

Data Communications Company (DCC): Regulatory Instructions and Guidance

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Overview:

The Regulatory Instructions and Guidance (RIGs) provide the basis on which the licensee must report price control information as required under the Smart Meter Communication Licence. This document contains detailed instructions on what to report and offers guidance on how to complete the reporting templates.

The licensee is required to report to us on an annual basis by 31 July, following each regulatory year. It must act in accordance with the RIGs, and these will continue to apply to each year of price control reporting for the duration of the Licence term.

Context

The Data and Communications Company (DCC) is a central communications body appointed to provide the communications and data transfer and management required to support smart metering. It is responsible for linking smart meters in homes and small businesses with the systems of energy suppliers, network operators and other companies. DCC will develop and deliver data and communications services for smart meters through its external service providers.

The price control reporting allows us to monitor DCC's compliance with its licence obligations on price control¹, and assess the costs incurred with running DCC. The information will help us determine whether DCC incurred costs economically and efficiently, and we may disallow costs or impose special measures² on DCC to better manage its costs if we decide this was not the case.

Under the Licence DCC is required to submit cost, revenue, and incentive reporting to the Gas and Electricity Markets Authority (the Authority). This document provides detailed instructions on what to report and offers guidance on how to complete the reporting templates. DCC will report on an annual basis by 31 July, following each regulatory year³.

Associated documents

- RIGS consultation document
<https://www.ofgem.gov.uk/ofgem-publications/86008/1402dccrigsconfinal.pdf>
- Reporting template
<https://www.ofgem.gov.uk/ofgem-publications/86000/dccregreportingfinal.xls>

¹ Chapter 9: conditions 35 to 41 set out the price control conditions of the licence.

² These powers are set out in Condition 37 of the Licence.

³ A regulatory year runs from 1 April in any calendar year to 31 March in the following calendar year. DCC's first regulatory year is deemed to have begun on 1 April 2013 (Licence Condition 1.4).

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Executive Summary

The Smart Meter Communication Licence⁴ requires DCC to submit price control reporting to the Authority. This document is DCC's Regulatory Instructions and Guidance (RIGs) referred to under Licence Condition 33. It covers the reporting of Price Control Information by the licensee to the Authority⁵ under Condition 32 of the Licence.

Under the Licence, DCC must collect and provide Price Control Information to us in accordance with the RIGs. DCC must at all times act in accordance with the RIGs, and these will continue to apply to each year of price control reporting for the duration of the Licence.

The information collected in the reporting templates and specified in the RIGs is required for:

1. Consistency

The RIGs should consistently give the Authority Price Control Information for every regulatory year of the Licence, as required under Licence Condition 32. They create a template for DCC to provide, as required under Licence Condition 37, a comparison between the actual incurred costs, and those estimated in the Licence Application Business plan⁶, and any updated forecast. The costs associated with the Business plan will be separated from those costs that have been incurred as a consequence of new scope.

2. Compliance

We will use the RIGs to monitor DCC's obligations under the Licence, in particular Condition 36, which obliges it to take all reasonable steps to secure that regulated revenue does not exceed a prudent estimate of allowed revenue for that regulatory year, and ensure that Service Charges do not need to be amended in the course of the year except in response to a reasonably unlikely contingency. The RIGs allow us to monitor effectively the revenue of the DCC and to confirm that the revenues recovered were in line with the Licence.

3. Monitoring incentives and outputs

⁴ The Smart Meter Communication Licences granted pursuant to Sections 7AB(2) and (4) of the Electricity Act 1989 and Sections 6(1A) and (1C) of the Gas Act 1986 (such licences together referred to as 'the licence' throughout).

⁵ The Office of the Gas and Electricity Markets Authority (Ofgem) supports the Gas and Electricity Markets Authority ('the Authority') in its day to day work. In this document, 'us/we', 'Ofgem' and 'Authority' are often used interchangeably.

⁶ The Licence Application Business plan is the plan submitted in the course or as a consequence of the licence application process. It contains estimates of revenues, costs, capital investments and cash flows for each regulatory year of the Licence Term, and was taken into account by the Secretary of State in determining the grant of the Licence.

The RIGs allow us to record the performance of the DCC against the implementation milestones contained in the licence and to identify any impact on revenue. We will also be looking for information on DCC's outputs and performance against operational incentives, which will be introduced at a later date. These aspects are likely to be developed in the future.

4. Building knowledge

DCC is operating in a new and unique regime, and acquiring experience and knowledge of the costs and outputs will help us understand how future changes will impact the business.

5. Financial health and regulatory action

Monitoring financial information enables us to respond as early as possible in the event there is any change to DCC's financial health.

6. Efficient and economic

The information provided under the RIGs, together with information from other sources, for example on performance, should allow us to determine whether costs were economically and efficiently incurred. To assess the management of change control, we will closely scrutinise where deviations from the Licence Application Business plan⁷ occur. Where changes are unsubstantiated we will look at these more closely and consider whether further action is needed.

For the avoidance of doubt, this document should be read in conjunction with the RIGs Licence conditions. The terms used in the RIGs have the same meaning as is defined in the Licence, unless it is expressly stated otherwise. The RIGs will not change, alter, or amend, any definition or obligation contained within the Licence. In the event of any inconsistency between the Licence conditions and this document the Licence conditions will take precedence, except where expressly stated otherwise. Where changes or corrections need to be made to the Licence we will address these through Licence modifications.

Future Development

This is a new price control regime and DCC's role is still evolving. Given these uncertainties, it is likely that the RIGs may be modified in future years. It is likely they will need to be adjusted as the DCC business develops and additional cost items are included, or more regular reporting might be required. We recognise that any significant changes to the scope and form of the information requested can increase the regulatory burden on DCC. We will consider this impact when introducing any changes. Modifications to the RIGs will be in accordance with the process set out in Licence Condition 33, Part B.

DCC is also still in the implementation phase of its licence term. As a result, specified information in these RIGs does not currently include reporting of Quality of Service Information. Quality of Service Information is expected to be added to the RIGs in the future as part of the wider development of DCC's ongoing operational incentives.

⁷ Referred to "Business plan" for the remainder of the document.

1. Introduction

1.1. DCC must provide Price Control Information to the Authority in accordance with the RIGs. DCC must act at all times in accordance with the RIGs, and these will continue to apply to each year of price control reporting for the duration of the Licence.

1.2. Licence Condition 33 sets out the scope and governance arrangements for the RIGs.

1.3. The specified information in the RIGs refers to Quality of Service Information which is the subject of Condition 31 of the Licence and Price Control Information which is the subject of Condition 32 of the Licence.

1.4. Licence Condition 37 specifically requires the licensee to provide comparisons between the external and internal costs actually incurred and those that were estimated in its business plan and any updated forecasts. DCC is also required to explain any divergence between the comparisons and any material revisions to any financial or operational matter.

1.5. The purpose of this document is to provide instructions and guidance to enable DCC to provide Price Control Information in accordance with its Licence and specifically Condition 33 on RIGs.

