

To: Smart DCC Limited

**Gas Act 1986 – Section 23(2)
Electricity Act 1989 – Section 11A (2)**

Notice of statutory consultation on a proposal to introduce modifications to the smart meter communication licence

1. The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify the conditions of the smart meter communication licence granted or treated as granted under section 7AB (2) and (4) of the Gas Act 1986 and section 6(1A) and (1C) of the Electricity Act 1989 ('the DCC Licence') by:

- Amending Condition 36 Determination of the Licensee's Allowed Revenue
- Inserting Condition 41A Ringfenced Amount pending final Price Control

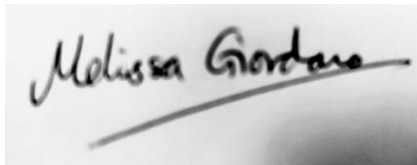
The proposed modification is set out in Schedule 1 to this Notice.

2. DCC operates under the Smart Meter Communication Licence (the "Licence") which is due to expire in September 2027. We are running a programme of work (DCC review) to put in place a new regulatory regime under a Successor Licence and to appoint a holder of that Licence. We are proposing to modify the Licence in two areas
3. Firstly, we are proposing modifications to Licence Condition 36 Part C, paragraph 8 to alter the definition of Pass-Through Costs. This is to allow a flow of funds from the current Licensee to a Successor Licensee prior to Transfer Date to ensure that the Successor Licensee can recover the necessary costs associated with Business Handover activities.
4. Secondly, we are proposing to introduce a new Licence Condition 41A to impose a duty on the Licensee to transfer to the Successor Licensee, on Transfer Date, a sum comprising Baseline Margin (including any adjustments) and External Contract Gainshare for the Regulatory Year 2025/26 and the Final Regulatory Year, pending the outcome of the Authority's Price Control determination for the Final Regulatory Year.
5. Further details on the reasons for, and the effect of, this modification can be found in the consultation accompanying this Notice.
6. A copy of the proposed modification and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from foi@ofgem.gov.uk.
7. Any representations with respect to the proposed licence modifications must be made on or before **24 November 2025** by email to: DCCregulation@ofgem.gov.uk
8. We are not issuing hard copies of the modification documents, nor do we expect consultation responses by post. If, however, you do wish to receive the documents and respond by post, we are able to organise this for you. Please contact us at the

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

email address above to request hard copies of the relevant documents and postal address for responses.

9. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
10. If we decide to make the proposed modification, it will take effect not less than 56 days after the decision is published.

A handwritten signature in black ink that reads "Melissa Giordano". The signature is written in a cursive style and is underlined with a single horizontal line.

Melissa Giordano
Deputy Director, Retail Systems and Processes
24 October 2025

Schedule 1 to Notice – Draft of proposed modifications to the conditions of the smart meter communication licence

We have included the section of the condition of the Smart Meter Communication Licence, which we are proposing to amend, below. Deletions are shown in ~~strike through~~, and new text is double underlined. We have only shown those licence conditions where modifications are proposed.

Condition 36 Determination of the Licensee's Allowed Revenue

36.8 In the Principal Formula above:

PTC_t means the total amount of Pass-Through Costs incurred by the Licensee in Regulatory Year t, and is the sum of:

- (i) the amount that is equal to the total annual fee paid by the Licensee to the Authority during Regulatory Year t as determined in accordance with Part A of Condition 4 (Licensee's payments to the Authority);
- (ii) the amount that is equal to the payments made by the Licensee during Regulatory Year t to SECCo Ltd for purposes associated with the governance and administration of the SEC~~;~~ and
- (iii) the amount that is equal to the payments made by the Licensee during Regulatory Year (t) to AlthANCo Ltd for purposes associated with the Alt HAN Arrangements~~;~~ and
- (iv) the amount that is equal to the payments made by the Licensee to the Successor Licensee for purposes associated with Business Handover as the Authority may direct.

Condition 41A. Ringfenced Amount pending final Price Control

Introduction

- 41A.1 Pursuant to Condition 36.4, the Licensee must estimate its Allowed Revenue for each Regulatory Year, including the Baseline Margin and External Contract Gain Share components.
- 41A.2 The actual Allowed Revenue for the Regulatory Year 25/26 and Final Regulatory Year will not be determined until after the Transfer Date. It is possible that the Regulated Revenue exceeds the Allowed Revenue for those years (an over-recovery). By this time, the Licensee will not be collecting Service Charges and it will not be possible to apply a correction factor pursuant to Part G of Condition 36.
- 41A.3 The Baseline Margin and External Contract Gain Share are not needed to meet the Licensee's costs during the Regulatory Year 25/26 or Final Regulatory Year and so are available to be ringfenced to correct any over-recovery.
- 41A.4 If appropriate, the Successor Licence will provide for the return of the Ringfenced Amount to the Licensee (with interest).

Part A: Duty to pay Ringfenced Amount to the Successor Licensee

- 41A.5 On the Transfer Date, the Licensee must pay the Ringfenced Amount to the Successor Licensee.
- 41A.6 The Ringfenced Amount is the sum of the Licensee's estimate of the following amounts of the Allowed Revenue for the Final Regulatory Years:
- (a) the BMt + BMPAt components, and
 - (b) the ECGSt component.
- 41A.7 The reference to an estimate in paragraph 41A.6 is a reference to the estimate the Licensee used to set its Service Charges for the Final Regulatory Years in accordance with Condition 36.4.

Part B: Interpretation

- 41A.8 In this condition:
- BMt** has the meaning given in Condition 36.8.
- BMPAt** has the meaning given in Condition 36.8
- ECGSt** has the meaning given in Condition 36.8.
- Final Regulatory Years** means the:
- (a) Regulatory Year 25/26, and
 - (b) Final Regulatory Year.