

To: Smart DCC Limited

**Gas Act 1986 – Section 23(1)(a)
Electricity Act 1989 – Section 11A(1A)**

Modification of the conditions of the Smart Meter Communication Licence

1. The licensee to whom this document is addressed is the holder of a smart meter communication licence granted or treated as granted under section 7AB(2) and (4) of the Gas Act 1986 ('the Gas Act') and section 6(1A) and (1C) of the Electricity Act 1989 ('the Electricity Act') ('the DCC Licence').
2. Under section 23(2) of the Gas Act and section 11A(2) of the Electricity Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 06 May 2025 ('the Notice') that we propose to modify the conditions of the Smart Meter Communication Licence. We stated that any representations to the modification proposal must be made on or before 06 June 2025.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 23(4)(b) of the Gas Act and section 11A(4)(b) of the Electricity Act, and we have not received a direction that the change should not be made.
4. We received 5 responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. Our response to these comments is set out at in our accompanying decision document ('Decision Document').
5. It is necessary to make some minor alterations to the modifications set out in the Notice. These are shown in yellow highlight in the attached Schedule 1. The reasons for the alterations are:
 - a. to correct minor typographical errors or areas that required redrafting to improve clarity, including those raised in consultation responses;
 - b. to add a definition of the Final Regulatory Year and to improve the definition of Regulatory Year to account for the possibility that the Transfer Date could occur later;
 - c. to extend the deadlines for non-Price Control related reporting by DCC following the Transfer Date;
 - d. to make minor improvements to the drafting to better support the policy intent.
6. We are making these changes to facilitate the transition to the next holder of the Smart Meter Communication Licence. The effect of the modifications will be to:
 - a. give effect to our conclusions on the process for determination of the Successor Licensee's Allowed Revenue – in particular to place obligations on the current Licensee to prepare and submit a costed Business Plan to Ofgem to cover the first Price Control Period of the Successor Licensee;
 - b. change the deadlines for Price Control and other regulatory reporting in the final Regulatory Year (expected to commence on 1st April 2026) to account

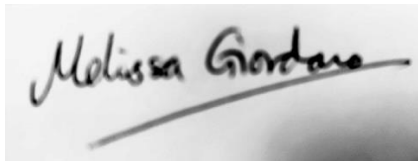
¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

- for the fact that Transfer Date² is unlikely to occur on the same date as a Regulatory Year ordinarily finishes (31st March);
- c. modifying the Baseline Margin Adjustment and External Contract Gain Share mechanisms to account for the Licence Term coming to an end.

7. Further details on the reasons for, and the effect of, each of these modifications can be found in the Decision Document accompanying this Notice.
8. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Electricity Act and section 23B of the Gas Act, Rule 5.6 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules³ requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-confidential notice setting out the matters required in Rule 5.2. Section 11A(10) of the Electricity Act and section 23(10) of the Gas Act sets out the meaning of 'relevant licence holder'. The relevant licence holder in relation to these modifications is the Data Communications Company.

Under the powers contained in section 23(1)(a) of the Gas Act and section 11A(1)(a) of the Electricity Act, the Authority hereby modifies the licence conditions of the Smart Meter Communication Licence in the manner specified in attached Schedule 1. This decision will take effect from 29 August 2025.

This document is notice of the reasons for the decision to modify the Smart Meter Communications Licence as required by section 38A(2) of the Gas Act and section 49A(2) of the Electricity Act.



Melissa Giordano
Deputy Director, Retail Systems and Processes

Duly authorised on behalf of the Gas and Electricity Markets Authority

04 July 2025

² Transfer Date has the meaning given to that term in LC 43.7

³ CMA 70

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1113629/Energy_Rules.pdf

Schedule 1 – Modifications to the conditions of the Smart Meter Communication Licence

We have included the sections of the conditions of the Smart Meter Communication Licence which we are proposing to modify below. Deletions are shown in ~~strike through~~, and new text is double underlined. Further changes made following the Notice are highlighted in yellow. We have only shown those licence conditions where modifications are proposed.

