

Consultation

Data Communications Company (DCC) Remuneration Policy Guidance

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Consultation Data Communications Company (DCC) Remuneration Policy Guidance

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Executive summary

This consultation sets out our proposed approach for Ofgem’s Remuneration Policy Guidance that will be issued under Condition 20 of the Smart Meter Communication Licence (SMCL¹). The purpose of the Guidance is to support the development of the Licensee’s Remuneration Policy by creating a clear, evidence-based and auditable link between Senior Manager remuneration and performance in areas that Senior Managers can influence, in a way that supports accountability, consumer value and long-term delivery.

DCC occupies a unique position within the wider smart ecosystem as a licensed monopoly provider of critical national infrastructure. Under the new Licence, it will operate on a not-for-profit basis, with stronger ex-ante controls on costs and clearer expectations on business planning, performance and accountability. Our proposed framework is designed to support this model by providing guidance on how good delivery, sound judgement and value for money should be recognised and rewarded.

In this context, remuneration will play an important supporting role. It is not intended to replicate the incentives associated with a for-profit model, but to reinforce accountability by linking pay more clearly to demonstrable performance in areas that Senior Managers can influence. Done well, this can help build confidence amongst industry customers and GB consumers that pay outcomes are aligned with what matters most – the delivery of secure, reliable and efficient services.

This consultation is also important for DCC staff. The move to the new model represents a significant transition for the organisation and for those working within it. While our Guidance focuses specially on the remuneration of Senior Managers within scope of Licence Condition 20, it may also provide a useful foundation for broader approaches across the organisation, should DCC choose to build on it. Decisions on how to develop and implement a remuneration policy that captures all staff are for DCC itself to determine. In this context, the Senior Manager Remuneration Policy is intended to give those within scope, and those working with them, a clearer understanding of the behaviours, deliverables and leadership choices that are expected to be recognised and rewarded.

The draft Guidance we are consulting on sets out a proposed framework that is built around four pillars: Customer Satisfaction, System Performance, Business Plan Quality, and Business Plan Delivery. Together, these pillars are intended to reflect a rounded view of performance under DCC2, capturing not only how well services are

¹ SMCL means the Smart Meter Communication Licence awarded to DCC2 Ltd, a wholly owned subsidiary of SECCo Ltd, on 14 April 2026 - Ofgem (2026), Smart Meter Communication Licence. Accessible at: www.ofgem.gov.uk/consultation/draft-new-smart-meter-communication-licence

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delivered in-year, but also how effectively they are planned, challenged and whether they are delivered in a way that supports long-term value for money.

Our proposed approach is designed to be supportive rather than prescriptive. It is not intended to create a rigid or mechanistic regime, nor to reward narrow metrics in isolation from how outcomes are achieved. Instead, we want the Remuneration Policy to support good judgement, technical capability and continuous improvement in customer engagement, performance and cost management, while ensuring that remuneration decisions remain clear, explainable and open to scrutiny.

We recognise that the Licensee may also wish to reflect individual objectives or accountabilities alongside the four pillars, particularly where a Senior Manager has responsibility for a specific programme or service area. Where the Licensee proposes to link remuneration to additional factors beyond the four pillars, we would expect a clear explanation of how those factors support delivery of the outcomes captured by the framework.

Each of the four pillars focus on a distinct aspect of performance under the DCC2 model. Customer Satisfaction and System Performance aim to consider how well services are working in practice. Business Plan Quality focuses on the strength, credibility, and ambition of the plan underpinning service delivery, while Business Plan Delivery considers how that plan is implemented, including whether decisions support efficient, economical delivery and long-term value for money.

We consider Customer Satisfaction and System Performance essential, as an effective framework should reflect both the quality of service provided and how the system is performing in practice. Efficient delivery is not just about cost, but service quality, resilience and user experience.

Similarly, we consider it important that remuneration reflects the quality of the Licensee's business planning. Under an ex-ante framework, the Business Plan plays a central role in shaping delivery priorities and funding. The framework should therefore incentivise behaviours that support better planning such as openness to challenge, use of robust evidence, realistic delivery assumptions, and a strong focus on value for money.

