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for energy consumers

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Date: 28 March 2024

Dear Company Secretary,

**Approval of statement pursuant to Part B 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 submitted a draft of the Charging Statement to Ofgem on 22 December 2023, which has been updated following Ofgem's RY22/23 Price Control decision and resubmitted on 27 March 2024.

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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/Content/Documents/Smart%20DCC%20Limited%20-%20Smart%20Meter%20Communication%20Consolidated%20Licence%20Conditions%20-%20Current%20Version.pdf>

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

## **DCC submission of Charging Statement**

On 22 December 2023 DCC submitted to us an updated statement for service charges that is proposed to take effect from 01 April 2024 for the Regulatory Year (RY) 2024/2025.

Compared to the RY 2023/24 statement in place, the key changes to the form of the statement proposed by DCC include:

- Updates to reflect estimated costs/revenue for RY 2024/25
  - 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 6 – Estimated Allowed Revenue
  - Table 7 – Estimated Fixed Revenue
  - Table 9 – Estimated External Costs by category
  
- Changes to 'Set' Explicit Charges for RY2024/25 (Table 4)
  - updated to reflect indexation, updated prices in service provider contracts and/or latest Comms Hub (CH) volume forecasts for RY2024/25
  
- Changes to Indicative Explicit Charges applicable in RY2024/25 (Table 5)
  - updated to reflect indexation, updated prices in service provider contracts and/or latest CH volume forecasts for RY2024/25
  
- Changes to Estimated Fixed Revenue by category for RY2024/25 (Table 8)
  - Updated to reflect costs/revenue for RY2024/25
  - Updated to remove SMETS1/SMETS2/Switching split, keeping just a Total estimate
  
- Changes to Total Domestic and Non-Domestic Smart Metering Systems forecast for start of RY2024/25 (Table 10)
  - Updated to reflect a forecast of domestic meter volume for the start of RY2024/25
  - Updated to include a forecast of non-domestic meter volume for the start of RY2024/25, in the COMR period.
  - Both sets of volume forecasts were determined using the historic monthly rate of increase of meters up to and including November 2022
  
- Changes to Forecast CH and ESMS volume in RY2024/25 (Table 11)
  - Updated to reflect updated CH and Enrolled Smart Meter (ESMS) volume forecasts for RY2024/25

- Changes to Section 17 - Invoicing
  - Updated to include the new minimum monthly charge value
- Changes to Section 18 – Credit Cover
  - Updated to include the new credit cover threshold value
- Changes to Appendix D – Worked examples
  - Revised worked examples to reflect changes to charges

The statement was submitted in the form that DCC expects to use for the regulatory year starting on 1 April 2024.

### **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 2024/25 in respect of the relevant services.

Following the submission of the statement on 22 December 2023, 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 22 December 2023 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.

Please note, this letter constitutes an approval of the form of the statement submitted to us on 22 December 2023, in accordance with Licence Condition 19.5. It does not constitute an approval of or consent to the charges set out within that statement.

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,

**Ayena Gupta**

**Head of DCC Oversight and Regulatory Review**

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