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Fraser Murray
DCC Oversight and Regulatory Review Team
Ofgem
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5 August 2026

Dear Fraser,

DATA COMMUNICATIONS COMPANY (DCC) REMUNERATION POLICY GUIDANCE

Thank you for the opportunity to respond to this consultation on Ofgem's draft guidance for the DCC's remuneration policy.

We welcome the objectives identified by Ofgem to underpin the framework, as well as the accompanying four pillar structure through which those objectives will be delivered. Taken together, customer satisfaction, system performance, business plan quality and delivery provide a balanced framework for assessing DCC's performance. For us, these appropriately reflect the key areas that matter most to consumers, while providing a clear mechanism for linking remuneration to the delivery of tangible outcomes and consumer value.

Our full response is set out in Annex 1. Should you require any clarification on the points raised, please do not hesitate to contact me.

Yours sincerely,

Richard Sweet
Director of Regulatory Policy

Annex 1

DATA COMMUNICATIONS COMPANY (DCC) REMUNERATION POLICY GUIDANCE – SCOTTISHPOWER RESPONSE

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

Overall, we support the proposed objectives and design principles for the Remuneration Policy Guidance. Consumer value should always remain the primary consideration, and we agree that the framework should be designed to incentivise outcomes that deliver tangible benefits to consumers. We also support the inclusion of the long-term outcomes objective. Historically, delivery incentives have rewarded milestones and delivery dates, rather than the development of systems and services that perform reliably over time. As such, we support an approach that rewards the creation of durable capability rather than reported progress alone.

We recommend however, that the accountability objective be strengthened. The principle that remuneration should be linked to performance in areas where Senior Managers can exert influence is sound. Our concern lies in how this principle may be applied in practice. In our experience, DCC delivery shortfalls are frequently attributed to factors that are claimed to be outside its control. To provide greater transparency and accountability, the Licensee should be required to define, as part of its approved remuneration policy, the areas of performance it considers to be within the influence of Senior Managers. This would give industry visibility of the basis on which remuneration decisions are made and enable stakeholders to assess whether accountability is being applied consistently.

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?

Yes, we agree with the proposed approach. Where the remuneration policy is intended to influence delivery performance, it is appropriate for the scope to be extended to individuals who exercise material control over that performance.

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

No, we do not consider that the remuneration policy should incorporate additional performance measures beyond those contained within the four-pillar framework. Collectively, the four pillars already capture the key factors underpinning DCC's performance, including service quality as experienced by users, operational delivery, the credibility and quality of planning on which revenue allowances are based, and the disciplined delivery of outputs within the approved cost envelope.

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

Yes, we agree with the proposed roles identified within the 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)?

We agree that the weightings should remain fixed at least for the first price control period, with equal weighting applied across all pillars. Any changes during this period should be subject to industry consultation setting out the rationale for the proposed revised weightings.

Should Ofgem decide to retain flexibility in pillar weightings, we are of the view that the guidance should specify a minimum weighting below which no pillar may fall, ensuring that each area of performance remains subject to meaningful assessment.

We agree that consideration should be given to how weightings are applied in years where Pillar 3 is not reassessed, and we welcome Ofgem's recognition of this and its consideration of possible approaches. We can see advantages and disadvantages in both reallocating the weighting to a specific pillar and distributing it across the remaining pillars. On balance, however, we consider that transferring the weighting to Pillar 4 may be best for two reasons:

- Pillar 4 is where consumer value is ultimately realised. In years where the quality of the plan itself is not under reassessment, the primary focus should be on evaluating delivery against that plan and the outcomes achieved for consumers.

- Pillars 3 and 4 represent two elements of a single proposition: developing a credible plan and then delivering it effectively. In years when the plan itself is not being evaluated, the appropriate focus should be on the discipline of delivery against the plan that has already been approved.

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

We agree with Ofgem's position that the policy should establish clear principles governing the balance between organisational and individual performance in the determination of remuneration outcomes. We also support the three principles identified by Ofgem.

While we note Ofgem's intention to give the licensee some flexibility in determining the appropriate balance between organisational and individual performance when assessing remuneration, we believe that organisational performance should always represent the greater proportion of any remuneration assessment. This is because the four-pillar framework is fundamentally an organisational performance framework, with each pillar measuring outcomes delivered by DCC as an entity rather than by individual employees. As such, if a significant proportion of remuneration is linked to individual performance measures, there is a risk that remuneration outcomes could become disconnected from performance against the four pillars.

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

We offer no comments.

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

Yes, we agree that the guidance is sufficiently clear in supporting intended policy outcomes.

ScottishPower
August 2026