Business Plan Delivery then considers how plans are delivered in practice. Rather than focusing solely on whether spend aligns with forecasts, the proposed approach looks more broadly at the quality of delivery decisions, recognising that differences between planned and actual spend can arise for a range of reasons, and what matters most is whether decisions are well-evidenced and support long-term consumer value.

In designing the framework, we have also sought to minimise the risk of unintended incentives. For example, the framework is designed to encourage management decisions based on what delivers the best consumer outcomes, rather than simply

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matching spend to budget where another approach may offer greater value. This is why we propose separating Business Plan Quality from Business Plan Delivery, so that effective planning and strong delivery decisions are each recognised on their own merits.

We are seeking views on whether the proposed framework is clear, proportionate and practical, whether the four pillars capture the right outcomes under DCC2 and whether the proposed approach would support the behaviours and accountability that the new regulatory model is designed to encourage.

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1. Introduction

This section explains the purpose of the consultation, the wider policy context, and how interested parties should respond. It also explains how this proposed Remuneration Policy Guidance fits within the wider DCC2 framework for Operational Performance, Business Planning and delivery, and cost control.

Purpose of this consultation

We are consulting on draft Guidance for the preparation and operation of DCC's Remuneration Policy for Senior Managers. We welcome views on whether the proposed Guidance provides a clear, proportionate and practical framework for linking Senior Manager remuneration to performance in areas that Senior Managers can influence, in a way that supports accountability, consumer value and long-term delivery. The proposed Guidance would be issued under Part C of Condition 20 of the Smart Meter Communication Licence.

This consultation focuses on four main areas.

- First, we are seeking views on the overall objectives and design principles of the Guidance, including the roles of transparency, auditability and long-term value for money.
- Second, we are consulting on how the Remuneration Policy should distinguish between organisational performance and individual contribution, and how that distinction should operate in practice.
- Third, we are consulting on the proposed performance assessment framework, including how the four pillars that we consider should form the core of remuneration decisions will work in practice.
- Finally, we are consulting on the reporting, governance and transitional arrangements that should support effective implementation of the policy.

More broadly, our proposed approach is that DCC's Remuneration Policy should do more than state that pay is linked to performance. It should explain how the link works in practice: what evidence is used, how that evidence informs assessment, how judgement is applied, and how the policy distinguishes between overall organisational outcomes and the areas that individual Senior Managers are accountable for influencing. We also consider that the policy should be clear enough to support understanding within DCC, while providing the transparency needed to give confidence to Ofgem, customers and other stakeholders

Overview

This consultation document is structured as follows.

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- Chapter 2 sets out our proposed framework for the Guidance, including its objectives, scope and design principles.
- Chapter 3 sets out our proposed performance assessment framework, including the four performance pillars, the approach to assessment and weightings, and our expectations on reporting and transitional arrangements.
- We conclude by setting out the next steps following this consultation.

Consultation Questions

- Q1. Do you agree with our proposed objectives and design principles for the Remuneration Policy Guidance? Please explain your answer.
- Q2. Do you agree with our proposed interpretation of the term “Senior Manager”, including the treatment of programme delivery leadership roles? If not, what alternative approach should we adopt?
- Q3. Do you consider that the Remuneration Policy should allow additional performance measures beyond the four-pillar framework? If so, under what circumstances?
- Q4. Do you agree with the proposed role of Customer Satisfaction, System Performance, Business Plan quality and Business Plan delivery within that framework?
- Q5. Do you agree that the guidance should allow the Licensee flexibility in determining the weightings applied across the four pillars, subject to appropriate justification? In particular, do you have views on how weighting should be treated in years where Pillar 3 (Business Plan assessment) is not reassessed (for example, whether its weighting should be reallocated to another pillar specifically or distributed across the remaining pillars)?
- Q6. What are your views on a balance between organisational and individual performance in determining remuneration outcomes?
- Q7. Are there any aspects of the process that could create unintended behaviours or reduce confidence in outcomes?
- Q8. Do you consider that the draft Guidance is sufficiently clear and unambiguous in supporting the intended policy outcomes?