1.6. This document provides:

- a complete statement of the specified information which DCC is required to report
- the systems, processes, procedures for recording and provision of price control information to the Authority
- the standards of accuracy and reliability that are applicable to recording the specified information (including different classes of specified information)
- explanations of the meaning of words and phrases used in defining price control specified information
- requirements for how and how frequently the specified information must be recorded, and given to the Authority; and
- how the Authority expects to monitor and assess the licensee's compliance with the RIGs.

1.7. Chapters 2 and 3 cover general and fixed information which is specified in the supporting regulatory reporting templates to these RIGs.

1.8. Chapter 4 covers revenue reporting information. Chapter 5 covers cost reporting including:

- the licensee's internal and external Mandatory Business Costs;
- financial statements of the licensee's regulated business; and
- cash balances of the licensee's business.

1.9. Chapter 6 provides specified price control information related to comparisons between:

- the amount of internal and external costs that were incurred in the relevant regulatory year; and
- the amount of internal and external costs that were incurred and/or estimated in the previous regulatory year and DCC's business plan.

1.10. Chapter 7 details a number of qualitative questions which support the specified information detailed in other chapters.

1.11. There are also qualitative questions included in the excel workbook. Where these have been included they relate to the information provided on the sheet. Any supplementary evidence or information that relates to these questions should also be provided.

1.12. For the avoidance of doubt, this document should be read in conjunction with the RIGs Licence conditions. The terms used in the RIGs have the same meaning as is defined in the Licence, unless it is expressly stated otherwise. The RIGs will not change, alter, or amend, any definition or obligation contained within the Licence. In the event of any inconsistency between the Licence conditions and this document the Licence conditions will take precedence, except where expressly stated otherwise. Where changes or corrections need to be made to the Licence we will address these through Licence modifications.

1.13. We anticipate that the RIGs may need to be modified in future years. This reflects that DCC is a new licensed entity for which there is uncertainty of future costs and outputs. Any future modification of the RIGs will be in accordance with the modification process set out in Licence Condition 33, Part B.

1.14. If any of the guidance contained in this document is unclear, the DCC should contact Ofgem for further guidance and to discuss potential changes to the RIGs and supporting reporting templates which might be required.

2. Specified information – General

2.1. General specified information covers sign-off procedures, logs and universal data requirements for the regulatory reporting templates as specified below.

Sign off

2.2. The input cells on the sign-off sheet are to be completed by a director of DCC once all other data has been collected in the return and immediately prior to submission of the return to the Authority. The director making the declaration must have taken adequate steps to ensure they are satisfied that they are able to make the declaration shown on that tab.

Log

2.3. This logs revisions of the reporting template by the Authority. Changes are logged with date, successive version number and short description of the amendment.

Universal data

2.4. **Company number:** this should be the official company registration number issued by Companies House upon incorporation of the licensee.

2.5. **Company name:** this should be the official name of the company as reported on filings submitted to Companies House. In the event that the name of the company has changed during the year then the name reported in this tab should be the name as at year end, i.e. 31 March.

2.6. **Company short name:** this should be a standard abbreviation of the name of the licensee which should be used whenever the name of the licensee is to be abbreviated.

2.7. **Reporting year:** this is the most recent year for which data is being submitted. The regulatory reporting year runs from 1 April to 31 March. It is anticipated that where Licence grant does not coincide with the start of the regulatory reporting year that the first reporting period will be for a period of less than 12 months (i.e. to next 31 March). The convention used in naming reporting years is to use the name of the year in which the regulatory reporting year ends. For

example, the regulatory reporting year which started on 1 April 2013⁸ and ended on 31 March 2014 is referred to as '2014'.

2.8. **Version (Number):** where cost reporting templates have been resubmitted for any reason each submission should be separately identified by its version number. The version numbers should be successive positive integers such that the first submission is always version 1 and any subsequent resubmissions will be labelled version 2, 3, 4 etc.

2.9. The Authority's agreement is required before any resubmission of information set out in a report produced in accordance with these RIGs can be made and in any such instance the report concerned must be resubmitted in full. The resubmission must only be accompanied by a letter signed by a director where significant changes have been made and the Authority or the licensee decides such a letter is required.

2.10. In addition, for each resubmission a separate explanation must be provided listing each and every cell that has been amended and sufficient commentary to explain the reasons for the changes.

2.11. **Submitted date:** Licence Condition 32 requires that the completed cost reporting templates are submitted by 31 July following the end of the year to which the information relates. For example, the data for the reporting year 2013/14 should be submitted by 31 July 2014. This cell should specify the date on which the return was sent to the Authority.

2.12. **Date to which last statutory accounts were compiled:** this is the date to which accounts were prepared or are being prepared for submission to Companies House. This should be the most recent such date which fell within the reporting year. For example, if a licensee were to prepare its statutory accounts to 31 May each year then in the reporting year 2014/15 the 'Date to which last statutory accounts were compiled' ought to be 31 May 2014 (since 31 May 2015 does not fall within the reporting year 2015).

⁸ The Licence was granted to DCC on 23 September 2013, however Licence Condition 1.4 definition of 'Regulatory Reporting Year' states that the first regulatory year was deemed to start on 1 April 2013

3. Specified information – Fixed data

Fixed data – Sheet 1

- 3.1. **Year of licence term:** this is a successive integer numbering of the licence years. The first year of the licence is 1, the second year 2, etc.
- 3.2. **Regulatory year:** The regulatory reporting year runs from 1 April to 31 March. It is anticipated that where Licence grant does not coincide with the start of the regulatory reporting year that the first reporting period will be for a period of less than 12 months (i.e. to next 31 March). The convention used in naming reporting years is to use the name of the year in which the regulatory reporting year ends. For example, the regulatory reporting year which started on 1 April 2013 and ended on 31 March 2014 is referred to as '2014'.
- 3.3. The Licence period runs from 23 September 2013 to 22 September 2025 unless it is extended or revoked. The reporting template accompanying these RIGs contains additional reporting years beyond the Licence period. The additional reporting years are included to capture forecasts of costs associated with the continuity of services and the close out of allowed revenue calculations following the end of the Licence period. For the avoidance of doubt, these additional reporting years are not part of the Licence period.
- 3.4. **Retail price index:** as defined in Licence Condition 36.
- 3.5. **Average specified rate:** as defined in Licence Condition 35.
- 3.6. **Month – reference:** this is a successive integer numbering of the months within a reporting year. The month April is 1, May is 2, etc.
- 3.7. **Month – date:** this is the list of calendar months within a reporting year. The regulatory reporting year runs from 1 April to 31 March.

Summary data – Sheet 2

- 3.8. This worksheet is linked to information on other worksheets of the regulatory reporting templates. No information should be entered on this worksheet.

4. Specified information – Revenue

4.1. The specified information for revenue reporting is described below. This is based on the Licence as granted on 23 September 2013.