Cover, page 2 (Address)

The Company Secretary
Smart DCC Ltd
First Floor, 2 Kingdom Street
Paddington
~~65 Gresham Street~~
London
W2 6BD
~~EC2V 7NQ~~

PART 1 : TERMS IN RESPECT OF GRANT

Section B: Name and address of the Licensee

5. The Licensee (being the person who holds this Licence) is Smart DCC Ltd, a company that is registered in England and Wales under number 08641679, and whose registered office is at ~~65 Gresham Street~~ First Floor, 2 Kingdom Street, Paddington, London W2 6BD-EC2V-7NQ.

Condition 1. Definitions for the Conditions of this Licence

Part A: Definitions arranged in alphabetical order

Final Regulatory Year means the Regulatory Year immediately preceding the Transfer Date.

Regulatory Year means:
(a) a period of twelve months beginning on 1 April in any calendar year and ending on 31 March of the next calendar year (and the Licensee's first Regulatory Year is deemed to have begun on 1 April 2013), or
(b) the period beginning with 1 April and ending with the day immediately before the Transfer Date, where the Transfer

Date falls within the period of twelve months beginning with that 1 April.

Licensee means Smart DCC Ltd, a company registered in England and Wales under number 08641679, whose registered office is at ~~65 Gresham Street~~ First Floor, 2 Kingdom Street, Paddington, London W2 6BD EC2V 7NQ, and who is the person that holds this Licence.

Transfer Date has the meaning that is given to that term in paragraph 7 of Condition 43.

Condition 3. Addresses for the purposes of this Licence

Part A: Details with respect to the Licensee

3.2 Party: The Licensee

Smart DCC Ltd
~~65 Gresham Street~~
First Floor, 2 Kingdom Street
Paddington
London
EC2V 7NQ
W26BD
licence@smartdcc.co.uk

Condition 7. General controls for the Authorised Business

Part A: Requirement for corporate governance arrangements

7.4 The Licensee must, ~~by no later than 31 July in each Regulatory Year beginning on and after 1 April 2014,~~ provide to the Authority a Corporate Governance Statement that sets out how the Licensee has complied during the previous Regulatory Year with the main principles of the Code.

7.4A The Corporate Governance Statement must be provided to the Authority, where it relates to:

(a) the **Final Regulatory Year**, within the period of **four** months beginning with the Transfer Date, and

(b) any other Regulatory Year, on or before 31 July in the following Regulatory Year.

Condition 16. Procurement of Relevant Service Capability

Part J: Interpretation

16.40 For the purposes of this condition:

Fundamental Service Capability:

- (b) is deemed to have been procured by the Licensee under this Condition 16, and not by any other person acting by or under any other means, despite anything to the contrary in Schedule 1 to ~~to~~ this Licence.

Condition 23. Change control for the Smart Energy Code

Part C: Interpretation

Citizens Advice means ~~means~~ (in Condition 22 as well as in this condition) the National Association of Citizens Advice Bureaux.

Condition 30. Requirements for the Regulatory Accounts

Part D: Audit and delivery of the Regulatory Accounts

30.10 Except where the Authority otherwise consents, the Licensee must:

- (a) procure an audit by an Appropriate Auditor of such parts of its Regulatory Accounts and the Directors' Report and Business Review as would be specified in the Companies Act 2006 as being required to be so audited if the Licensee were a Quoted Company and those accounts were the statutory accounts of the Licensee drawn up to 31 March and prepared under Part 15 of the Companies Act 2006;
- (b) procure a report by that auditor, addressed to the Authority, that states whether in the auditor's opinion those accounts fairly present the financial position, financial performance, and cash flows of, or that are reasonably attributable to, each of the Authorised Business Activities in accordance with the requirements of Part A above; and
- (c) deliver those accounts and the auditor's report required under sub-paragraph (b) to the Authority as soon as is reasonably practicable, and in any event before their publication under Part G below and where the Regulatory Accounts relate to ~~no later than~~ the

- (i) the Final Regulatory Year, within the period of four months beginning with the Transfer Date;
- (ii) any other Regulatory Year, on or before 31 July after the end of the that Regulatory Year to which the Regulatory Accounts relate.

Part F: Agreed Upon Procedures for the Appropriate Auditor

30.13 The contract of appointment must require that the Agreed Upon Procedures are to be conducted in relation to each Regulatory Year and that the Licensee will arrange for the Appropriate Auditor to address a report to the Authority ~~by 31 July after the end of each such year~~ that:

- (a) states that he has, in a manner consistent with the relevant auditing standards, completed the Agreed Upon Procedures issued by the Authority in respect of the Regulatory Year under report; and
- (b) sets out his findings for the Authority's attention.

