



**Smart DCC Ltd**

**Charging Statement for Service Charges**

**For the Regulatory Year ending**

**31<sup>st</sup> March 2015**

Effective from ~~1<sup>st</sup> April 2014~~ 26<sup>th</sup> January 2015 and  
based on

the Charging Methodology contained within  
the Smart Energy Code

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2	<del>0</del> <u>1</u>

**DCC PUBLIC**

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# Charging Statement for Service Charges

## 1 Introduction

1. This document is the Charging Statement for Service Charges (Charging Statement) for Smart DCC Ltd (DCC) for the Regulatory Year ending 31<sup>st</sup> March 2015 (RY 2014/15). This Charging Statement has been prepared and published in a form approved by the Authority (Ofgem) in accordance with Condition 19.5 of the Smart Meter Communication Licence.
2. 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.
3. This revised version of the Charging Statement for RY 2014/15 replaces Issue 2 Revision 0 as a result of the amendment Notice as submitted by DCC to the Authority and SEC Parties on 20<sup>th</sup> November 2014.
- 3.4. Accordingly, this document sets out the annual charges applicable for Mandatory Business Services (other than Elective Communication Services) and Pass-Through Costs, along with the inputs used to calculate these charges.
- 4.5. The applicable Mandatory Business Services provided by DCC are:
  - Core Communication Services provided to or from a Smart Metering System that relate solely to the Supply of Energy (or its use)
  - Enabling Services that include the Enrolment Service, Communications Hub Service and Other Enabling Services.
- 5.6. Pass-Through Costs include the total annual fee paid by DCC to the Authority and payments made by DCC to SECCo Ltd for purposes associated with the governance and administration of the Smart Energy Code (SEC) designated on 23<sup>rd</sup> September 2013.
- 6.7. The algebraic approach to the calculation of charges is prescribed in Section K (Charging Methodology) of the SEC. Further details on this methodology are set out in Section J (Charges) of the SEC.
- 7.8. DCC charging documentation including the Charging Statement, Charging Methodology, Working Model and the indicative Invoicing Timetable for RY 2014/15 is available on the DCC website ([www.smartdcc.co.uk](http://www.smartdcc.co.uk)).
- 8.9. DCC has produced a commentary on the Charging Statement to provide supporting information relating to the quantum of charges. This narrative is included as Annex A to this document.
- 9.10. If you require further detail on the information contained within this document or would like to provide feedback on how this document might be improved for future Charging Statements, please contact [finance@smartdcc.co.uk](mailto:finance@smartdcc.co.uk).

## 2 Assumptions

40.11. This section contains the assumptions that are used within the determination of this Charging Statement for RY 2014/15. The acronyms within these tables are those used within the Charging Methodology of the SEC.

44.12. Table 1 below shows the Estimated Allowed Revenue of DCC in total and by category of service (Elective, Explicit and Fixed), along with the number of charging months. Estimated Allowed Revenue is the total amount that DCC needs to recover during RY 2014/15 to deliver the Mandatory Business Services and pay Pass-Through Costs.

Acronym	Name	Total
$EAR_t$	Estimated Allowed Revenue for RY 2014/15	£43,800,000
$EESR_t$	Estimated Elective Services Revenue for RY 2014/15	£0
$EECR_t$	Estimated Explicit Charges Revenue for RY 2014/15	£0
$EFR_t$	Estimated Fixed Revenue for RY 2014/15	£43,800,000
$NM_t$	Number of months in RY 2014/15	12

**Table 1 - Cost Assumptions**

42.13. Table 2 below shows the assumptions taken by DCC in relation to each Charging Group. These assumptions are used in conjunction with the Estimated Fixed Revenue to determine the Monthly Fixed Charge per meter.

Charging Groups	Name	Size of Charging Group (EMSMS <sub>gt</sub> )	Charging Group Weighting Factor ( $\alpha_{gt}$ )
g1	Import Electricity Suppliers	27,627,094	0.49
g2	Export Electricity Suppliers	-	0.08
g3	Gas Suppliers	22,440,902	0.37
g4	Electricity Distributors	27,870,923	0.06
g5	Gas Transporters	22,635,560	0.00

**Table 2 - Charging Group Assumptions**

43.14. The size of Charging Groups is an estimate for domestic Mandated Smart Metering Systems (MSMS). Non-domestic Enrolled Smart Metering Systems (ESMS) become relevant during the User Integration Testing and Mass Rollout (UITMR) period, consequently there will be no charge for non-domestic meters during RY 2014/15. DCC will introduce an estimate for non-domestic ESMS within a quarterly update of the Indicative Charging Statement for RY 2015/16. Fixed Charges in respect of domestic MSMS will be the same in the North, Central and South regions, however non-domestic ESMS charges may differ by region in accordance with the Charging Methodology.