Procedures for regulatory reporting

4.2. All revenue data should be reported on an accruals basis unless otherwise specified.

4.3. All monetary amounts should be reported in £m and to three decimal places.

4.4. All data is to be reported in nominal terms unless otherwise specified.

4.5. The specified information in the revenue reporting template is designed to capture the data across the full duration of the Licence. As a consequence, all previous periods are to be completed with the outturn figures and all future periods are to be completed with forecasts.

Revenue reporting – Sheet 3

4.6. This worksheet follows the Principal Formula defined in Licence Condition 36. Calculations of sub-formulas of the Principal Formula are provided for reference. Information should only be provided in the input cells.

4.7. **Allowed revenue:** the term 'Allowed revenue' and all subsequent terms used in its calculation are defined in Licence Condition 36. Allowed revenue is defined in that Condition as:

$$AR_t = EC_t + IC_t + PTC_t + BM_t + BMPA_t + ECGS_t - VASC_t + K_t$$

where each of the terms is explained below including the cross references to the relevant clauses in the Licence conditions where the detailed terms are defined.

4.8. **External Costs (EC_t):** shall include, for the specified regulatory year, the costs that were (or are expected to be) economically and efficiently incurred by the licensee in procuring Fundamental Service Capability for that period. Within the regulatory reporting templates, External Costs in the revenue reporting worksheet are linked to other worksheets on cost reporting as detailed in Chapter 5.

4.9. **Internal Costs (IC_t):** shall include, for the specified Regulatory Year, the sum of costs (excluding External Costs and Pass-Through Costs) that were economically and efficiently incurred by the licensee for the purposes of the provision of Mandatory Business Services under or pursuant to the Smart Energy Code (SEC).

As with External Costs, Internal Costs in the revenue reporting worksheet are linked to other worksheets on cost reporting as detailed in Chapter 5.

4.10. **Pass-Through Costs:** means the sum of total amounts paid (or expected to be paid) by the licensee to the Authority in respect of its licence fee⁹ (“Licence fee paid by the licensee”) and SECCo for purposes associated with the governance and administration of the SEC (“Payments by licensee to SECCo Ltd”).

Baseline margin: means the amount of the licensee’s Baseline Margin that is specified for the Regulatory Year t in Appendix 1 of Condition 36 of the Licence, as multiplied by the price index adjuster (PIBM) for that year, which in the Regulatory Year 2013/14 shall have the value of 1 and in each subsequent Regulatory Year is derived from the following formula:

$$PIBM_t = \left[1 + \frac{RPI_t}{100} \right] \times PIMB_{t-1}^{10}$$

4.11. **Baseline Margin Performance Adjustment (BMPA):** forms part of the Principal Formula for Allowed Revenue and is calculated within the revenue regulatory reporting worksheet for each Regulatory Year in accordance with Part E of Condition 36 of the Licence. BMPA is calculated for Regulatory Year t in accordance with either Formula A or Formula B as set out within the Licence:

- Formula A for BMPA term will apply with effect from 23 September 2013 until the Regulatory Year in which Completion of Implementation (as defined in Licence Condition 5 (General Objectives of the licensee)) is achieved (or such earlier date as the Authority may specify in a direction given to the licensee) and is:

$$BMPA_t = BMIPA_t$$

The value of the term $BMIPA_t$ is to be determined in accordance with the provisions of Part B of Licence Condition 38 and is calculated as such within the revenue regulatory reporting worksheet.

- Formula B for BMPA term will apply with effect from the start of the Regulatory Year immediately following the Regulatory Year in which the Completion of Implementation is achieved (or such earlier date as the Authority may specify in a direction given to the licensee) and is:

$$BMPA_t = BMOPA_t$$

⁹ As determined in accordance with Part A of Condition 4 of Licence (licensee’s payments to the Authority)

¹⁰ In this formula RPI_t means the “percentage change”, the Licence will be modified to add the reference to percentage, which is currently missing. The value for RPI should be entered rather than as a percentage or decimal, for example 3% should be entered as 3.

The value of the term $BMIPA_t$ is to be determined in accordance with the provisions of Part C of Licence Condition 38 and is calculated as such within the revenue regulatory reporting worksheet.

4.12. With respect to populating the inputs to the revenue reporting worksheet which calculates $BMIPA_t$:

- Operation phase (i.e. Implementation completed): This cell should be set to 'FALSE' for each regulatory years in which Completion of Implementation was not achieved yet at the beginning of the regulatory year. The cell should be set to 'TRUE' for all years following the Completion of Implementation.¹¹
- Implementation Milestone 1-13 - Time factor: Where Time Factor (TF) has the value for each Implementation Milestone depending on the licensee's performance against each Implementation Milestone Criteria as set out in Schedule 3 of the Licence. The TF value used for each Implementation Milestone should be populated by the licensee.
- Implementation Milestone 14 - Criteria met: This cell should be set to 'TRUE' if completion of user integration testing implementation milestone criteria is met by the Implementation Due Date by the licensee. It should be set to 'FALSE' if user integration testing implementation criteria are not met by the licensee by the Implementation Due Date.

4.13. The provisions for the Baseline Margin Performance Adjustment for the operational period ($BMOPA_t$) will be developed and populated by the Authority according to Licence Condition 38.

4.14. **External Contract Gain Share ($ECGS_t$):** this is to be determined in accordance with the provisions of Licence Condition 39 (Determination of External Contract Gain Share).

4.15. The effect of the ECGS term is to provide, where relevant, for an upward adjustment to the amount of the licensee's Allowed Revenue that reflects some part of the reduction in External Costs that the licensee has proposed to effect, or has effected, through amendments to the External Service Provider Contracts to which the licensee is party. The ECGS term is an input in the revenue regulatory reporting worksheet.

4.16. **Value Added Services Contribution:** this is to be determined in accordance with Licence Condition 40.

¹¹ For example, if Completion of Implementation is achieved in December 2016, the cells for 2013 to 2017 should be set to 'FALSE' as the implementation was not completed at the beginning of the regulatory reporting year 2017 on 1 April 2016.

4.17. The effect of the application of the VASC term in Licence Condition 36 is to provide, where relevant, that some part of the net benefit that arises as a result of the licensee's provision of Value Added Services is reflected in a reduction in the price that would otherwise be payable for Mandatory Business Services. It is determined as follows:

$$VASC_t = \sum_{all\ k} (CAVAS_{k,t})$$

4.18. $CAVAS_{k,t}$ means the share of the net benefit arising in Regulatory Year t from the licensee's provision of Value Added Service k that was agreed with the Authority when it approved the provision of that service in accordance with Part D of Licence Condition 6 (Authorised Business of the licensee). The CAVAS term is an input in the revenue regulatory reporting worksheet.

Correction factor (K_t) for the Regulatory Year 2013/14 shall have a value of 0¹² and in each subsequent Regulatory Year is calculated in accordance with the following formula:

$$K_t = (AR_{t-1} - RR_{t-1} - BDC_{t-1}) \times \left[1 + \frac{(ASR_t)}{100} \right]^{13}$$

where:

- **Regulated Revenue (RR):** means in relation to each Regulatory Year the actual revenue, measured on an accruals basis, received by the licensee through Service Charges as defined in Part B of Licence Condition 35. The RR term in the revenue reporting worksheet is linked to information on another cost reporting worksheet of the reporting templates.
- **Bad Debt Contribution (BDC):** means the contribution to bad debt within the licensee's Internal Costs as defined in Part F of Licence Condition 36. This is expected to be zero except where the licensee has failed to comply fully with its obligations under or pursuant to the SEC in relation to the management of SEC Parties' credit cover and recovery of bad debt.

