Mark Bygraves
Chair DCC Customer Challenge Group
Smart Energy Code Company Limited
77 Gracechurch Street
London, EC3V 0AS

Fraser Murray
DCCregulation@ofgem.gov.uk

04 August 2026

Ofgem Consultation – DCC Remuneration Policy Guidance

Dear Fraser,

The DCC Customer Challenge Group (CCG) is pleased to respond to the Ofgem consultation, DCC Remuneration Policy Guidance.

As will be apparent, from the CCG detailed responses to the consultation questions in Annex 1 to this letter, the CCG is concerned the Remuneration Policy Guidance focuses too heavily on bonuses with insufficient mention of higher level, strategic remuneration elements. For example, we would have expected any guidance on Remuneration Policy to require the DCC to set out with appropriate justification, the goals of the policy and then the elements which would contribute to those goals, such as benchmarking of total reward against defined comparators, a desired positioning (often expressed as a target percentile), and the weighting of base salary, annual bonus, and long-term bonus. Specifically with regards to bonuses, the CCG would have expected the guidance to describe the following: the objective for any bonus (to reward on target or stretch performance?) and therefore whether 'on target' performance merits 0%, 50% or 100% of the bonus opportunity; the amount (perhaps in terms of proportion of salary); and the source (additional budget or savings). These elements would be either in addition to, or instead of the stated specific pillars. Without knowing the bonus value and "reward" to be managed, it is difficult to opine on whether the guidance and therefore policy is proportionate. Most importantly, the Remuneration Policy and therefore the Guidance, should incentivise the DCC to deliver the Services its customers want, at a price they are happy to pay, along with the need for independent evidence on which to base award decisions and transparency thereof. The CCG is concerned the Guidance has jumped to identifying pillars before these key objectives of a Remuneration Policy have been settled.

The CCG is also of the view that the DCC organisation is not yet sufficiently mature to justify the Remuneration Policy Guidance proposed, given its lack of detailed relevant reporting information and independent measures. The separation from Capita and associated TUPE arrangements with their potential impact on timing of new or replacement remuneration schemes, further means such guidance may be premature. In summary, the CCG view many of the strategic objectives, delivery metrics and performance measures on which the Remuneration Policy will depend, as still evolving. The consultation should consider the higher-level issues described above, along with the timing of when the Remuneration Policy should be introduced.

Yours sincerely,

Mark Bygraves,
Chair – DCC Customer Challenge Group

Annex 1 – CCG Response to Ofgem Consultation - DCC Remuneration Policy Guidance

Q1. Do you agree with our proposed objectives and design principles for the Remuneration Policy Guidance? Please explain your answer.

Overall, the CCG considers the Guidance to be too detailed in some areas (e.g. proscribing the four pillars with no apparent flexibility to change these save for a change to the Guidance) yet insufficiently detailed in others. For example, the CCG would have expected more detail on the overall remuneration rather than the focus on bonuses. The guidance could have included a requirement for benchmarking every [x] years; that such benchmarking was to be of total reward (i.e. salary, bonus, pension, other emoluments etc); identified appropriate comparators/sectors; stated the expectation to reward at e.g. 50th percentile of those comparators; and the acceptable proportion of salary vs bonus and/or specified the size (%) of bonuses.

Most importantly, the Remuneration Policy should incentivise the DCC to deliver the Services its customers want, at a price they are happy to pay, but the lack of detail regarding Management Information (MI), Specific, Measurable, Achievable, Relevant and Timebound (SMART) targets combined with lack of information as to how the scheme would work, make it hard to comment with certainty at this time.