44.15. Consistent with the requirements of the SEC, DCC has estimated the size of Charging Groups based on data provided by Gemserv, Xoserve and Distribution Network Operators as at 15<sup>th</sup> November 2013 (the most recent and complete data available to DCC at the time of preparing this Charging Statement) and the following assumptions:

- Import Electricity Suppliers (g1): Total meters with a domestic profile class 1 and 2 associated with the MPAN and an identifiable chargeable Import Electricity Supplier
- Export Electricity Suppliers (g2): These meters are currently included in Import Electricity Suppliers in accordance with Section X2.6 (a) of the SEC
- Gas Suppliers (g3): Total meters for which there is a domestic market sector code associated with the MPRN and an identifiable chargeable Gas Supplier
- Electricity Distributors (g4): Total meters with a domestic profile class 1 and 2 associated with the MPAN
- Gas Transporters (g5): Total meters for which there is a domestic market sector code associated with the MPRN.

There are more meters in g4 than g1 as Electricity Distributors (g4) include all meters regardless of whether the respective Electricity Suppliers (g1) have acceded to the SEC. Similarly, there are more meters in g5 than g3 as Gas Transporters (g5) include all meters regardless of whether the respective Gas Suppliers (g3) have acceded to the SEC.

- ~~15.16.~~ The Charging Group Weighting Factors specify the ratio of costs to be incurred in respect of each Smart Metering System (without regard to the number of Smart Metering Systems). These weighting factors are based on an estimate of the demand for DCC Services (other than Elective Communication Services) within each Charging Group in accordance with the Charging Methodology. This estimate will be derived from assumptions for RY 2021/22 until data on usage becomes available.
- ~~16.17.~~ DCC has derived these ratios using aggregated demand and rollout profiles provided by energy suppliers and network operators to the Department of Energy and Climate Change (DECC) as well as contracted variable costs of DCC Service Providers.

### 3 Fixed Charges

- 47.18. Table 3 details the Monthly Fixed Charge applicable to each meter within each charging group from the effective date on this document. The Monthly Fixed Charges are expressed to three decimal places and presented excluding VAT.
- 48.19. Fixed Charges are only applicable to suppliers and network operators included in the Charging Groups.

Charging Groups	Name	Monthly Fixed Charge (£ / meter) (FC <sub>gt</sub> )
g1	Import Electricity Suppliers	£0.077
g2	Export Electricity Suppliers	£0.013
g3	Gas Suppliers	£0.058
g4	Electricity Distributors	£0.010
g5	Gas Transporters	£0.000

Table 3 - Charging Group Monthly Fixed Charge

### 4 Explicit Charges

- ~~19. There are no Explicit Charges relevant to RY 2014/15 and consequently the estimated Explicit Revenue for RY 2014/15 is zero.~~
- ~~20. Explicit Charges are payable in respect of Explicit Charging Metrics, which represent those Core Communication Services and Enabling Services that are to be charged to parties separately from Fixed Charges. They recover the costs associated with a range of specific services which are offered to parties on an optional basis. The cost of those services would only arise where it is specifically ordered by a party, and would be recovered from that party.~~
- ~~21. Current Explicit Charging Metrics are set out in Section K7 of the SEC, which refers to Sections F, G, H and I, much of which is yet to come into effect (see Section X2.1 of the SEC).~~
- ~~22. Please refer to Section 32 of the Annex A for further information on Explicit Charges, which sets out cost variables and assumptions for current Explicit Charges and a summary of anticipated future Explicit Charges.~~
- ~~23. The current Explicit Charging Metrics are set out below.~~
- DCC Gateway Connections**
- ~~24. DCC Gateway Connections (High-Volume Option and/or Low-Volume Option) are available to order in accordance with Section H15 of the SEC. The structure of these charges is set out in Table 4, below.~~