Context and related publications

- Ofgem (2026), Smart Meter Communication Licence. Accessible at: www.ofgem.gov.uk/consultation/draft-new-smart-meter-communication-licence

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- Ofgem (2026), DCC Review Phase 2: Governance arrangements - conclusions. Accessible at: www.ofgem.gov.uk/decision/dcc-review-phase-2-governance-arrangements-conclusions
- Ofgem (2025), Data Communications Company (DCC): Regulatory Instructions and Guidance 2025. Accessible at: www.ofgem.gov.uk/guidance/data-communications-company-dcc-regulatory-instructions-and-guidance-2025
- Section H13 of SEC: smartenergycodecompany.co.uk/documents/sec-sections/sec-section-h-dcc-services/
- Ofgem (2025), Business Plan Guidance & Cost Control Processes and Procedures for Smart Meter Communication Licence holder v1. Accessible at: www.ofgem.gov.uk/sites/default/files/2025-05/Draft%20Business%20Plan%20Guidance.pdf
- Ofgem (2025), Data Communications Company (DCC): Regulatory Instructions and Guidance - www.ofgem.gov.uk/sites/default/files/2025-06/DCC%20RIGs%20main%20guidance%201.pdf
- Ofgem (2025), DCC Review Phase 2: Determination of Allowed Revenue. Accessible at: www.ofgem.gov.uk/consultation/dcc-review-phase-2-determination-allowed-revenue

Consultation stages

Stage 1 Consultation open: 8 July 2026

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 5 August 2026

Stage 3 Responses reviewed and published: 31 August 2026

Stage 4 Consultation outcome (decision or policy statement): 31 August 2026

How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

We will publish non-confidential responses on our website.

Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004,

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statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 1.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a consultation

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: 'Open', 'Closed (awaiting decision)', and 'Closed (with decision)'.

2. Proposed framework for Remuneration Policy Guidance

This chapter sets out our proposed overall framework for the Remuneration Policy Guidance. Our approach is that the guidance should support delivery of the Licensee's statutory and Licence duties by creating a clear, evidence-based and auditable link between Senior Manager remuneration and performance in areas that Senior Managers can influence, in a way that supports accountability, consumer value and long-term delivery. The chapter also covers the scope of the guidance and the proposed definition of Senior Manager.

Objectives and scope of the Guidance

- 2.1 Our proposed Guidance sets out Ofgem's expectations for how the Licensee should structure, evidence and apply its Remuneration Policy for Senior Managers. It is intended to support the development of a policy that is clear, workable and aligned with the wider DCC regulatory framework. In our view, the policy should pursue four supporting objectives:
- Strengthening accountability for delivery by linking pay outcomes to performance evidence in areas where Senior Managers can exert influence.
 - Reinforcing consumer value by maintaining focus on efficient and economical delivery.
 - Supporting long-term outcomes by avoiding undue focus on short-term indicators that could undermine resilience, security or sustainable improvement.
 - Ensuring the policy is transparent and auditable, so that remuneration decisions are capable of explanation and scrutiny.
- 2.2 The Guidance also makes clear that the Remuneration Policy should be capable of operating over time as supporting documents and performance frameworks evolve. In practice, this means it should remain workable as other guidance develops, including any further performance guidance issued under Condition 21. The Licensee is required to review its Remuneration Policy within 12 months beginning with the day on which the Remuneration Policy is approved. Where revisions are made, the Licensee must submit the updated policy to the Authority for re-approval.

Consultation Data Communications Company (DCC) Remuneration Policy Guidance**Definition of Senior Manager**