30.13A The report in paragraph 30.13 must be delivered to the Authority, where it relates to:

- (a) the Final Regulatory Year, within the period of four months beginning with the Transfer Date;
- (b) any other Regulatory Year, on or before 31 July after the end of that Regulatory Year.

Part G: Publication and provision of the Regulatory Accounts

30.14 Except where the Authority after consulting with the Licensee otherwise directs, the Licensee must publish its Regulatory Accounts (excluding any information agreed by the Authority to be confidential):

- (a) as a stand-alone document in accordance with this condition;
- (b) for accounts that relate to:
 - (i) the Final Regulatory Year, within the period of four months beginning with the Transfer Date, or
 - (ii) any other Regulatory Year, by 31 July after the end of the that Regulatory Year to which the accounts relate;
- (c) on the Licensee's Website; and
- (d) in any other manner which, in the opinion of the Licensee, is necessary to secure adequate publicity for the accounts.

Condition 32. Reporting of Price Control Information

Part A: Licensee's obligations in respect of reporting

- 32.4 In particular, the Licensee must, for those purposes, have in place and maintain (and must ensure that any Affiliate or Related Undertaking of the Licensee, and any External Service Provider from whom Relevant Service Capability is procured pursuant to Condition 16, has in place and maintains) appropriate accounting records, systems, processes, and procedures to enable the Licensee:
- (a) to measure, record, and collect such Price Control Information as is specified from time to time in the RIGs; and
 - (b) to report Price Control Information to the Authority in respect of the period comprising each separate Regulatory Year of this Licence ~~by:~~
 - (i) for the Final Regulatory Year, within the period of three months beginning with the Transfer Date, and
 - (ii) for any other Regulatory Year, on or before not later than 31 July in the next following Regulatory Year.

Condition 34. Annual Service Report to the Authority

Part A: Requirement to prepare an Annual Service Report

- 34.3 The Licensee must ~~by no later than 31 July in each Regulatory Year beginning on and after 1 April 2014,~~ prepare and submit to the Authority a report ("the Annual Service Report") about Overall Service Performance during the previous Regulatory Year ("the Performance Year").

34.3A The Annual Service Report must be submitted to the Authority, where it relates to:

- (a) the Final Regulatory Year, within the period of three months beginning with the Transfer Date;
- (b) any other Regulatory Year, on or before 31 July in the following Regulatory Year.

Condition 34A. Successor Licensee Business Plan Report

Introduction

- 34A.1 This condition requires the Licensee to prepare and submit a Business Plan Report to the Authority in relation to the anticipated Authorised Business of the Successor Licensee for the 1st SL Price Control Period.

34A.2 The Business Plan Report will form part of the information used by the Authority to determine the Successor Licensee's Required Revenue.

34A.3 This condition must be read in conjunction with Condition 34B (Successor Licensee Price Control Information).

Part A: Successor Licensee's Required Revenue

34A.4 For the purposes of this condition and Condition 34B, the Successor Licensee's Required Revenue is equal to the costs likely to be incurred during the 1st SL Price Control Period to economically and efficiently carry on the Authorised Business of the Successor Licensee.

Part B: Requirement to prepare and submit a Business Plan Report

34A.5 On or before 31 December 2025, the Licensee must submit a Business Plan Report to the Authority.

34A.6 The Business Plan Report must be prepared in accordance with guidance ("Business Plan Guidance") provided by the Authority in accordance with Part C.

34A.7 Irrespective of the requirements of the Business Plan Guidance, the Business Plan Report must contain any information that is or could reasonably be required by the Authority to determine the Successor Licensee's Required Revenue.

34A.8 The duty in paragraph 34A.7 does not require the provision of any information already provided, or to be provided, in accordance with Condition 34B (Successor Licensee Price Control Information).

Part C: Business Plan Guidance

34A.9 On or before 29 August 2025, the Authority must provide:

(a) the Licensee with Business Plan Guidance for the purposes of preparing the Business Plan Report, and

(b) a copy of the Business Plan Guidance to the SEC Panel.