Service	Charge (£, excluding VAT)	Further details
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<u>Service</u>	<u>Charge (£, excluding VAT)</u>	<u>Further details</u>
<u>DCC Gateway HV Connection (Up to 100Mbps (which can be utilised in increments of 10Mbps))</u>	<u>To be confirmed by DCC following a request from a party for a DCC Gateway Connection.</u>	<u>The charge will comprise a connection charge (one-off) and an annual charge (payable in advance)  (see Section 2 of Annex A for more details)</u>
<u>DCC Gateway LV Connection (Up to 40Mbps)</u>	<u>To be confirmed by DCC following a request from a party for a DCC Gateway Connection.</u>	<u>The charge will comprise a connection Charge (one-off) and an annual Charge (payable in advance)  (see Section 2 of Annex A for more details)</u>

**Table 4 - DCC Gateway connections with applicable Charges**

20.25. Charges will be calculated for each individual connection in accordance with Appendix [TBC]: DCC Gateway Connection Code of Connection and Section H15 of the SEC. Parties may order as many DCC Gateway Connections as they wish to meet their business needs for resilience and availability. All applicable Charges will include the cost of DCC Gateway Equipment, and are based on a minimum one-year term. DCC will provide an offer to the requesting party (which includes the price); the party can then decide whether or not to accept that offer.

## **5 Invoicing and Payment**

21.26. Payment is due to DCC on the later of five working days following receipt of the invoice and eight working days following the end of the month to which the invoice relates, in accordance with Section J1.4 of the SEC.

22.27. Consistent with these timescales, DCC intends to issue invoices exclusively via email on or about the third working day of each month following the charging month. Should there be an unforeseen delay, DCC will advise SEC Parties of the revised invoicing date via email.

23.28. Parties that accede to the SEC during a Regulatory Year will receive their first invoice on or about the third working day of the following month, based on registration data as at the 15th day of the charging month.

24.29. An indicative Invoicing Timetable is available on the DCC website.



## Annex A: Commentary on Charging Statement

### 3 ~~1~~ Estimated Fixed Revenue for Regulatory Year 2014/15

25.30 Estimated Fixed Revenue comprises:

- Costs defined within Condition 35 (Definitions for the Price Control Conditions) of the Licence, summarised as:
  - Internal Costs – the sum of costs incurred by DCC for the purposes of the provision of Mandatory Business Services under or pursuant to the SEC, excluding those costs defined as External Costs or Pass-Through Costs
  - External Costs – the costs that were incurred by DCC in procuring Fundamental Service Capability, i.e. the costs of the Data Service Provider and the Communication Service Providers
  - Pass-Through Costs – the sum of the total annual fee paid by DCC to the Authority and the amount paid to SECCo Ltd for purposes associated with the governance and administration of the SEC (including the cost of the SEC Panel and the Code Administrator and Secretariat). DCC passes on the costs incurred by the Authority and SECCo Ltd to Service Users and recovers the costs directly.
- Baseline Margin as defined within Condition 36 (Determination of the Licensee's Allowed Revenue) of the Licence
- Prudent estimate:
  - In accordance with Part B of Condition 36 (Determination of the Licensee's Allowed Revenue) of the Licence, DCC has made an adjustment for RY 2014/15 to avoid the potential need for charges to be amended in the course of the year (except in response to a reasonably unlikely event)
  - In accordance with Condition 27 (Indebtedness and transfers of funds) of the Licence, which places restrictions on the Licensee's ability to incur debt, the prudent estimate ensures that DCC can manage cash flow and remain cash positive.

26.31 The estimates for Internal Costs include an allowance for indexation using the Retail Prices Index (RPI). Baseline Margin also includes an allowance for indexation using RPI as defined in Condition 36.8 of the Licence.

27.32 External Costs include an allowance for indexation using the Consumer Price Index (CPI) in accordance with the provisions of the External Service Provider Contracts.

28.33 Pass-Through Costs include an allowance for indexation at the rate provided by the Authority and SECCo Ltd.

29.34 Table 45 below provides Estimated Fixed Revenue by category for RY 2014/15:

Estimated Fixed Revenue by category for RY 2014/15		Total excl VAT (£m)
Internal Costs (1)	DCC Licensing Competition baseline (2)	18.6
	Changes – baseline (3)	-1.7
	Changes – new scope (4)	7.2
Baseline Margin (5)		3.3
External Costs (6)	Service Provider Procurement baseline	2.6
	Changes	1.3
Pass-Through Costs	Authority (7)	Nil
	SECCo Ltd (8)	4.9
Estimated correction factor (9)		Nil
Prudent estimate (10)		7.6
<b>Estimated Fixed Revenue for the Regulatory Year (<math>EFR_t</math>)</b>		<b>43.8</b>

Table 4—Table 5 - Estimated Fixed Revenue by category for RY 2014/15

30.35 With reference to the above table:

- Internal Costs for DCC for RY 2014/15 include resource costs that relate to:
  - Engaging with SEC Panel, SEC Parties and other stakeholders
  - Contract and performance managing Service Providers
  - Implementing the Charging Methodology
  - Designing, building and testing the future DCC Billing System
  - Applying design governance and completing the development of design documents (including those outlined in Schedule 5 of the Licence)
  - Assuring build and test activities of Service Providers
  - Implementing a Smart Metering Key Infrastructure (SMKI) Service and procuring Parsing and Correlation Software
  - Programme managing DCC deliverables.