- 2.3 While the Licensee is required to set out a Remuneration Policy for “Senior Managers” as defined in the Licence, this Guidance does not aim to prescribe the full scope of the Licensee’s wider remuneration arrangements for its workforce. In practice, the Licensee will be responsible for developing and maintaining remuneration arrangements for all staff, with the Senior Manager policy forming a defined subset of this broader approach. Our Guidance is therefore limited to the treatment of “Senior Managers” for the purposes of the Licence and associated guidance. In this consultation, we are seeking views on how that cohort of senior staff should be identified in practice, including how the Licence definition should be applied to programme and service delivery leadership roles.
- 2.4 We consider this clarification necessary because the remuneration framework should align with where delivery accountability sits in practice. Under the DCC2 operating model, much of the Licensee’s activity is organised around defined Service Families set out in the RIGs. These group together major programmes, contracts and delivery responsibilities and, in many cases, will carry significant budgets, outputs and delivery risk.
- 2.5 In that context, individuals with responsibility for leading major programmes or service areas can have a direct and material influence on delivery outcomes, including timeliness, cost control and service quality. We therefore consider that the Remuneration Policy should not necessarily be limited to the most senior executives but should also capture roles with clear accountability for delivery performance, where key decisions are being taken in practice.
- 2.6 While executive roles provide overall strategic direction, they may not always hold the clearest day-to-day accountability for the delivery of individual programmes or service areas. If the policy were limited only to the executive team, it could risk overlooking some of the roles most directly responsible for the delivery performance it is intended to influence.
- 2.7 Our current view is therefore that the policy should include programme, or service delivery leads where they are accountable for a Service Family or a substantial programme. The policy should explain how the Licensee determines whether a programme is substantial, and how it ensures that individual objectives for these roles are linked to the delivery outcomes for which they are accountable.
- 2.8 As a minimum, we consider that each Service Family identified in the RIGs should have at least one Senior Manager in scope of the Remuneration Policy who is accountable for its delivery.

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- 2.9 We are also interested in views on whether a more flexible approach would be preferable - for example, one that allows greater discretion to the Licensee, supported by clear explanation and justification. We welcome views on which approach would best support accountability, transparency and proportionality.

Linking remuneration to performance

- 2.10 The Remuneration Policy should do more than say, in general terms, that pay is linked to performance. It should explain how that link works in practice. In particular, the policy should set out what evidence is used to assess performance, how that evidence informs pay outcomes, and how the approach distinguishes between overall organisational performance and the areas that an individual Senior Manager can genuinely influence.
- 2.11 In our view, this distinction is important because remuneration outcomes should reflect what an individual was accountable for delivering, not simply the overall performance of the company. That is particularly important for roles below Executive Committee level, where accountability may be tied more closely to a specific programme or service area than to organisation-wide outcomes. We are therefore seeking views on how this distinction should operate in practice.
- 2.12 The Guidance also requires the policy to explain the intended balance between fixed and variable remuneration, and why that balance supports the objectives of the regime.
- 2.13 We are not proposing to prescribe a single balance between organisational and individual performance. However, we do expect the policy to explain clearly how individual objectives are set, how they reflect areas of direct accountability, and how they are combined with broader organisational measures. For example, where a Senior Manager is accountable for delivery of a specific programme, their objectives should be weighted primarily towards that programme. Organisational performance may still form part of the overall assessment, but it should not drive remuneration outcomes to such an extent that individuals are unduly rewarded or penalised for factors outside their reasonable control. Conversely, we would assume that for the most senior Executives, an assessment where organisational performance forms the majority of the overall assessment for remuneration would perhaps be appropriate.
- 2.14 Holistically, the policy should be operated in a way that is objectively fair to individual Senior Managers. That does not mean abandoning structure; it means allowing for evidence-based judgement where this is needed to reach a fair and defensible outcome.

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2.15 We consider this approach appropriate because it should reduce the risk of unintended behaviours, support confidence that the framework will operate fairly in practice and help ensure that remuneration outcomes remain credibly linked to the matters for which Senior Managers are actually accountable.

Long-term delivery, discretion and remuneration safeguards

2.16 We also consider it important that the policy supports long-term delivery and does not create incentives that improve short-term results at the expense of resilience, security or sustainable performance. For example, a remuneration structure that placed excessive emphasis on short-term cost reduction could create incentives to defer necessary investment or maintenance in ways that weaken longer-term outcomes. The policy should therefore include safeguards that help ensure pay outcomes reflect sustainable performance.

2.17 We do not think the Guidance should be overly prescriptive about the mechanisms used to achieve this. However, the policy should consider the provisions within section 5 of the UK Corporate Governance Code² and explain what safeguards will apply, including how any moderation or discretion would be governed, and where variable remuneration is relied upon material, it should be clear whether deferral, downward adjustment, forfeiture or clawback arrangements apply and in what circumstances. More generally, remuneration outcomes should be based on robust evidence, and the policy should be clear at the outset of each assessment year about the evidence sources that will be used, how performance will be assessed, and what circumstances would and would not trigger the use of discretion.