¹² The value for K_t for the Regulatory Year 2013/14 is not in the Licence. Necessary changes will be addressed through a Licence modification.

¹³ The value for ASR should be entered rather than as a percentage or decimal, for example 0.5% should be entered as 0.5.

5. Specified information - Cost reporting

5.1. The specified information for cost reporting is described below.

Procedures for cost reporting

5.2. All cost data should be reported on an accruals basis unless otherwise specified.

5.3. All monetary amounts should be reported in £m and to three decimal places.

5.4. All data is to be reported in nominal terms unless otherwise specified.

5.5. The specified information in the cost reporting templates are designed to capture the data across the full duration of the Licence. As a consequence, all previous periods are to be completed with the outturn figures and all future periods are to be completed with forecasts.

5.6. Where possible the data requested should be provided. Where it is not possible for any reason to provide the data in the detail required this should be explained in a commentary submitted alongside the reporting pack.

5.7. The template includes 'spare' rows to cater for some variation in the way business activities are accounted for (for example under different accounting treatments). The Authority welcomes the opportunity to engage with the licensee to further develop the reporting pack in this regard.

Internal costs by cost centre – Sheet 4

5.8. This worksheet should be used to report the licensee's Internal Costs according to DCC cost centres. It is split into four parts:

- Part 1 calculates a summary of total Internal Costs by cost centre. This part of the worksheet is then referenced in the Summary Data worksheet and the Revenue Reporting worksheet.
- Part 2 should be populated by the licensee with incurred and forecast Internal Costs by DCC cost centre. Definitions of the cost centre headings and the principles for populating this part of the worksheet are described below.
- Part 3 calculates a summary of total Internal Costs by General Ledger (GL) accounting code. The GL accounting codes and their role in licensee cost reporting is described below.

- Part 4 requires the licensee to report changes to incurred and forecast Internal Costs for each regulatory reporting year compared to the same information which was provided in the previous regulatory reporting year pack submission. It also requests from the Licensee an associated commentary of any reported changes in Internal Costs by cost centre.

5.9. How the licensee should use and populate each part of the internal costs by cost centre worksheet is described in the subsections below.

Part 1 – summary of internal costs by cost centre

5.10. Part 1 of the internal costs by cost centre worksheet shows the licensee's reported costs according to the following headings:

- Total internal costs;
- Baseline costs – total;
- Baseline costs – by cost centre;
- New scope costs – total;
- New scope costs – by project; and
- Overheads.

5.11. The cells in Part 1 of this worksheet are linked to other cells in the worksheet and should not be amended by the licensee. Definitions of 'baseline', 'new scope' and 'overhead' costs are described in Part 2 below.

Part 2 – inputs of internal costs by cost centre

5.12. Part 2 of the internal costs by cost centre worksheet is split into two reporting segments:

- The first segment requires the licensee to report its 'baseline' internal costs by cost centres and GL accounting codes. Baseline costs should only include costs associated with delivering the requirements provided to the licensee during the DCC Licensing Competition.¹⁴
- The second segment requires the licensee to report its 'new scope' internal costs according to project and GL accounting codes to be agreed by the Authority. New scope costs should include any requirements that are considered by the licensee to be additional to the requirements provided during the DCC licensing competition¹⁵ and the development of the Business Plan.

¹⁴ Requirements that were used by the licensee to produce the Business Plan.

¹⁵ This includes the cost of the evolving requirements, volumes, risk, complexity or timescales in the DCC licensing competition baseline, including specific exclusions from the DCC licensing competition that were subject to finalisation following the grant of the Licence.

5.13. The cost centre headings adopted in Part 2 are:

- **Corporate management:** this shall include costs associated with the function of providing direct support to the managing director and the senior management team of the licensee in discharging DCC Licence obligations.
- **Industry:** this shall include costs related to managing the licensee's engagement and relationship with the service users, SEC panel and other industry bodies as the primary external 'face' of DCC. This shall include liaising with the Authority and SEC panel to ensure that DCC services are compliant with Licence and SEC obligations.
- **Finance:** this shall include costs associated with developing and applying the DCC charging methodology and managing the budgeting, forecasting and billing aspects of the DCC operation and compiling price control and annual performance reports.
- **Commercial:** this shall include the costs of leading the contract and commercial management of External Service Providers and running procurements.
- **Design and assurance:** this shall include costs associated with development and maintenance of the licensee's technical architecture and service design, including costs associated with working closely with External Service Providers, technically assuring DCC services, and overseeing the delivery and implementation of the test strategy and test approach.
- **Operations:** this shall include cost of ensuring that DCC Services meet the needs of all Service Users, designing and providing the day-to-day operational interface for Service Users and deploying the discipline of ITILv3¹⁶, supporting the delivery of DCC Services (including the consolidation of demand forecasting from Service Users), managing change processes and authorisations and providing a first line service desk.
- **Security:** this shall include costs associated with assuring the security of all DCC systems, establishing an information security policy (including security assurance standards, processes, procedures and implementation timescales) and maintaining information security standards and certification throughout the Licence term.
- **Programme management:** this shall include costs associated with coordinating delivery across the whole DCC ecosystem during the implementation phase, ensuring that the services, systems, resources and assets are all in place in accordance with the programme plan to enable design and build activities to be completed and to facilitate system integration and user integration testing.

5.14. The GL accounting codes adopted in Part 2 are:

¹⁶ Information Technology Infrastructure Library (ITIL) is a set of practices for IT Service Management

- **Payroll costs:** Cost of salaries, day rates, overtime, bonuses, car allowances, healthcare, National Insurance, pensions and other allowances.
- **Non-payroll costs:** Cost of travel, subsistence, mobile phone and training expenses.
- **Recruitment:** Cost of procuring internal and external resources.
- **Accommodation:** Cost of rent, rates and office supplies.
- **External services:** Cost of third party suppliers including consulting fees, legal fees and bank charges.
- **Internal services:** Cost of information technology and other professional services sourced from the licensee's parent group (where applicable).
- **Service management:** Cost of providing a first line service desk.
- **Shared services:** cost of internal support functions provided by existing licensee parent group shared services (where applicable).
- **Transition:** Cost of setting up DCC and mobilising the business.
- **Impact assessments:** Cost of the process of assessing change requests.

5.15. Figure 1 below provides an illustration of the hierarchy of this reporting structure by cost centre, new scope projects and GL accounting codes.

5.16. It is the responsibility of the licensee to populate the reporting template with new projects and/or additional GL accounting codes.