Internal Costs also include non-resource costs. Examples of non-resource costs include travel, recruitment, rent, legal fees, consulting fees, information technology services and Capita plc shared services (e.g. Group Finance, Tax and Treasury, Group HR, Facilities Management and Security). These costs are described in the draft Regulatory Instructions and Guidance (RIG), published on the Authority website ([www.ofgem.co.uk](http://www.ofgem.co.uk)).

2. These are the estimated Internal Costs submitted by Capita plc to DECC during the DCC Licensing Competition prior to the grant of the Licence.
3. This is the total movement (upward and downward) of estimated Internal Costs as a result of changes to the requirements, volumes, risk, complexity or timescales in the DCC Licensing Competition baseline. This movement also includes a £1.9m reduction due to billing system implementation costs brought forward into RY 2013/14.
4. The most significant changes in Internal Costs include an estimate of the set-up costs of the SMKI Service and the set-up and running costs of Parsing and Correlation Software (DCC is currently running competitive procurements for these requirements). The cost of procuring these services is included in the DCC Licensing Competition baseline. Changes to Internal Costs also include estimates for the requirements of DCC to provide financial stability and financial security in accordance with Condition 26 (Financial stability and financial security) of the Licence, which was subject to finalisation following the grant of the Licence.
5. This is the Baseline Margin as set out in Appendix 1 to Condition 36 (Determination of the Licensee's Allowed Revenue) of the Licence. Post publication of the Charging Statement for RY 2013/14, DCC identified, and brought to the attention of the Authority, a minor issue with the phasing of Baseline Margin between Regulatory Years. DCC has proposed to the Authority that subject to DECC consultation, the Baseline Margin will be updated in a subsequent issue of the Licence. This update will have no impact on the total Baseline Margin over the term of the Licence. This Charging Statement includes the resulting amendment to Baseline Margin for RY 2014/15.

6. The External Costs for RY 2014/15 are detailed in Table 56 below:

Estimated External Costs by category for RY 2014/15	Total excluding VAT (£m)		
	Service Provider Procurement baseline	Changes	Total
Set-up Costs (a)	Nil	Nil	Nil
Fixed Operational Costs (b)	Nil	Nil	Nil
Performance Incentives (c)	2.6	Nil	2.6
Impact Assessments / Projects (d)	Nil	1.2	1.2
Catalogue Services (e)	Nil	0.1	0.1
<b>Estimated External Costs for the Regulatory Year</b>	<b>2.6</b>	<b>1.3</b>	<b>3.9</b>

Table 5—Table 6 - Estimated External Costs by category for RY 2014/15

a) Set-up Costs are payable to Service Providers monthly in arrears through deferred set-up charges arising on achievement of the relevant milestone under the terms of the External Service Provider Contracts. These milestones are described within the Master Milestone Table and Coverage Table in Schedule 6.1 of the redacted contracts, which are available on the DCC website. These tables outline the name, description and date of milestones within each phase of the programme:

- Pre-integration phase (mobilisation, design, build and testing)
- System integration phase (pre-test activities and testing)
- User integration phase (pre-test activities and testing)
- Mass rollout and live operation

For the most up-to-date view of milestone delivery, please refer to the Joint Industry Plan at the monthly Implementation Managers Forum (IMF) as well as milestone-related information available at the monthly Technical Business Design Group (TBDG).

b) Fixed Operational Costs consist of fixed monthly charges payable to Service Providers for the provision of Services from the commencement of Initial Operational Services during live operation to the end of the External Service Provider Contracts.