34A.10 The Business Plan Guidance must contain:

(a) a description of the business the Authority expects to be carried on by any Successor Licensee under a Successor Licence ("Authorised Business of the Successor Licensee"),

(b) the Authority's best estimate of the Transfer Date, and

(c) a complete statement of the information relating to the Authorised Business of the Successor Licensee that the Authority reasonably requires from the Licensee to determine the Successor Licensee's Required Revenue ("Mandatory Content").

34A.11 The Business Plan Guidance may also contain a description of:

- (a) the format in which the Business Plan Report must be presented;
- (b) the processes and procedures the Authority expects to follow to determine the Successor Licensee's Required Revenue;
- (c) the principles the Authority expects to apply to determine whether the costs to carry on the Authorised Business of the Successor Licensee are economic and efficient;
- (d) the processes and procedures the Authority expects to follow to adjust its determination of the Successor Licensee's Required Revenue;
- (e) any other information that may help the Licensee prepare the Business Plan Report.

Part D: Procedure for preparing the Business Plan Report

34A.12 Before the Licensee submits the Business Plan Report to the Authority, the Licensee must:

- (a) on or before 29 August 2025, issue the Business Plan Report in draft to the SEC Panel,
- (b) provide the SEC Panel with sufficient and accurate information to allow it to understand the contents of the draft Business Plan Report,
- (c) consult in good faith with the SEC Panel about the proposed content of the Business Plan Report, and
- (d) have due regard to the response to the consultation in determining whether, and if so how, to amend the draft Business Plan Report.

Part E: Requirements for new or more detailed information

34A.13 The Authority may, in writing, request from the Licensee any further information it reasonably requires to determine the Successor Licensee's Required Revenue.

34A.14 The Licensee must comply with a request given under paragraph 34A.13 within the period of 14 days beginning with the day on which the request was made.

Part F: Interpretation

34A.15 In this Condition:

Authorised Business of the Successor Licensee has the meaning given to that term in paragraph 34A.10(a).

Business Plan Report means the document prepared and submitted in accordance with this Condition.

Business Plan Guidance has the meaning given to that term in paragraph 34A.6.

Mandatory Content has the meaning given to that term in paragraph 34A.10(c).

Successor Licensee's Required Revenue has the meaning given to that term in paragraph 34A.4.

The 1st SL Price Control Period means the period beginning with the Transfer Date and ending with 31 March 2028.

Condition 34B. (Successor Licensee Price Control Information)

Introduction

34B.1 This condition requires the Licensee to provide the Authority with information to enable it to calculate the Successor Licensee's Required Revenue. It also indicates the contents of the instructions and guidance that the Authority must provide to enable the Licensee to fulfil this duty.

34B.2 This condition must be read in conjunction with Condition 34A (Successor Licensee Business Plan Report).

Part A: Duty to provide SL Price Control Information

34B.3 On or before 31 December 2025, the Licensee must provide the Authority with the information it requires to calculate the Successor Licensee's Required Revenue ("SL Price Control Information").

34B.4 The information must be provided in accordance with the instructions and guidance ("SL RIGs") issued by the Authority under Part B.

34B.5 The duty in paragraph 34B.3 does not require the provision of any information already provided, or to be provided, in accordance with Condition 34A (Business Plan Report).

Part B: SL RIGs

34B.6 On or before 29 August 2025, the Authority must issue SL RIGs to the Licensee in relation to the duty to provide SL Price Control Information.

34B.7 The matters that may be included, or for which provision may be made, in the SL RIGs are:

- (a) a complete statement of the information that is to comprise the SL Price Control Information;

- (b) instructions and guidance on the Authority's requirements with respect to the collection, recording, and provision of the SL Price Control Information;
- (c) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of the SL Price Control Information (including different classes of SL Price Control Information);
- (d) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards for the SL Price Control Information;
- (e) provision with respect to the meaning of words and phrases used in defining the SL Price Control Information;
- (f) requirements as to the form and manner in which, or the frequency with which, the SL Price Control Information must be recorded;
- (g) requirements as to the form and manner in which, or the frequency with which, the SL Price Control Information must be provided to the Authority;
- (h) provision about how the Authority may monitor and assess the Licensee's compliance with the SL RIGs.

Interpretation

34B.8 In this Condition:

SL Price Control Information has the meaning given to that term in 34B.3

SL RIGs has the meaning given to that term in 34B.4

Successor Licensee's Required Revenue has the meaning given to that term in 34A.4.