On bonuses specifically, the guidance could have set out:

- whether the bonus scheme is designed to reward and thereby encourage on target performance or stretch performance. This impacts whether 'on target' typically results in 50% of the bonus or 100%.
- The amount (possibly expressed as a percentage of salary) that the bonus will represent. This would be a function of benchmarking as referred to above and the guidance could have required any benchmarking to occur at certain frequency, taking account of all emoluments, not just salary and bonus, but pension, health care, etc;
- The source of the funding for the bonus scheme. Is this from savings or to be part of the business plan budget? The CCG notes there is no provision identified in the 2026-28 budget.
- The objective of the bonus scheme (in addition to rewarding desired outcomes). Is it supposed to replicate bonus arrangements available in the private sector, or more specifically in the Utilities sector or perhaps the Telecoms sector, or in other not for profits? The guidance could have better steered the DCC Remuneration Committee as to the appropriate comparator.
- A greater emphasis on Customer and Stakeholder satisfaction along with an indication of how that satisfaction is to be evidenced. It is also important the end Consumer sees the value of the DCC and the Services it delivers and so an emphasis on end Consumer satisfaction may also be considered.
- The timing of when this new policy is to be effective by. There needs to be recognition that staff are transferring via Transfer of Undertakings Protection Employment (TUPE) from Capita and this may require specific consultation on any new arrangements to replace existing reward schemes. It may, therefore, be appropriate to agree this Remuneration Policy Guidance, but for it to only apply from the commencement of the next business plan in 2028. This would allow wider considerations about how this is funded and expectations around employee, organisational deliverables and enablers, to be built into the organisation's proposed business plan, rather than retrospectively fitting this into a business planning period that has already been agreed.

As is apparent from the list above, the CCG members are concerned that in the absence of clearer guidance, the policy may end up creating a bonus culture where senior leaders (and potentially staff generally) receive above-market bonuses for doing the day job for which they are already paid, rather than rewarded for excellence and overachieving for the benefit of DCC Users and end Consumers. Provided the guidance addressed these high-level points, the CCG would then be more relaxed about allowing the DCC Remuneration Committee to create the detailed Remuneration Policy and underlying schemes (e.g. bonus scheme) rather than these be specified (as proposed by this Guidance) by Ofgem.

Turning to the specifics in this current guidance, the proposed Policy and Guidance framework is conceptually fine, but the CCG has concerns that the proposed Remuneration Policy Guidance presupposes good MI, informing relevant Key Performance Indicators (KPIs) and SMART targets, reported alongside a mature governance framework. It is the view of the CCG that to date, the DCC has not demonstrated it has such detailed relevant information in place. The CCG January 2026 Report to Ofgem, on the first Business Plan, notes that the DCC lacks organisational maturity. In this regard the CCG view is that the DCC is not yet ready to manage and deliver against the Remuneration Policy Guidance.

Further it is unclear what the value of the “remuneration package” is, both at an individual employee and total cross-company level. Without this it is difficult to quantify the level of detail the Policy Guidance needs to drill down to. The CCG is not aware of a value explicitly set aside for remuneration within the current Business Plan, or how the size of the ‘incentive scheme’ will be determined. For example, would determination be based on benchmarking, or funded from savings the DCC may make on its annual budget or something else?

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?

The interpretation of Senior Manager is perhaps something for the DCC to manage with its employees, however, the CCG is concerned that the interpretation proposed and application across roles, may lead to some unintended disparities between individuals. For example, are all senior programme leaders, project managers and or programme directors on the same grade and therefore eligible for the same outturn? Further a senior manager / programme lead or director may only be eligible for part of the bonus period due to the length of the project they are responsible for, versus colleagues who may be eligible year on year? The CCG wishes to avoid remuneration becoming a divisive issue affecting the longer-term attractiveness of the DCC as an employer.

The Licence requires the establishment of a Remuneration Committee, of Non-Executive Directors (NED). However, beyond the NED Remuneration Committee, it is unclear what methodology there is or how the Remuneration Committee determines an appropriate outcome, such that the NEDs can make a reasoned and informed decision to award a suitable remuneration. The total ‘reward’ budget needs to be defined from within the existing Business Plan and allocated across eligible directly employed staff, in a manner which maximises performance and success.