² UK Corporate Governance Code 2024 - www.frc.org.uk/library/standards-codes-policy/corporate-governance/uk-corporate-governance-code/

3. Performance assessment and reporting

This chapter sets out our proposed framework for assessing Senior Manager performance and applying the Remuneration Policy in practice. Our proposed approach is that the policy should be built around four pillars and supported by a structured but practical assessment process that draws on published information and Ofgem's wider regulatory assessments where relevant.

Proposed performance pillars

- 3.1 In May 2024, we consulted on changes to DCC's future governance arrangements and published our conclusions in January 2025. In December 2024, we subsequently consulted on DCC's Determination of Allowed Revenue and published our conclusions in May 2025. Taken together, these policy decisions set out our conclusions on the new DCC2 model, placing greater emphasis on robust governance controls, strong ex-ante business planning, meaningful customer challenge and input, and efficient delivery within an approved cost envelope.
- 3.2 We consider it appropriate that the approach to Senior Manager remuneration should reflect that wider framework. The Remuneration Policy Guidance therefore sets out how performance should be assessed against the same four pillars from our Determination of Allowed Revenue conclusions:
- Pillar 1: Customer Satisfaction
 - Pillar 2: System Performance
 - Pillar 3: Quality of Business Plan and Price Control Information
 - Pillar 4: Business Plan delivery
- 3.3 Performance is not limited to only operational delivery in-year. It also depends on whether the Licensee produces a credible and well evidenced multiannual Business Plan, responds appropriately to scrutiny and challenge, and then delivers the commitment in the approved plan efficiently and economically once revenue has been set. The ex-ante framework is intended to create stronger incentives for good planning, transparency, responsiveness to challenge and value for money. The remuneration framework should therefore reinforce those same disciplines.
- 3.4 A narrower approach focused only on operational outputs would not fully reflect the change we want the DCC2 model to bring about. It could risk rewarding short term improvements in headline service measures without proper regard to the importance of the quality of the underlying plan, the extent to which customer needs have been understood and addressed, or whether delivery has protected consumer interest and represented good value for money. Equally, an approach

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focused too heavily on cost reduction alone could create incentives for under-delivery, weak resilience or short-term savings at the expense of longer-term consumer value. We have therefore proposed a framework via the four pillars below that considers input as well as output to support a more balanced assessment of both what has been delivered and how.

- 3.5 The four pillars set out above are intended to provide a consistent framework for assessing individual Senior Managers performance in a way that aligns with the wider DCC2 regulatory model. However, we recognise that the Licensee may wish to incorporate additional metrics as part of its broader organisational performance framework. This could for example include measures relating to workforce engagement or organisational capability.
- 3.6 We are open to considering the inclusion of such measures, and we are seeking views on whether it is appropriate for the Licensee to include additional organisational level metrics alongside the four pillars and if so, how these should be reflected within the overall remuneration framework. These views should be provided with particular regard for maintaining a clear focus on delivery against the approved Business Plan, customer outcomes and value for money to ensure that these key performance measures are not unduly diluted.
- 3.7 Below we set out the four pillars in more detail; their ordering does not denote our view of their relative importance.

Pillar 1: Customer Satisfaction

- 3.8 Under this pillar, the Licensee is assessed on the quality of its service as experienced by its users, including the extent to which the service meets customer needs and expectations. We consider this an important part of the framework because the DCC2 model should avoid treating customer experience as secondary to technical or internal delivery metrics. A remuneration framework that does not reflect the quality of service experienced by users would be in our view incomplete.
- 3.9 This pillar is assessed using the results of the Customer Satisfaction Survey as the primary evidence base. That survey forms part of Operational Performance under Licence Condition 21 Part B. The Policy should explain:
- How the survey results are used
 - How the Licensee assures that the survey is practically robust and comparable over time
 - How the assessment avoids rewarding short-term actions designed to improve survey scores without genuinely improving the underlying service

