

Kirstan McCartney
DCC Regulation and Oversight
Ofgem
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London
E14 4PU

7 November 2025

Dear Kirstan,

Consultation on the new Smart Meter Communication Licence

We appreciate the opportunity to respond to Ofgem's consultation on the draft new Smart Meter Communications Licence. We appreciate the chance to engage with this process and provide feedback on the proposed mandate, operational scope of the successor licensee, and the mechanisms for performance monitoring and regulatory oversight.

We also welcome the intent underlying the consultation, particularly Ofgem's commitment to ensuring that the decisions from the ongoing DCC Review are appropriately reflected in the new licence framework. The transition to a not-for-profit operating model, the introduction of ex ante cost controls, and the strengthening of governance arrangements are positive steps towards a more accountable, transparent and stakeholder focused regime. These measures collectively demonstrate a forward-looking regulatory approach.

While we have not sought to address every individual consultation question, we wish to draw Ofgem's attention to some key considerations that we believe are critical to the successful implementation of the new licensing framework.

- **The New Primary Objective and Policy Intent on the Objectives, Operational Model and Future role of the DCC**

We are concerned that the current licence drafting does not sufficiently reflect Ofgem's stated policy intent that the Successor Licensee should not act as an innovator in its own right. Specifically, the provisions relating to the promotion of innovation by energy system participants could be interpreted as authorising or even encouraging the licensee to engage in innovation activities itself, rather than facilitating innovation by users of its services. This distinction is important to maintain the licensee's focus on its primary objective to provide secure, reliable and efficient communications services, rather than pursuing its own commercial or technological services. We recommend clarifying the relevant condition to ensure that the definition of energy system participants excludes commercial activities of the type undertaken by the DCC.

- **Application and Approval Approach for Permitted Business**

We recommend that the licence establishes clear, prescriptive rules governing the application and approval process for Value Added Services and Innovative Services, including provisions to allow for consultative engagement with industry as part of the ex-ante budget setting. This should ensure that where the DCC proposes to undertake activities beyond its mandatory business, clear procedural requirements are developed to deliver transparency and regulatory oversight beyond the guidance in the Business Plan.

- **Remuneration Policy**

We support Ofgem's objective of ensuring that remuneration aligns with targets established under the Operational Performance Regime (OPR). However, we await Ofgem's forthcoming consultation on the Remuneration Policy Guidance before forming a settled view on the remuneration framework for the licence. We also note that industry has historically lacked the necessary visibility to effectively assess the DCC's performance and we would therefore welcome clarity as to how the policy will be structured to reflect Ofgem's intentions regarding the metrics highlighted in the consultation. We agree, however, that the scope of the policy should be limited to only senior management, that is Executive Directors or persons within the definition of Senior Managerial Responsibility and Influence.

- **Guaranteed Standards of Payment (GSOP) Supplier Cost Recovery**

In our response to Ofgem's statcon on Smart Meter GSoPs, we noted it would be appropriate for suppliers to be able to recover the costs of GSoP payments for non-communicating smart meters from the DCC, in instances where the underlying fault was attributable to the DCC. Should Ofgem proceed with including DCC-related issues within the scope of the proposed Regulation 5A, it must ensure that any GSoP payments arising from the DCC's failure to resolve communication issues within the required timescales are recoverable from the DCC itself. We therefore recommend that the draft licence be amended to reflect this arrangement for when DCC2 is in place. The DCC would retain the ability to recover its costs through its normal charging statements based on market share. This would ensure that suppliers are not disproportionately impacted by failures attributable to the DCC.

We have no objections to Ofgem's proposal to include within the licence a general power of derogation. We recognise that this mechanism could provide Ofgem with greater flexibility to address unintended consequences, or adverse effects of the licence on stakeholders. We would, however, encourage Ofgem to ensure that any exercise of this power is accompanied by industry consultation and clear justification, to maintain regulatory certainty and stakeholder confidence. We also do no object to the inclusion of a commencement and transitional provisions to the licence to ensure a smooth and effective transition between the licence regimes.

We appreciate Ofgem's continued engagement through the development of the new SMCL and we look forward to continued collaboration as the framework is finalised and implemented.

Yours sincerely,



Richard Sweet
Director of Regulatory Policy