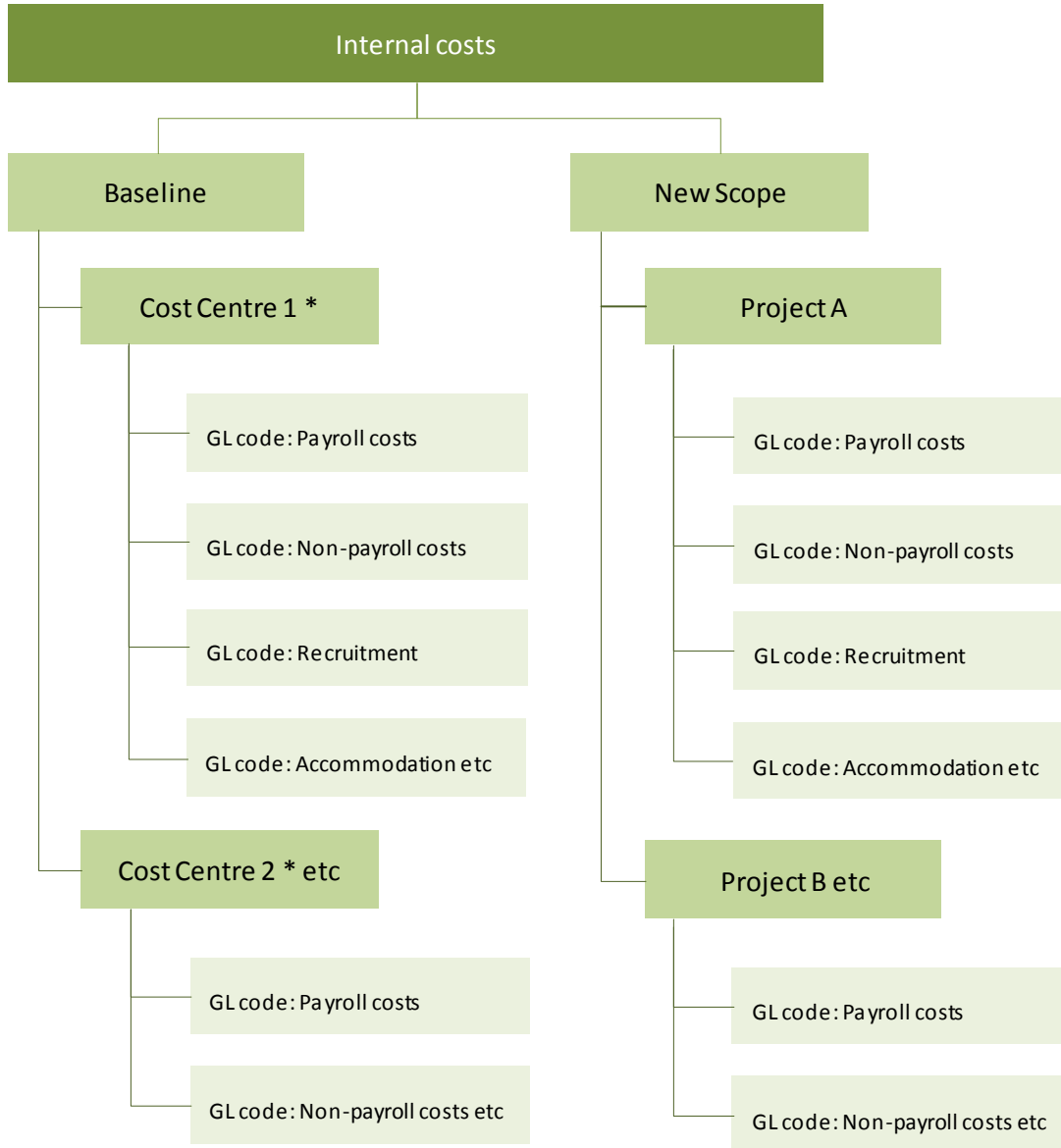
5.17. Where a new project accounting code is added by the licensee to the reporting templates for new scope, the licensee shall provide in its reporting submission to the Authority a definition of that project accounting code and an explanation of how the licensee has reported costs for the project accounting code for the current and future regulatory reporting years.¹⁷

5.18. Having established and provided a definition of a new scope project accounting code, the licensee must apply this project definition consistently throughout its regulatory reporting, including across regulatory reporting years.

5.19. Should the licensee wish to change the definition and/or treatment of a project accounting code, or any other part of the cost reporting hierarchy detailed above, it must inform Ofgem as soon possible.

¹⁷ A more general supporting analysis of the changes in scope in the licensee's business for the regulatory reporting year is requested as part of the qualitative questions which support other Specified Information in the RIGs. See Chapter 7.

Figure 1: Hierarchy of cost reporting by cost centre



* Cost centres include corporate management, industry, finance, commercial, design and assurance, operations, security and programme management.

Part 3 – internal costs by GL accounting code

5.20. This part of the worksheet shows internal costs by GL accounting code according the following headings:

- total costs;
- baseline costs;
- new scope costs; and
- overheads.

5.21. The cells in Part 3 of this worksheet are linked to other cells in the worksheet and should not be amended by the licensee.

Part 4 – Record of changes in regulatory reported costs

5.22. Part 4 of the internal costs – by cost centre worksheet requires the licensee to report changes to incurred and forecast internal costs for each year of the Licence term compared to the same information that was reported in the previous year regulatory reporting submission.

5.23. This information shall be provided by:

- baseline costs;
- new scope costs; and
- GL accounting code (at total, baseline and new scope reporting levels).

5.24. The licensee should also provide an associated commentary of any changes in reported internal costs that are populated in this part of the worksheet.

Internal costs by service level – Sheet 5

5.25. This worksheet should be used to report the licensee's internal costs by operational service level. It is split into two parts:

- Part 1 should be populated by the licensee with incurred and forecast Internal Costs by operational service level. Definitions of the operational service headings are discussed below.
- Part 2 requires the licensee to report changes to incurred and forecast costs for each Regulatory Year compared to the same information which was provided in the previous Regulatory Year reporting pack submission. It should be populated according to the same principles set out above for Part 4 of the Internal Costs – by cost centre worksheet.

5.26. The licensee should report operational service level Internal Costs under the following sub-headings:

- **SM1 Service Provision:** this shall include costs associated with operations, including delivering core, elective, enabling and value added services to DCC service users via the systems provide by the Data Service Provider (DSP) and Communication Service Providers (CSPs).