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- 3.10 Where the Licensee considers that survey results have been materially affected by factors outside management control, the Policy should explain how that claim must be evidenced and whether, and if so how, the Remuneration Committee may apply discretion.
- 3.11 The Policy is also expected to demonstrate how customer satisfaction evidence is linked to defined delivery expectations, so that survey outcomes can be interpreted as evidence of whether the Licensee is delivering against its agreed obligations and providing value for money for consumers. In particular, the Policy should explain how:
- Results are segmented across relevant customer groups rather than presented solely as a composite measure
 - Performance assessment takes account of both absolute satisfaction levels and trends over time.
- 3.12 This is intended to ensure that remuneration outcomes are informed by a clear understanding of underlying service quality, including where declining trends or variation across user groups may indicate emerging issues that are not captured by headline scores alone.
- 3.13 We consider this approach appropriate because it ensures that remuneration outcomes are required to use evidence that reflect users' direct experience of the service, while also guarding against superficial score improvement that is not supported by real service improvement, thereby supporting better alignment between pay outcomes, customer experience and longer-term service quality. We note that the DCC1 has already run two customer satisfaction surveys. We are therefore particularly keen to hear from any stakeholders, who have engaged with the surveys to date, on the quality of the survey and whether its outputs could be used to inform remuneration outcomes under the policy, including whether they provide a sufficiently robust basis for assessment.

Pillar 2: System Performance

- 3.14 Under this pillar, the Remuneration Committee should assess the delivery of secure, reliable and resilient services in operation. We consider this area necessary because remuneration should reflect whether DCC's system is performing effectively in practice, rather than relying solely on whether plans, governance processes or internal reporting appear sound. Operational delivery remains a central part of performance under DCC2 and should therefore remain a distinct pillar within the remuneration framework.
- 3.15 Assessment under this pillar will focus on how well DCC meets its System Performance targets (Key Performance Indicators) selected pursuant to Licence

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Condition 21 Part A. We recognise that System Performance metrics are already established within the SEC framework, of which a subset contributes to the current System Performance reporting under the Operational Performance Regime for DCC1. However, we also recognise that historically these metrics have not always fully reflected the actual experience of system users. We therefore propose to retain flexibility for the Licensee, working with industry, to determine the most appropriate KPIs in the first instance, provided these give a meaningful view of user experience. The Policy should explain how KPIs are selected, including LC21 compliance, how they reflect user experience, and how system performance is assessed on a graduated basis.

- 3.16 It should also set out how performance is assessed across the reporting period in a way that supports resilience and avoids perverse incentives.
- 3.17 By requiring the Policy to explain how KPIs are selected, evidenced and applied, this approach supports a transparent and auditable link between remuneration outcomes and operational performance, while preserving flexibility for KPI development through established governance and consultation processes.

Pillar 3: Quality of Business Plan and Price Control Information

- 3.18 Under this pillar, performance is assessed via the quality, credibility and robustness of the Licensee's Business Plan and Price Control Information submissions under Licence Conditions 22 and 23. The Business Plan and the Price Control Information submissions provide the basis for Ofgem's cost assessment and revenue determinations. It is therefore appropriate that remuneration should reflect not only what is delivered after revenue has been set, but also the quality of the planning and supporting information on which Ofgem's regulatory assessment depends.
- 3.19 The Policy should assess this pillar by reference primarily to Ofgem's assessment of the Business Plan and associated Price Control Information, against the requirements of the Licence and associated guidance documents, in particular the Business Plan Guidance issued under Condition 22 and the Regulatory Instructions and Guidance issued under Condition 23, with particular scrutiny applied to how well cost forecasts are presented and evidenced. Where Ofgem has provided a view on the quality, credibility or compliance of the Business Plan (including any assessment published as part of the Price Control process and any formally communicated feedback to the Licensee), the Policy should explain how that view is taken into account in a remuneration assessment.

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- 3.20 The Policy should also reflect feedback received from the Customer Challenge Group and other stakeholder engagement. The Policy should explain how evidence from customer engagement and challenge is reflected in the assessment of Business Plan quality. In particular, this should include how the CCG report on the final Business Plan is taken into account.
- 3.21 The Price Control framework is built on a costed Business Plan, with customer challenge and regulatory scrutiny intended to test the quality and credibility of that plan before costs are approved. It follows that remuneration should reinforce the same incentives: early engagement, openness to challenge, credible and well-evidenced planning, and a demonstrable focus on value for money.