Condition 36. Determination of the Licensee's Allowed Revenue

Part G: Calculation of the correction factor (K)

36.20A The written explanation referred to in paragraph 36.20(a) must be delivered to the Authority, where the Regulatory Year t-1 begins with:

- (a) the 1 April immediately before the Transfer Date, within the period of three months beginning with the Transfer Date; or
- (b) any other date, on or before 31 July of the Regulatory Year t.

Appendix 2: Adjustment mechanism for the BM term

Part A: Requirements for the proposal of Relevant Adjustments

A6. Notice given under paragraph A2 of a proposed Relevant Adjustment:

- (a) provided that it complies in all respects with the provisions of this Part A, may be served (the “Application Window”) where the Notice relates to:
 - (i) the Regulatory Year 2026/27, within the period of three months beginning with the Transfer Date;
 - (ii) any other Regulatory Year (excluding the Regulatory Year 2013/14), at any time during the month of July (“the Application Window”) in any a preceding Regulatory Year (excluding the Regulatory Year 2013/14) provided that it complies in all respects with the provisions of this Part A;
- (b) must be served within the first Application Window after the date on which the grounds for proposing the Relevant Adjustment first arose; and
- (c) must contain an Adjustment Date (being the date on which it is proposed that the Relevant Adjustment should take effect), which (other than for Regulatory Year 2026/27) may not be earlier than 1 April of the Regulatory Year immediately following the Regulatory Year in which the Notice has been served.

Part F: Interpretation

Determination Period means, the period running from the close of the Application Window at the end of July until the end of the first month of November after that closure, or such later date as may be directed by the Authority in a Counter Notice served under paragraph A8. in relation to a Notice served under paragraph A2:

- (a) in the Regulatory Year 2025/26, the period beginning with 1 August 2024 and ending with 28 February 2026 or such later date as may be directed by the Authority in a Counter-Notice;
- (b) in the Regulatory Year 2026/27, the period beginning with 1 August 2025 and ending with 30 September 2027.

Condition 37. Assessment of Mandatory Business costs

Part A: Submission of annual report on cost performance

- 37.3 The Licensee, in submitting Price Control Information to the Authority for the period of any Regulatory Year of this Licence (“the Relevant Regulatory Year”) ~~by 31 July in the next Regulatory Year, as required by~~ in accordance with paragraph 4 of Condition 32 (Reporting of Price Control Information), must at the same time submit to the Authority a

report drawing upon the Price Control Information that includes the following two comparisons.

Condition 39. Determination of External Contract Gain Share

Part B: Determination of the amount of the ECGS term

- 39.5 The amount of the ECGS term for any one or more of the Regulatory Years from 2015/16 to ~~2024~~2025 may be varied in such manner and to such extent as may be directed by the Authority in accordance with and subject to the provisions of Appendix 1 (Adjustment mechanism for the ECGS term), which has effect as part of this condition.

Appendix 1: Adjustment mechanism for the ECGS term

Part A: Requirements for the proposal of Relevant Adjustments

- A2. Subject to the following provisions of this Part A, the Licensee may, by Notice given to the Authority, propose a Relevant Adjustment to the value of the ECGS term for any one or more of the Regulatory Years from 2015/16 to ~~2025~~2026.
- A5. Notice given under paragraph A2 of a proposed Relevant Adjustment:
- (a) ~~may be served at any time in the month of July (“the Application Window”) in any Regulatory Year (excluding Regulatory Years 2013/14 and 2014/15)~~ provided that it complies in all respects with the provisions of this Part A may be served (the “Application Window”) where the Notice relates to:
- (i) the Regulatory Year 2026/27, within the period of three months beginning with the Transfer Date;
- (ii) any other Regulatory Year (excluding Regulatory Years 2013/14 and 2014/15), at any time during the month of July in a preceding Regulatory Year;

Schedule 2. Novation of External Service Provider Contracts

DEED OF NOVATION FOR EXTERNAL SERVICE PROVIDER CONTRACTS

THIS DEED is dated [xxxxxxxxxxxxxxxx] and is made between:

- (1) **Smart DCC Ltd**, a company incorporated in England and Wales under the number 08641679, whose registered office is at ~~65 Gresham Street, First Floor, 2 Kingdom Street, Paddington, London W2 6BD~~ EC2V 7NQ (referred to below as **Party A**);