- **SM2 Service Management and Reporting:** this shall include costs associated with managing service delivery to service users through a first line service desk, service management tool and self-service portal.
- **SM3 Innovation and Service Development:** this shall include costs associated with working the DSP and CSP(s) to optimise the delivery of existing services, responding to requests for new services from service users and developing new service propositions.
- **SC1 Service Integration:** this shall include costs associated with programme management, ensuring that the DSP and CSP(s) work to deliver a seamless service to service users, including assuring the DSP's system integration role.
- **SC2 Technical and Security Assurance:** this shall include costs associated with securing including assuring the data and communication system technical solutions, assuring the delivery of end-to-end security accreditations and assuring that the DSP fulfils its security responsibilities.
- **SC3 Testing and Trialling Management:** this shall include costs associated with design and assurance activities, including programme and project management of solution testing of the data and communications systems, user integration testing with service user business systems and trials of the operational system following system changes.
- **SC4 Contract Management:** this shall include costs associated with the licensee's commercial activities, including managing the DSP and CSP contracts.
- **DM1 DCC Corporate Management:** this shall include costs associated with internal management of the corporate entity holding the DCC Licence.
- **DM2 DCC Internal Support Services:** this shall include costs associated with the effective delivery of back office functions necessary for the licensee to operate as a corporate entity. This may include, but is not limited to, administration, human resources, IT and legal support related internal costs.
- **DM3 Billing and Payment:** this shall include costs associated with the licensee's billing system, including apportioning service charges appropriately to service users in a manner consistent with the charging methodology and paying the DSP and CSP(s) for the service provided.
- **DM4 Procurement:** this shall include project costs associated with procuring additional services where new requirements are not met internally or by the DSP and CSP(s) as well as undertaking the procurement of the second generation of providers for the data and communications services in due course.

Financial statements – Sheet 6

5.27. This worksheet of the reporting template requires the licensee to prepare financial statements for the regulatory reporting year.

Cash-flow statement

5.28. All items in the cash flow statement are to be reported in accordance with the GAAP shown at the top of the sheet. If there are items which the licensee needs to report in the cash flow statement which do not currently have row headings then the licensee should inform Ofgem of this matter.

Balance sheet

5.29. All items in the Balance Sheet are to be reported in accordance with the GAAP shown at the top of the sheet.

5.30. If there are items which the licensee needs to report in the Balance sheet which do not currently have row headings then the licensee is to discuss the matter with Ofgem. Row sub-headings have been included for the licensee to populate with the main headings of the Balance Sheet.

Income statement

5.31. The Income Statement should be completed with actual data for all elapsed periods (i.e. prior to and including the reporting year) and with forecast data for all future periods. The Income Statement and the Balance Sheet attempt to be sufficiently flexible to reflect any of the possible accounting treatments the Licensee may adopt.

5.32. The licensee should record which Generally Accepted Accounting Principles (GAAP) have been used in the preparation of the Income Statement for each year. The licensee should specify the accounting treatment used in preparing Income Statement and the Balance Sheet.

5.33. The headings for the income statement are:

- **Revenue:** revenue should be reported in accordance with the GAAP specified at the top of the worksheet.
- **Other operating income:** other operating income should be reported in accordance with the GAAP specified at the top of the worksheet.
- **Operating costs:** operating costs should be reported in accordance with the GAAP specified at the top of the worksheet. Where these figures are reported under the same headings as under the Allowed Revenue formula and Internal and External Cost tabs then the figures should agree.
- **Exceptional items:** items that the licensee considers should be separately disclosed from other cost or profit items.
- **Interest income and similar income:** these figures should be reported in accordance with the GAAP specified at the top of the worksheet.

- **Interest expense and other finance costs:** these figures should be reported in accordance with the GAAP specified at the top of the worksheet.
- **Taxation:** these figures should be reported in accordance with the GAAP specified at the top of the table.

Other comprehensive income: licensees should report here any items which are to be recognised directly in equity.

Cash balances – Sheet 7

5.34. This worksheet requires the licensee to report, on a monthly basis, cash balances for the current Regulatory Reporting Year and the forthcoming Regulatory Reporting Year. Parts 1 and 2 of the worksheet require the licensee to:

- **Populate revenues on a monthly basis for the reporting year (incoming cash).** Reported monthly totals for the Regulatory Years should agree with revenues that are reported elsewhere within the regulatory reporting templates, with the addition of the Licensee's prudent estimate revenue addition. If there is a difference this needs to be explained.
- **Populate cash outgoings on a monthly basis for the reporting year.** This should include the licensee's internal costs, external costs (by external contract provider) and pass-through costs. If there are items which the licensee needs to report on its cash outgoings which do not currently have row headings then the licensee is to discuss the matter with Ofgem.
- **Report cash balances on a monthly basis for the reporting year.** Including cash at start of month, cash receipts, cash payments and month end cash balance. The part of the worksheet includes a number of entry row headings for cash payments which can be populated by the licensee. These should be consistent with the headings used in the cash outgoings rows.

5.35. Part 3 of the cash balances worksheet requires the licensee to report qualitative information and commentary on the cash balances of the licensee's business and its prudent budgeting assumptions.

External costs – Data Service Provider – Sheet 8a

5.36. This worksheet requires the licensee to report the costs of its Data Service Provider (DSP). It is split into two parts:

- Part 1 should be populated by the licensee with incurred and forecast DSP External Costs. Definitions of the cost headings for DSP External Costs are discussed below. DSP External Costs should be reported separately as 'baseline' and 'new scope' costs (as discussed below).

- Part 2 requires the licensee to report changes to incurred and forecast costs for each Regulatory Year compared to the same information which was provided in the previous Regulatory Year reporting pack submission. It should be populated according to the same principles set out for Part 4 of the Internal Costs – by DCC cost centre worksheet.

5.37. The licensee should report DSP External Costs under the following sub-headings:

- **Set-up costs**, including pre-integration, system integration, user integration (interface testing), user integration (testing charges) and DSP incentive payment related costs.
- **Operational costs**, including fixed operational charges, transaction charges and termination assistance.
- **Other DSP costs**, which are to include costs that are not reported within the set-up and operational cost sub-headings.

5.38. Incentive payments, to be included in set-up costs, are related to the achievement of Shared Milestones by all DCC Service Providers by a proposed achievement date.

5.39. In reporting DSP External Costs, 'baseline' costs should only include costs associated with delivering the requirements associated with the original contract award to the DSP. 'New scope' costs should include any requirements that are considered by the licensee to be additional to the requirements associated with the original contract award to the DSP.

5.40. If there are additional items which the licensee needs to report in relation to DSP costs which do not currently have row headings within this worksheet, then the licensee should inform Ofgem of this matter.

External costs - CSP North/Central/South – Sheets 8b, 8c, 8d

5.41. These three worksheets require the licensee to report the costs of its Communication Service Providers (CSP). The three worksheets cover the three communication service areas – North, Central and South.

5.42. Each of these worksheets is split into two parts:

- Part 1 should be populated by the licensee with the incurred and forecast CSP External Costs. Definitions of the cost headings for CSP External Costs are discussed below. CSP External Costs should be reported separately as 'baseline' and 'new scope' costs (as discussed below).
- Part 2 requires the licensee to report changes to incurred and forecast costs for each Regulatory Year compared to the same information which was provided in

the previous Regulatory Year reporting pack submission. It should be populated according to the same principles set out for Part 4 of the Internal Costs – by DCC cost centre worksheet.

5.43. The licensee should report CSP External Costs under the following sub-headings:

- **Set-up costs**, including pre-integration, system integration, user integration (interface testing), user integration (testing charges) and CSP incentive payment related costs.
- **Operational costs**, including fixed operational charges, transaction charges, termination assistance, Communications Hub Monthly Asset charges and Communications Hub Maintenance charges.
- **Other CSP costs**, which are to include costs that are not reported within the set-up and operational cost sub-headings.

