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**Consultation on proposed updated form of the Data and Communications Company's Charging Statement for Service Charges ('Charging Statement')**

Dear Colin,

SmartestEnergy welcomes the opportunity to comment on Ofgem's consultation on DCC's Charging Statement.

We note that Ofgem are seeking views in particular on whether the Charging Statement provides sufficient clarity on the charges that Service Users will face, is in a coherent and easy to navigate format and is accurate in all material respects.

SmartestEnergy is a supplier in the half hourly electricity market and an aggregator of embedded generation. We have just entered the NHH retail market (group and corporate, not SME/Micro, sectors).

We are currently not a signatory to the SEC

We would like to make the following observations:

Ofgem state that "The statement must enable Service Users to estimate the charges they will face and must be prepared in accordance with the charging methodology in the Smart Energy Code." However, the document itself states that

“The purpose of this document is to publish DCC Service Charges and to enable SEC Parties to anticipate their annual charges for RY 2014/15.”

Our understanding is that it is possible to be a Party to the SEC but not a user of the service. Clarity is therefore required on which particular set is chargeable. We acknowledge that there is currently no “service” to use at the moment, but it would be inappropriate to apply charges to any companies which may in the future be obliged to become parties but who are not users of the service. Also what happens if a company joins mid-year?

Section K3 of the SEC states the following: “One of the Charging Objectives is that the Charges are cost reflective (insofar as reasonably practicable in the circumstances of the case, having regard to the cost of implementing the methodology and subject to the objective referred to in Section K3.4). Consistent with the Charging Objectives, the methodology provides (subject to Section K3.4) for the Fixed Charges in respect of a Smart Metering System to be set proportionately to the costs and expenses of providing the Services (other than the Elective Communication Services and the Explicit Charging Metrics) in respect of that Smart Metering System by Region and Charging Group.” It also states that “The DCC shall estimate the numbers of Domestic Premises and Non-Domestic Premises based on Registration Data.”

It is, therefore, not clear to us why the Charging Statement makes no reference to the distinction between Domestic and Non-Domestic premises. It would be helpful to know whether there is an intention at any point in the future for these charging groups to be charged at different rates and on what basis.

The assumptions refer to “Total meters with a profile class 1 and 2 associated with the MPAN and an identifiable chargeable Import Electricity Supplier.” Presumably this should be more specific and state “domestic profile class 1 and 2” and this approach should be justified. We also consider the words “identifiable chargeable” rather imprecise.

It is also unclear to us how a charging group of zero expected size (i.e. export electricity) can be assigned a positive weighting factor.

The “Worked example” on Page 5 implies that the DCC intend billing at a Group level whereas, if these are genuinely segregated businesses a DNO should be billed separately from the supplier business.

Ofgem's consultation letter poses the following question:

"Our understanding is that the Service Users would prefer certainty on the costs they will face, and so would prefer that DCC continues with the Service Charges presented in the attached Charging Statement. We also understand that any change in the allocation of Service Charges would be minimal. Do you think it is preferable for the Charging Statement to reflect the latest available data?"

This is in some way connected to the issues we raise above. Estimates of charging groups is rather a secondary issue compared with the issue of who is chargeable and from what point.

If you have any questions, please do not hesitate to contact me.

Please note that our response is not confidential.

Yours sincerely,

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