Pillar 4: Business Plan Delivery

- 3.22 Under this pillar, the Remuneration Committee should assess delivery against the commitments of the Business Plan, including the Licensee's management of the approved cost envelope (Required Revenue). While pillar 3 focuses on the credibility and robustness of the Business Plan at the point it is agreed, this pillar is intended to assess how that plan is delivered in practice, including whether the Licensee delivers on time and in budget. The DCC2 framework depends not only on the submission of a credible plan, but also on disciplined delivery once Required Revenue has been determined under Condition 24. Remuneration should therefore reflect whether the approved plan has been delivered economically and efficiently, and in a way that protects long-term consumer interest.
- 3.23 The Remuneration Policy should explain how Business Plan delivery performance is assessed in a way that distinguishes between different types of variance from the approved Business Plan, rather than treating variance itself as inherently positive or negative. In developing this approach, we have considered how Business Plan delivery can be assessed in a way that is as objective and transparent as possible, and therefore propose that any evidence base should, wherever possible, be derived from licence-based reporting, especially under LC 25 (Licensee's Recovered Revenue and Reporting), supplemented, where appropriate by LC 21 Part C (Contract management and procurement).
- 3.24 In developing this approach, we have considered the role of upside incentives for overperformance. While there is value in rewarding delivery below cost where this reflects genuine efficiency, we are mindful of the risks that this may create incentives to inflate forecasts or reduce delivery scope. On balance, we consider that an incentive to outperform can be appropriate where it is clearly linked to evidenced efficiency gains and delivery outcomes. This should include a clear explanation of whether demonstrated efficiencies have been translated into a

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sustainable reduction in the cost baseline for subsequent periods, with those efficiencies realised within each performance year rather than replaced by flat or reset cost assumptions. We recognise that this introduces some risk but consider that it can be mitigated through the wider framework, including pillars 1 and 2, which protect system performance and service outcomes and pillar 3, which provides scrutiny of forecast assumptions and business plan quality.

- 3.25 The Remuneration Policy should further provide that, where Ofgem publishes an assessment of how the Licensee has managed its cost envelope, cashflow and Recovered Revenue, the Remuneration Committee must use that assessment exclusively to determine performance and remuneration under this pillar. The guidance makes clear that such an Ofgem assessment may be informed by end-of-year financial reporting, cashflow management reporting, the outcomes of any contract management and procurement audit under Condition 21 Part C, the management of any ringfenced Required Revenue amounts, and Ofgem's assessment of any reopener application under Condition 24 Part D. Where no such Ofgem assessment is published, the Policy should explain what evidence the Committee will rely on to assess delivery against the approved Business Plan and Required Revenue in a way that remains consistent with the guidance.
- 3.26 We consider this route appropriate because an ex-ante regime based on approved forecast costs can otherwise weaken incentives around cost discipline and forecasting accuracy. By explicitly linking remuneration to both cost control and timely delivery against agreed plans and anchoring this in licence-based evidence and Ofgem's assessment where available, pay outcomes reinforce efficient, economical and transparent management of consumer-funded revenue. By requiring a structured assessment of variance and supporting evidence and including an efficiency challenge on the Licensee this approach also promotes clearer accountability for both cost control and value for money over time.

Assessment approach

- 3.27 We propose that the Remuneration Policy should explain how each pillar is assessed, what evidence is used, and how judgement is applied. The draft guidance states that the policy should explain how KPI evolution is handled over time, how the framework avoids creating incentives to optimise for a narrow subset of indicators, and how performance is assessed over a reporting period rather than only at year-end. We consider the four pillars to provide a coherent framework for assessment, reflecting the key components of performance under the DCC2 regulatory model.
- 3.28 The proposed guidance also states that the policy should clearly set out the weightings applied across the four pillars, explain why those weightings are

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appropriate, and ensure that no measure is merely nominal. In the first period, we consider an equal weighting across the scorecard to be an appropriate starting point to maintain balance between the individual pillars, unless the Licensee can present and justify an alternative. The assessment process itself should be simple enough to operate consistently but rigorous enough to withstand scrutiny. The draft guidance gives a practical structure:

