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Annie Appleton
Ofgem Industry Codes Team

By email only: industrycodes@ofgem.gov.uk

28 May 2025

Dear Annie,

RE: DCC response to Ofgem consultation on the Second preliminary SDS

Thank you for the opportunity to respond to Ofgem's consultation on the draft second preliminary Strategic Direction Statement (SDS).

This response reflects DCC's perspective as a Central System Delivery Body (CSDB) operating across the Smart Energy Code (SEC) and the Retail Energy Code (REC), with direct experience of cross-code delivery and major industry programmes.

Our full response to each question is included in Annex 1 to this letter. In summary, our key points within our response include:

- **Strong overall support:** The SDS provides a valuable framework for aligning code development with strategic policy objectives.
- **Importance of DCC2 transition as an "Act Now" priority:** Policy area 13.2 must remain "Act Now", as a prerequisite for the transition to the DCC Successor Licence and continuity of national infrastructure.
- **Additional policy areas:** The SDS would benefit from greater emphasis on Smart Data, energy efficiency, and evolving data access regimes and new data users.
- **Delivery coherence and governance clarity:** Further detail is required on how Ofgem will ensure coherent, timely delivery of SDS priorities across interdependent policy areas (including 13.1, 13.2, 14.1, 14.2 and 10.3), covering its role in prioritisation, approvals and escalation, and how consistent implementation will be maintained across codes under a hybrid SDS model.

DCC remains committed to supporting Ofgem and industry in delivering the SDS and would welcome continued engagement as the framework develops.

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Yours sincerely,

Arik Dondi

Head of Regulatory Compliance

Annex 1: DCC response to the consultation questions

Q1: Completeness of policy areas (missing areas requiring code modifications)

Overall, the SDS provides a broadly comprehensive assessment of government policies within the energy sector that are likely to require code modifications. We note three areas that we believe would benefit from further explicit framing as standalone policy areas:

- **Smart Data:** Whilst this is partially reflected within 14.1 (data governance and sharing) and 14.2 (innovation), the expectation of an Energy Smart Data scheme justifies clearer treatment. This is due to the dependencies on key related initiatives such as the Ofgem Consumer Consent Solution, and the need for co-ordinated code changes relating to data access frameworks, consent management governance arrangements and accreditation of new users.
- **Energy efficiency:** This is only implicitly represented as a policy area. We highlight the implications relating to 1.2 (affordability) and wider decarbonisation objectives, and an increasing dependence on smart metering data. As such, we believe there is a strong case for recognising it more explicitly as a policy driver requiring code changes relating to the use of smart metering data and evolving supplier obligations across the SEC and REC frameworks.
- **Expansion of smart meter data access regimes and new participants:** As data access regimes evolve (linked to 14.1 and 14.2), codes including the SEC, the REC and the BSC will need to accommodate new classes of participants such as data users, innovators and intermediaries. This will require new accession routes, governance arrangements and obligations that are aligned, non-duplicative, streamlined for industry and robust for consumers. Whilst the potential to achieve this is implicit, the potential impact of not achieving alignment is likely to be significant and it therefore merits clearer framing within the SDS.

Q2: Classification of policy areas within time horizons

We broadly agree with the proposed categorisation of policy areas into “Act Now”, “Think and Plan” and “Listen and Wait”. However, we consider that the effectiveness will depend on the degree to which it reflects critical delivery dependencies.

In this context, we strongly support the classification of policy area 13.2 as “Act Now” and consider this essential. The associated code changes are a hard dependency for the business handover from DCC1 to DCC2 and therefore underpin continuity of critical



national infrastructure. This places 13.2 in a distinct category from other policy areas, and its prioritisation should be treated accordingly.

In this context, it is also important to recognise that delivery activity is already underway across DCC1, DCC2, SECCo and RECCo to scope the required changes and align the SEC and REC modification milestones with the joint plan as required by the Business Handover Plan. Reflecting such activity within the SDS would strengthen confidence that priority areas are grounded in deliverable plans.

More generally, the SDS would benefit from clearer recognition of dependencies between policy areas across time horizons. For example:

- Delivery of 13.1 (distributed flexibility) is dependent on data access and governance arrangements within 14.1 (data) and 14.2 (innovation).
- Cyber and interoperability requirements under 10.3 (cyber resilience) similarly cut across multiple categories.

Without explicit recognition of these linkages, there is a risk that individual policy areas are prioritised correctly in isolation, but do not deliver system-level outcomes. We therefore recommend that Ofgem supplements the current time horizon classification with clearer articulation of critical path dependencies and sequencing assumptions.

Q3: Clarity and usability of the SDS

DCC finds the SDS broadly clear and understandable as a strategic document. However, in its current form, it does not yet provide sufficient clarity to fully support the initiation and implementation of code modifications.

A key gap relates to the role of Ofgem within the code modification process. Greater clarity is required on how Ofgem will act where SDS-aligned changes—particularly those classified as “Act Now”—are delayed, deferred or rejected within existing governance processes. Without clear escalation pathways and expectations on decision timelines, there is a risk that critical changes cannot be delivered at the pace implied by the SDS.



We note that Ofgem, in tandem with the development of the SDS, has published its Authority Guidance on Code Modification Prioritisation¹ which explicitly labels ‘alignment with the SDS’ as a prioritisation criteria.

It would be helpful if this document was referenced within and linked to the SDS itself to provide greater clarity on the implementation pathway and associated implications.

Q4: Approach to converting to a hybrid SDS

DCC recognises the rationale for moving towards a hybrid SDS following designation of the BSC and REC Code Managers and supports the underlying intent.

However, the proposed approach introduces practical complexity, particularly for organisations operating across multiple codes. A hybrid model—where some elements are binding and others are not—risks creating a fragmented delivery environment, especially for cross-cutting policy areas.

These areas inherently require coordinated cross-code implementation. Differences in legal status, timelines or obligations between codes could introduce misalignment and delay.

DCC therefore supports the direction of travel but considers that further clarity is required on how Ofgem will ensure:

- Consistency across designated and non-designated codes;
- Effective management of cross-code dependencies; and
- Clear governance where responsibilities span multiple institutions.

Q5: Other feedback

Additional observations relevant to the effectiveness of the SDS include:

- The need for clearer articulation of Ofgem’s role in enabling delivery. There is a need for defined escalations mechanisms and clear regulatory decision timelines to manage situations where SDS-aligned changes encounter barriers within code governance, including escalation routes and decision timelines.

¹ [Authority Guidance on Code Modification Prioritisation](#)



- Greater clarity is needed on institutional roles and interfaces, particularly between the SEC, Elexon and other code bodies. This is increasingly important given the increasingly cross-cutting nature of policy areas.
- The importance of early and proactive engagement with industry participants, beyond formal code governance processes. This is particularly relevant where changes involve complex commercial or financial arrangements, such as those associated with DCC2 transition.