Given the DCC’s not for profit remit and monopoly market position, funded by end Consumers, the CCG is of the view that there should be greater transparency in the arrangements to be agreed. For example, how the DCC Board and Remuneration Committee will determine awards for eligible directly employed staff.

Q3. Do you consider that the Remuneration Policy should allow additional performance measures beyond the four-pillar framework? If so, under what circumstances?

Yes. It is the CCG view that there should be a further “Pillar” for wider ‘Corporate’ KPIs such as: Sustainability, Health and Safety. The framework should also consider how Staff Training and

Personal Development are included, to achieve a better and more capable DCC organisation for the longer term.

More significantly and as described in responses to other questions, the CCG is of the view that the guidance should be at a higher level and that any identified pillars should better reflect the wishes of DCC Users and Consumers.

Q4. Do you agree with the proposed role of Customer Satisfaction, System Performance, Business Plan quality and Business Plan delivery within that framework?

It is difficult given the level of maturity of the DCC, to determine whether the proposed measures are incentivising the right areas. The CCG agrees that there needs to be an incentive process to drive behaviours in the right way, delivering effective and cost-efficient Services for the end Consumer. However, as noted in the CCG January 2026 Report and recent response on the Draft Determination, some key elements that we would expect to be in place for an organisation like the DCC, remain absent. For example, an agreed Target Operating Model (TOM). Further, we note the Business Strategy Technology Roadmap, (BSTR) is due to be delivered next year, together with a Procurement Strategy and the second Business Plan. These are key deliverables that must align to deliver a coherent plan for the DCC, and which will form the foundations for KPIs and targets for its staff.

The CCG is of the view that there should be a clear process, setting out how relevant DCC Customer KPIs, will be developed. These should also incorporate and integrate to the key deliverables for the DCC in the first Business Plan period. For example, the BSTR, TOM, Procurement Strategy and Value for Money (VfM) framework. Such a process should also set out how changing conditions during the period are managed. For example. delays, advances, partial achievement, factors outside of the control of managers / staff and how any measures that may straddle Business Plan periods are managed. Factors outside DCC control is pertinent, as the Business Plan defines Service Families responsible for 80% of DCC costs. There needs to be a clear understanding of how external issues impacting Service delivery are managed and oversight thereof. These are the sort of elements that we would have expected the guidance to dictate especially for the first Business Plan period.

It would not be acceptable for the DCC to simply carry on with the same system performance measures (SEC Performance Measures) as reported now, as these do not reflect the needs of DCC Customers or end Consumers. Further there is concern from DCC Customers, that the DCC may choose to utilise its Customer First programme for establishing Customer Satisfaction levels. DCC Customers have concerns Customer First is not truly reflecting their views on how performance can be improved. An external and independent Customer Satisfaction survey should be conducted with DCC's customers nominating responders. Anonymised results should be shared with SEC Panel.

We suggest an alternative approach, would start with three key deliverables that DCC Customers expect within the first Business Plan period, measuring the successful delivery of those three deliverables, against a clear and transparent scoring framework. The CCG suggests that an alternative to the proposed approach for the first ex ante period, could contain key deliverables such as:

- Successful delivery of cut over to a new Data Service Provider, without any Major Incidents (as agreed by DCC's customers) impacting DCC Customers or end Consumers
- Delivery of the DCC Services throughout the 1st Business Plan period without issues impacting Consumers, e.g. Major Incidents impacting Prepay top up, successful daily readings to enable billing and settlement, 1st time installation and Commissioning to reduce revisits and time at Consumer Premise, measuring the performance of signal strength for the Wide Area Network, that does not rely on DCC Coverage Checker data or simply "pinging" the device to confirm it is there, and successful Communication Hub delivery and scalable returns process to manage 2g/3g withdrawal and cut over to 4G. These would all assist with successful rollout completion and ongoing operation of smart metering equipment for and by end Consumers.

