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Date: 29 March 2022

Dear Company Secretary,

**Approval of statement pursuant to paragraph 5 of condition 19 (Charging Statement for Service Charges) of Smart DCC Limited's Smart Meter Communication Licence**

This letter sets out the Authority's<sup>1</sup> decision, pursuant to condition 19.5 of the Smart Meter Communication Licence,<sup>2</sup> to approve the form of the Charging Statement for Service Charges (statement) prepared by Smart DCC Limited (DCC) and its reasons for that decision.

As signalled in the January 2017 consultation<sup>3</sup>, we no longer consider that it is necessary for us to consult on all future changes to the form of DCC's Charging Statement. We expect DCC to ensure that any proposed amendments to the Charging Statement are made transparently before being submitted to the Authority for approval. This may include DCC carrying out its own consultation where proposed amendments are material.

**DCC submission of Charging Statement**

On 24 December 2021 DCC submitted to us an updated statement for service charges that is proposed to take effect from 01 April 2022 for the Regulatory Year (RY) 2022/2023.

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<sup>1</sup> The terms "we", "us", "our", "Ofgem" and "the Authority" are used interchangeably in this document and refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

<sup>2</sup> The Smart Meter Communication Licences were granted under both the Gas Act 1986 and the Electricity Act 1989. For ease, in this letter we refer to these licences in the singular. DCC's licence can be found at <https://epr.ofgem.gov.uk/Document>

<sup>3</sup>[https://www.ofgem.gov.uk/system/files/docs/2017/01/consultation\\_letter\\_on\\_dcc\\_charging\\_statement\\_17\\_18\\_final.pdf](https://www.ofgem.gov.uk/system/files/docs/2017/01/consultation_letter_on_dcc_charging_statement_17_18_final.pdf)

Compared to the RY 2021/22 statement in place, the key changes to the form of the statement proposed by DCC include:

- Updates to reflect estimated costs/revenue for RY 2022/23
  - Table 1 – Monthly Fixed Charges by Charging Group
  - Table 2 – Monthly Fixed Alt HAN Charges by Charging Group
  - Table 3 – Monthly Fixed CH Charges by Charging Group
  - Table 7 – Estimated Allowed Revenue
  - Table 8 – Estimated Fixed Revenue
  - Table 9 – Estimated Fixed Revenue by category
  - Table 10 – Estimated External Costs by category
  
- Changes to 'Set' Explicit Charges for RY2022/23 (Table 4)
  - updated to reflect indexation, updated prices in service provider contracts and/or latest Comms Hub (CH) volume forecasts for RY2022/23
  - Updated to include 'DCC Boxed' prices for Standard Kits and Emulators, following progress made through SECMP<sup>4</sup> 179
  
- Changes to Indicative Explicit Charges applicable in RY2022/23 (Table 5)
  - updated to reflect indexation, updated prices in service provider contracts and/or latest CH volume forecasts for RY2022/23
  - Updated to include 'GFI Testing' and 'RF Noise Testing' charge ranges, following designation through SECMP 138
  
- Changes to Explicit Charges yet to be determined (Table 6)
  - Removed 'Shared Solution Alt HAN Equipment' Explicit Charge, as this is no longer needed
  
- Changes to Total Smart Metering Systems forecast for start of RY2022/23 (Table 11)
  - Updated to reflect a forecast of domestic and non-domestic meter volumes for the start of RY2022/23.
  - Both sets of volume forecasts were determined using the historic monthly rate of increase of meters up to and including October 2021
  
- Changes to Forecast CH and ESMS volume in RY2022/23 (Table 12)

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<sup>4</sup> "Smart Energy Code Modification Proposal"

- Updated to reflect updated CH and Enrolled Smart Meter (ESMS) volume forecasts for RY2022/23
- Changes to Section 17 - Invoicing
  - Updated the minimum monthly charge value to reflect indexation
- Changes to Section 18 – Credit Cover
  - Updated the credit cover threshold value to reflect indexation
- Changes to Appendix A – Worked examples
  - Revised worked examples to reflect changes to charges
- Changes to Appendix C – Acronyms, and Appendix D - Glossary
  - Updated to include additional terms and definitions

The statement was submitted in the form that DCC expects to use for the regulatory year starting on 1 April 2022.

### **Ofgem view**

When determining whether to approve the form of the statement, we must consider the purpose of the statement, namely to allow service users to make a reasonable estimate of what service charges they will be liable to pay DCC in RY 2022/23 in respect of the relevant services.

Following the submission of the draft statement on 24 December 2021, we consider that the statement provides both sufficient detail and clarity to allow service users to make a reasonable estimate of the service charges they will be liable to pay DCC. We encourage DCC to continue to explore how greater clarity can be provided through better forecasts and breakdown of high-level costs into further categories.

### **Authority's decision**

We have considered whether the proposed changes contained in the statement submitted by DCC on 24 December 2021 are consistent with the requirements of condition 19 of DCC's licence and DCC's wider licence and statutory obligations. We have also had regard to our principal objective and general duties while considering whether to approve the form of the statement. We are satisfied that the form of the statement meets the requirements as set out above.

Pursuant to paragraph 5 of condition 19, the Authority hereby approves the form of the statement annexed to this letter.

This letter constitutes Notice of the Authority's reasons for the decision pursuant to section 38A Gas Act 1986 and section 49A Electricity Act 1989.

Yours sincerely,

**Rachel Clark**  
**Deputy Director, Retail**

**Duly authorised on behalf of the Gas and Electricity Markets Authority**