5.44. Incentive payments, to be included in set-up costs, are related to the achievement of Shared Milestones by all DCC Service Providers by a proposed achievement date.

5.45. In reporting CSP External Costs, 'baseline' costs should only include costs associated with delivering the requirements that were provided to the CSP(s) at original contract award. 'New scope' costs should include any requirements that are considered by the licensee to be additional to the requirements provided to the CSP(s) at original contract award.

5.46. If there are additional items which the licensee needs to report in relation to CSP costs which do not currently have row headings within this worksheet, then the licensee should inform Ofgem of this matter.

External costs – Other costs – Sheet 8e

5.47. This worksheet requires the licensee to report other costs in procuring Fundamental Service Capability. It should be populated following similar principles to those applied to the DSP and CSP cost reporting worksheets.

5.48. If the licensee needs to report External Costs in this worksheet, then the licensee should inform Ofgem of this matter ahead of the regulatory reporting template submission.

Allocation of shared/group/support costs – Sheet 9

5.49. This worksheet requires the licensee to report specified information on shared/group/support costs (where applicable). It is split into two parts:

- Part 1 requires the licensee to report the total allocation of parent group costs that have or are forecast to be recovered by the licensee through its regulated revenue (where applicable).
- Part 2 requests a breakdown of corporate overhead costs by function (if available and applicable).

5.50. The worksheet also requires the licensee to provide an associated commentary of the value for money of corporate overheads.

Staff Resourcing and Costs – Sheet 10

5.51. This worksheet requires the licensee to report specified information on the resourcing of its regulated business and the associated internal costs. The worksheet is split into three parts:

- Part 1 requires the licensee to provide information on Full Time Equivalents (FTEs) for each of the DCC cost centres in Sheet 4.

These include corporate management, industry, finance, commercial, design and assurance, operations, security and programme. This information should be reported for:

- the previous regulatory reporting year;
 - the previous year's forecast for the current regulatory reporting year;
 - the forecast for the current regulatory reporting year made in the Licence Application Business Plan;
 - the current regulatory reporting year; and
 - the forthcoming regulatory reporting year.
- Part 2 requires the licensee to provide information on FTEs by grade. This includes Director, Senior Management, Manager, Base Grade, Assistant and Other grades. Like for Part 1, this information should be reported for:
 - the previous regulatory reporting year;
 - the previous year's forecast for the current regulatory reporting year;
 - the forecast for the current regulatory reporting year made in the Licence Application Business Plan;
 - the current regulatory reporting year; and
 - the forthcoming regulatory reporting year.
 - Part 3 requires the licensee to report average staff costs (£s per annum) for each of the FTE grades from Part 2. This information should be reported for:
 - the previous regulatory reporting year;
 - the previous year's forecast for the current regulatory reporting year;
 - the forecast for the current regulatory reporting year made in the Licence Application Business Plan;
 - the current regulatory reporting year; and
 - the forthcoming regulatory reporting year.

6. Specified information – Reconciliations

6.1. The specified information for reconciliations is described below.

Previous year regulatory reporting reconciliations of total costs and revenues – Sheet 11a

6.2. This worksheet is intended to provide a reconciliation of incurred and forecast total licensee costs and revenues in the current regulatory reporting year compared to estimates in the previous regulatory reporting year.

6.3. It is split into three parts:

- Part 1 requires the licensee to report allowed revenue, regulated revenue, external costs, internal costs and pass-through costs for each year regulatory year as reported in the previous year regulatory reporting templates.
- Part 2 reports the same information as Part 1 of the worksheet but as reported by the licensee for the current regulatory reporting year. The information on revenues and costs in this part of the worksheet is drawn from other parts of the current regulatory reporting year templates.
- Part 3 calculates the difference, for each regulatory year, between the costs and revenues reported in Part 1 and Part 2 of the worksheet. This illustrates how incurred and forecast costs and revenues for the current regulatory reporting year have changed from what was reported by the licensee for the previous regulatory reporting year.

6.4. The worksheet also requires the licensee to provide an associated commentary of the worksheet reconciliation of costs and revenues.

Licence Application Business Plan reconciliations of total costs and revenues– Sheet 11b

6.5. This worksheet is intended to provide a reconciliation of incurred and forecast total licensee costs in the current regulatory reporting year compared to forecasts in the business plan.

6.6. It is split into three parts:

- Part 1 requires the licensee to report allowed revenue, regulated revenue, external costs, internal costs and pass-through costs for each regulatory year which was forecast in the business plan.

- Part 2 reports the same information as Part 1 of the worksheet but as reported by the licensee for the current regulatory reporting year. The information on revenues and costs in this part of the worksheet is drawn from other parts of the current regulatory reporting year templates.
- Part 3 calculates the difference, for each regulatory year, between the costs and revenues reported in Part 1 and Part 2 of the worksheet. This illustrates how incurred and forecast costs and revenues for the current regulatory reporting year have changed from what was forecast by the licensee in the business plan.

6.7. The worksheet also requires the licensee to provide an associated commentary of the worksheet reconciliation of costs and revenues.

Previous year regulatory reporting reconciliations of internal costs by cost centre – Sheet 11c

6.8. This worksheet is intended to provide a reconciliation of incurred and forecast licensee internal costs by cost centre in the current regulatory reporting year compared to estimates in the previous regulatory reporting year.

6.9. It is split into three parts:

- Part 1 requires the licensee to report its internal costs by cost centre (as described in Chapter 5) for each regulatory year as reported in the previous year regulatory reporting templates.
- Part 2 reports the same information as Part 1 of the worksheet but as reported by the licensee for the current regulatory reporting year. The information on internal costs by cost centre in this part of the worksheet is drawn from other parts of the current regulatory reporting year templates.
- Part 3 calculates the difference, for each regulatory year, between the internal costs reported in Part 1 and Part 2 of the worksheet. This illustrates how incurred and forecast internal costs for the current regulatory reporting year have changed from what was reported by the licensee for the previous regulatory reporting year.

6.10. The worksheet also requires the licensee to provide an associated commentary of the worksheet reconciliation of internal costs.

Licence Application Business Plan reconciliations of internal costs by cost centre – Sheet 11d

6.11. This worksheet is intended to provide a reconciliation of incurred and forecast licensee internal costs by cost centre in the current regulatory reporting year compared to forecasts in the licensee's Business Plan.

6.12. It is split into three parts:

- Part 1 requires the licensee to report its internal costs by cost centre (as described in Chapter 5) for each regulatory year which was forecast in the Business Plan.
- Part 2 reports the same information as Part 1 of the worksheet but as reported by the licensee for the current regulatory reporting year. The information on internal costs by cost centre in this part of the worksheet is drawn from other parts of the current regulatory reporting year templates.
- Part 3 calculates the difference, for each regulatory year, between the internal costs reported in Part 1 and Part 2 of the worksheet. This illustrates how incurred and forecast internal costs for the current regulatory reporting year have changed from what was forecast by the licensee in the Business Plan.

