle the affordability crisis':** We are unclear if the time horizon of 'Think & Plan' is correct. Affordability is crucial to the success of the energy transition and delivery of Clean Power by 2030. Considering recent conversations on price cap variance, standing charges and the socialisation of debt, this strategic priority could be brought into the 'Act Now' time horizon. We also ask if 'future retail policy' includes Market-wide Half-Hourly Settlement and if so, we ask if the time horizon and codes affected should be aligned with objective 13.3 on this.
- **2.1 'Improve protections for all consumers, particularly those in vulnerable situations':** We understand that Ofgem's refresh of the Consumer Vulnerability Strategy should be issued later this year. Depending on the timeline for the new objectives and proposals, we ask if code change to enable the new strategy should be brought forward to the 'Act Now' time horizon.
- **2.2 'Protect the interests of non-domestic consumers':** Smart metering, and therefore the SEC, has obligations on small non-domestic consumers. We consider these micro-businesses could be a testbed for wider non-domestic retail reform (e.g. innovative tariffs). If this is the case, we consider the SEC should also be highlighted.
- **2.3 'Deliver effective and proactive monitoring, supervision, compliance, and enforcement activities':** We seek clarity on whether this is related to code body performance or the performance of actors governed by the codes. If the latter, we are minded to agree with the view that this doesn't currently require implementation through codes. However, regarding code body performance, Government is steadily increasing the responsibilities of all codes with very bulky portfolios (e.g. responsibilities under the Smart & Secure Energy System (SSES) programme and the Market Facilitator role). We query if Ofgem should separately outline how it is planning to reconcile additional responsibilities with good performance.
- **2.4 'Use data to drive up supplier performance':** Smart meter data holds potential to enable streamlined compliance reporting, reducing the onus on suppliers to provide this information. For example, centralised data feeds can underpin reporting on operational capabilities, billing accuracy and anomalies in customer switching. We would encourage Ofgem to further explore access to this data set.
- **5.3 'Establish Regional Energy Strategic Planners':** We have previously noted the value of smart metering data as 'real world evidence' to support regional energy plans, both at local and national levels. Opening and sharing smart metering data for this purpose would involve the SEC.

- **7.1 'Recover the cost of the existing gas network':** If gas network charges are included in standing charges, then we ask whether the REC should be highlighted, as this would impact on energy bills.
- **7.2 'Prepare for repurposing and decommissioning of the gas grid':** We seek clarity on what level of gas decommissioning Ofgem is referring to. We believe this is focussing on the decommissioning of larger aspects of the gas grid, in which case we agree with the assessment. However, if this is related to disconnecting gas meter points and decommissioning gas supply at a household level, there are considerable challenges at present.

These include high costs for consumers and a lack of trained engineers who can decommission supply upon consumer request. Consumers who may no longer require a gas supply, having switched to electric heating for instance, will continue to pay a gas standing charge until the meter supply point is decommissioned. In this scenario, we ask whether best practice for engineers to alleviate challenges and consideration on consumer costs would fall under any of these codes.

- **10.3 'Strengthen cyber resilience':** One of the four pillars in the Government's SSER workstream is around the appropriate cyber security measures to ensure the secure uptake of Demand Side Response. An option that is still being considered by Government and industry to achieve this is the use of common systems, such as Public Key Infrastructure and anomaly detection, for cyber security and advanced interoperability. The SEC has been put forward by Government as a potential body to govern any decision on, and implementation of, such proposals. Therefore, it should be involved in this strategic priority.
- **13.1 'Unlock distributed flexibility and regulate load controllers':** Regarding the interaction between aggregators and Suppliers, we query whether the REC should be highlighted due to the involvement of Suppliers. Regarding wider barriers to distributed flexibility, as identified by the National Electricity System Operator (NESO) in its 2025 Routes to Market Review report, a critical wider barrier to unlocking distributed flex is NESO's access to smart metering data. Therefore, we believe the SEC needs to be highlighted.
- **14.1 'Set governance and standards to digitise system data and improve data sharing' and 14.2 'Enable innovation across the sector':** DCC is involved in two relevant innovation projects: the Smart Meter Energy Data Repository Programme and the Automatic Asset Visibility Programme. Both will enable asset visibility or the visibility of data from those assets. We understand the Government is due to decide on next steps for both projects this year. It is currently unclear which specific Code(s) could be responsible for the governance and opening of such asset data, but we consider that the SEC, the REC and the Balancing & Settlement Code could be involved.



- **Adaptability for Innovation:** We are cautious of 'adaptability' being under 'Think & Plan'. Our opinion is that the need for adaptability is constant and should therefore be under 'Act Now'. This is especially salient as innovation will be crucial to delivery of impending Government targets, including on achieving Clean Power by 2030 and impending strategies on Low Carbon Flexibility and a Sector Digitalisation Plan. Likewise, we seek clarity on why 'adaptability for innovation' is under a different timeline than objective 14.2.