- Development of a satisfactory risk management framework, (risk register, risk owners, mitigation and actions etc) with appropriate governance oversight, providing assurance to DCC Customers and wider Stakeholders. Governance via the SEC Panel or delegated / appropriate sub committee

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)?

No, not unless there is a process to reflect the desires of Stakeholders within those weightings. Without that wider input including DCC Customers the DCC is effectively marking its own homework. The arrangements should be more transparent for DCC Customers and end Consumers. The guidance is the opportunity to require the DCC to be transparent.

The CCG propose Ofgem would be the arbiter for organisation targets, with the DCC, as employer, responsible for defining personal staff awards.

An option to make the scoring of the corporate element transparent to the DCC, DCC Customers and wider Stakeholders would be that the DCC, provides evidence to Ofgem of its delivery against the Pillars, e.g. Delivery of a good quality Business Plan. Ofgem then review and score the evidence based on agreed weightings of successful delivery of those targets. In the example of the good quality Business Plan, Ofgem would also take into consideration views from CCG.

Examples exist currently, such as the existing Operational Performance Regine (OPR) and Baseline Margin Project Performance Adjustment (BMPPA) as per Licence Condition 38 of the original DCC licence, that have simple scoring frameworks. Something similar could be adopted for the purposes of scoring the DCC performance.

Q6. What are your views on a balance between organisational and individual performance in determining remuneration outcomes?

There is a balance to be struck between organisational measures, that should be transparent to wider Stakeholders versus individual performance, that would be a matter for the employer (DCC2) to determine. The Policy Guidance does not appear to go into detail for individual performance which we believe is the right approach. A blended bonus that recognises both individual and organisational performance is important, to drive wider collaboration whilst retaining a focus on some personal areas of accountability. It might also be beneficial to consider how an element of any bonus might relate to the functional area that an employee works within, since most employees, especially below senior manager level, are more able to influence team or functional performance, rather than whole organisational performance.

Q7. Are there any aspects of the process that could create unintended behaviours or reduce confidence in outcomes?

It is difficult to answer this question with certainty. It is the CCG views that the timing and sequencing of the development of the BSTR, second Business Plan, and the Remuneration Policy and Guidance, appear to be wrong. There is a need for the DCC to have maturity and understanding of what and how it will deliver the Services per the SEC and its Licence. The CCG does not believe this is the case. There is an expectation set, with the new licensee that DCC2 would bring new arrangements. The reality is likely to be more of the same if existing measures are rolled over to meet Licence Condition requirements to deliver the Business Plan and meet the Remuneration Policy.

There is perhaps a missing question in the consultation as to when the Remuneration Policy should be introduced, in respect to Business Handover and the transition, via TUPE, of staff from the current to successor Licensee. Additionally, the delay in establishing significant formative strategies that would better enable goals and targets to be met, e.g. BSTR, TOM, Procurement strategy and structural changes that the DCC2 Board may wish to introduce.

There is a risk that if the guidance is too prescriptive and can only be changed by Ofgem following further consultation, that it fails to deliver the desired outcomes for DCC Customers and end Consumers and then cannot be changed efficiently. Hence the CCG's responses suggesting the guidance focus on a higher level.

There is a risk that the benefits of a move to a not-for-profit model are seen to be being compromised to enable the roll out of a bonus and reward framework. In the current economic climate, it is important that employees, either at an individual or company level, are not seen to be significantly 'winning' to the detriment of others as a result of these changes, when the costs will be ultimately picked up by end Consumers.

Q8. Do you consider that the draft Guidance is sufficiently clear and unambiguous in supporting the intended policy outcomes?

For the reasons described in other question responses, the CCG is of the view that its introduction may be premature. It may also be too detailed and prescriptive and doesn't address some of the more high-level concepts expected in guidance. The CCG believes there should be greater transparency into the arrangements and understanding of how the DCC will reward its Senior Managers and staff. Doing so would ensure the Policy drives the right behaviours for the future of the DCC and the good of its Customers and end Consumers.