6.13. This reconciliation should not include new scope costs – i.e. the licensee should only report baseline costs.

6.14. The worksheet also requires the licensee to provide an associated commentary of the worksheet reconciliation of internal costs.

7. Specified information – supporting questions

7.1. The specified information on supporting questions is described below.

7.2. The following information should be provided by the licensee as part of its annual regulatory reporting submission:

- **External Cost value for money provisions:** Please report how the licensee undertook its contract management responsibilities in the current regulatory reporting year. Please explain how value for money provisions in the DSP and CSP contracts have been applied in the current reporting year.
- **Incurred and future costs:** Please report actions undertaken by the licensee to review incurred service provider costs in the current regulatory reporting year and the actions that the licensee proposes to take to review service provider costs in the forthcoming regulatory reporting year.
- **Service provider performance:** Please provide the licensee's assessment of the performance of its external contract service providers in the current regulatory reporting year. Please detail areas such as implementation and testing, operational performance, data security, business continuity and the on-going financial viability of its suppliers and expected implications for licensee costs and revenues.
- **Register/assessment of risks:** Please detail short, medium and long term risks (if applicable) which the licensee is monitoring with regards its external service provider performance. How has performance in the current regulatory reporting year impacted on the licensee's assessment of external service provider performance and risks and the implications for licensee costs?
- **Cost allocation and group charges:** Please provide a copy of the licensee's and its associated Parent Group cost allocation policy (where applicable). Please explain how the licensee's regulated business share of corporate costs is determined and the policies put in place to manage those group charges. How has this changed from previous regulatory reporting years?
- **Definition of baseline:** Please provide a full definition of the requirements that the licensee considers to be included in its reported and forecast baseline Internal and External costs. Please confirm that this definition of requirements has been used to report incurred and forecast baseline costs in the current year regulatory reporting template.
- **Project definitions:** Please provide definitions and justification for any new projects that were added to the reporting template in the current regulatory reporting year. Please explain how the project scope relates to the scope of baseline activities and existing projects. Please provide explanations for the projects' forecast costs.

- **Prudent estimate of allowed revenue:** Please detail the uncertainties, activities, assumptions and any relevant modelling that has informed the prudent estimate of allowed revenue for the current reporting year and updated forecasts of allowed revenue prudent estimates for future regulatory reporting years.
- **Communications hubs:** Please report on the roll-out of communications hubs. Please explain the communications hub financing arrangements in as far as they affect the licensee, e.g. regarding cash flows. Please detail any risk which the licensee is monitoring with regard to communications hub financing. Please detail any actions the licensee has instructed its service providers to take to secure value for money.
- **Events:** Please list business events that are significant for explaining the reported costs and forecasts in the regulatory reporting templates. (For example: built-up cash reserves, implementation milestones, introduction of value added Service, etc.) Please include dates and further details and any other related information where applicable.
- **Minimal Services and Value Added Services:** Please report on any minimal services or value added services that the Licensee has provided during the current regulatory reporting year, or it intends to provide in the next regulatory reporting year.
- **Procurement for relevant service capability:** If the licensee has undertaken or intends to undertake procurement for relevant service capability please explain how this is in line with the procurement strategy, and how value for money was or will be secured through the procurement process. Please report how value for money is being secured on an ongoing basis.



Appendices

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Appendix 1 - Glossary

A

Allowed Revenue

Total amount of revenue determined on an accruals basis in relation to each regulatory year in accordance with the Principal Formula set out in Part C of Condition 36 after the deduction of value added tax and any other taxes.

Authority

The Gas and Electricity Markets Authority

C

Communications hub

A Device which complies with the requirements of CHTS and which contains two, logically separate Devices; the Communications Hub Function and the Gas Proxy Function.

Communications Service Provider (CSP)

Bodies awarded a contract to be a service provider of the DCC's communications services. Arqiva Limited and Telefónica UK Limited have been appointed to provide these services.

D

Data and Communications Company (DCC)

This is a company that manages the data and communications to and from domestic consumers' smart meters

Data Services Provider (DSP)

Body awarded the contract to deliver systems integration, application management and IT hosting services to the DCC. CGI IT UK Limited has been appointed to provide these services

Department for Energy and Climate Change (DECC)

The UK government department responsible for energy and climate change policy

E

External Costs

The costs that were economically and efficiently incurred by the Licensee in procuring Fundamental Service Capability

G

[GAAP](#)

Generally accepted accounting principles - this is the generic name for a set of accounting rules. There are various national GAAPs (including UK GAAP) as well as the international standards (IFRS).

H

[HMRC](#)

Her Majesty's Revenue and Customs - the tax authorities in the UK.

I

[Internal Cost](#)

Costs (excluding external costs and pass-through costs) that were economically and efficiently incurred by the Licensee for the purposes of the provision of Mandatory Business Services under or pursuant to the SEC

L

[Licence Application Business Plan](#)

The plan submitted in the course or as a consequence of the licence application process. It contains estimates of revenues, costs, capital investments and cash flows for each regulatory year of the Licence Term, and was taken into account by the Secretary of State in determining the grant of the Licence.

R

[Regulatory Instructions and Guidance \(RIGs\)](#)

Provide the basis on which the licensee must report price control information as required under the Smart Meter Communication Licence.

[Regulated Revenue](#)

The actual revenue in a regulatory year, measured on an accruals basis received by the Licensee through Service Charges that are levied in accordance with the provisions of Condition 18.

[Relevant Services Capability](#)

The internal and external resources which the DCC relies upon in order to provide services to DCC Users

S

[Smart Energy Code \(SEC\)](#)

The SEC is a new industry code which is a multiparty agreement which will define the rights and obligations between the Data and Communications Company (DCC) and the users of its services Suppliers, network operators and other users of the DCC's services who will all need to comply with the Code

[SECCo](#)

A company established under the SEC, owned by SEC Parties and which acts as a contracting body for the SEC Panel.

[SEC Panel](#)

Panel established to oversee the Smart Energy Code with powers and duties as set out in Section C of the SEC.

[Service Charges](#)

The charges levied by and payable to DCC in connection with the operation or provision of Mandatory Business Services under or pursuant to the SEC

[Smart Meter](#)

Smart meter is a meter which, in addition to traditional metering functionality (measuring and registering the amount of energy which passes through it) is capable of providing additional functionality, for example two way communication allowing it to transmit meter reads and receive data remotely. It must also comply with the technical specification set out by the Smart Metering Programme.

[Smart Meter Communication Licence](#)

The Smart Meter Communication Licences granted pursuant to Sections 7AB(2) and (4) of the Electricity Act 1989 and Sections 6(1A) and (1C) of the Gas Act 1986.

M

[Mandatory Business Costs](#)

Costs associated with the Authorised business of that consists of the operation or provision, on behalf of or to SEC parties, of Mandatory Business Services under pursuant to the SEC,

O

[Ofgem](#)

Office of Gas and Electricity Markets