- Confirm the evidence pack
- Score each measure against pre-defined scales
- Apply moderation and discretion only where the policy provides for it
- Confirm pay outcomes and document how organisational outcomes and individual contribution have been linked

- 3.29 We have also considered whether the Policy should allow for additional performance measures beyond the four pillars. While such measures could provide flexibility to capture emerging priorities or specific areas of performance, there is, in our view, a risk that they dilute the focus of the framework and weaken the link between remuneration and core delivery outcomes.
- 3.30 In developing this guidance, we considered whether it would be appropriate to be more prescriptive about the weighting of the four pillars, particularly given that performance under Pillar 3 is expected to be assessed once every three years (in line with the Price Control cycles). We are also seeking views on whether, and if so how, any additional measures should be incorporated alongside the core pillars without undermining the overall balance and coherence of the framework.
- 3.31 This raises questions as to how the weighting for Pillar 3 should be treated in intervening years. We are open to considerations as to whether it should be reallocated to Pillar 4, which captures more discretionary and forward-looking considerations, or instead distributed across the remaining pillars to maintain balance. Our view is that the policy should address this explicitly, with the key considerations being the relative materiality and robustness of available evidence, the number and quality of inputs informing each pillar, and the need to maintain a clear focus on value for money for consumers. Where alternative weightings or additional measures are proposed, the Policy should explain clearly how these maintain alignment with the objectives of the four-pillar framework and do not result in over reliance or a narrower or less robust evidence base. Any approach adopted should avoid creating distortions or over reliance on a narrower evidence base in years where certain pillars are not being reassessed.
- 3.32 We also considered whether to provide more direction on the balance between organisational and individual performance in determining remuneration outcomes. The draft guidance is not prescriptive of the appropriate balance between organisational and individual performance and instead seeks to allow

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the Licensee flexibility to determine an approach that reflects its operating model and accountability structure. However, we consider it important that the Policy sets out clear principles governing this balance. In particular, the Policy should demonstrate how:

- Organisational performance measures reflect outcomes that are genuinely collective in nature;
- Individual performance measures are aligned to areas where Senior Managers have direct accountability and influence; and
- The overall balance does not result in individuals being disproportionately rewarded or penalised for outcomes outside their control.

3.33 The policy should therefore explain the rationale for the chosen balance, including how it reflects the nature of the Licensee's activities, the degree of collective versus individual accountability, and the need to align remuneration with delivery for consumers. Any chosen balance should be clearly evidenced and applied consistently over time.

Annual reporting to Ofgem

3.34 The draft Guidance states that the Remuneration Committee should write to Ofgem explaining how the Policy has been applied in practice. At a minimum, that report should confirm the Senior Manager roles in scope, performance outcomes against each measure and the evidence used, how any discretion was applied, a summary of pay outcomes in a form that protects personal data, and any material changes to benchmarking or pay structures. Annual reporting will support transparency, regulatory oversight and confidence that the policy is being applied consistently and in line with the approved framework.

Conclusions and next steps

Subject to stakeholder feedback, we intend to finalise and issue the Remuneration Policy Guidance in August 2026. The final Guidance will inform the preparation of the Licensee's Remuneration Policy, which must be submitted to the Authority for approval by 14 October 2026 (unless this deadline is extended per Licence Condition 20).

We welcome views on all aspects of the proposed Guidance, including whether the framework is proportionate, clear and workable in practice, and whether any elements require further clarification or amendment. Responses to this consultation will inform our final position.

Following the close of the consultation, we will:

- review and consider all responses received;

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- engage with stakeholders where appropriate to clarify issues raised; and
- publish our decision, including the final Remuneration Policy Guidance.

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Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

Appendix 1. Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

Information: Include here all organisations outside Ofgem who will be given all or some of the data. There is no need to include organisations that will only receive anonymised data. If different organisations see different set of data, then make this clear. Be as specific as possible.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for (be as clear as possible but allow room for changes to programmes or policy. It is acceptable to give a relative time e.g. ‘six months after the project is closed’)

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data

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- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
 - to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/> or telephone 0303 123 1113.

7. Your personal data will not be sent overseas (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use “the Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this”.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system. (If using a third-party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

10. More information For more information on how Ofgem processes your data, view our [Ofgem privacy policy](#).