- c) Performance Incentives are included within the baseline External Service Provider Contracts. DCC will make these payments in the event that all Service Providers meet their respective performance milestones, otherwise the Estimated Fixed Revenue will be returned to Service Users as part of the correction factor in the subsequent Regulatory Year.
  - d) DCC has estimated the costs of Impact Assessments and Projects that are necessary to deliver Mandatory Business Services. DCC will manage Impact Assessments and Projects in accordance with Transitional Governance arrangements and the External Service Provider Contracts.
  - e) Service Users may procure the Catalogue Services set out in the External Service Provider Contracts through DCC, e.g. DCC User Gateway Means of Connection. Costs relating to Catalogue Services that will benefit all Service Users will be included within Fixed Costs, e.g. Testing Software Licences to support the End-to-End Testing for a given number of concurrent Service Users.
7. The Authority advised DCC that the annual fee for RY 2014/15 is nil.
  8. The Pass-Through Costs relating to SECCo Ltd are based on an indicative budget approved by the SEC Panel on 13<sup>th</sup> December 2013, which incorporates some activities that are transferring from DECC to the SEC Panel. For RY 2014/15 this indicative budget has been used in lieu of the Draft Budget that SEC Panel will produce in January each year as outlined in C8.11 of the SEC.
  9. The estimated correction factor is defined within Condition 36 (Determination of the Licensee's Allowed Revenue) and provides a mechanism for DCC to return the difference between Allowed Revenue and Regulated Revenue to Service Users with respect to the prior Regulatory Year. Due to the limited trading history at the time of setting charges for RY 2014/15, DCC estimates the correction factor to be zero. DCC will introduce a correction factor within a quarterly update of the Indicative Charging Statement for RY 2015/16, following ex post review by the Authority in July 2014.
  10. In accordance with the Charging Methodology, DCC must divide Estimated Fixed Revenue by the number of months in the Regulatory Year and invoice accordingly. While this approach provides certainty of charges to Service Users, it does not enable DCC to meet its financial commitments in months where cash outflows exceed cash inflows. The prudent estimate represents sufficient operating liquidity for DCC to remain cash positive and meet its financial commitments during each month of RY 2014/15. The key event in RY 2014/15 necessitating the prudent estimate is when a VAT payment to HMRC and Service Provider Performance Incentive payments fall due in January 2015.

<sup>34-36</sup> Fixed Charges for RY 2014/15 only apply to the five Charging Groups outlined within Section K3.8 of the SEC.

## 2 Estimated Explicit Revenue for Regulatory Year 2014/15

~~32. Explicit Charges are payable in respect of Explicit Charging Metrics, which represent those Core Communication Services and Enabling Services (other than Elective Communication Services) that are to be charged for separately from Fixed Charges.~~

~~33. These Services are, or will be, outlined in Section H of the SEC.~~

~~As outlined in Section X2.1 of the SEC, Section H has not yet come into effect. Consequently, there are no Explicit Charges relevant to RY 2014/15 and the estimated Explicit Revenue for RY 2014/15 is zero.~~

### DCC Gateway Connections

~~37. This revised Charging Statement for RY 2014/15 includes the Explicit Charges for DCC Gateway Connections. The estimated costs associated with these services have not been included in EECR<sub>t</sub> because:~~

- ~~▪ There is no certainty associated with the volume of demand for these service; and~~
- ~~▪ There are a number of dynamic cost variables that will apply for each individual connection requested.~~

~~38. There are two types of applicable charges in relation to DCC Gateway Connections; the connection Charge and the annual Charge. The cost drivers for each are set out below.~~

#### Connection Charge

~~39. The connection Charge recovers the cost of installing the DCC Gateway Connection and will be payable to DCC following installation. The charge will be dependent on the individual connection request (made pursuant to Appendix [TBC]; DCC Gateway Connection Code of Connection and Section H15 of the SEC). The variables that will influence the level of this charge include:~~

- ~~▪ Physical distance from the premises of the DCC Gateway Connection to the local exchange~~
- ~~▪ Configuration of the premises of the DCC Systems i.e. whether there are existing connections that can be used, or whether new lines will be required~~
- ~~▪ Type of connection determined e.g. Ethernet, FTTC (Fibre to the Cabinet), ADSL (Asymmetric Digital Subscriber Line) and/or copper~~
- ~~▪ The amount of further work required, as determined by a physical site inspection~~
- ~~▪ The bandwidth requested by the party.~~

#### Annual Charge

~~40. The annual Charge recovers the annual rental cost associated with the connection and will be payable to DCC at the start of each contractual year. The charge will be dependent on the individual connection request (made pursuant to Appendix [TBC]; DCC Gateway Connection Code of Connection and Section H15 of the SEC). The variables that will influence the level of this charge will be:~~

- The length of the contract i.e. 1-year or 3-year
- Type of connection determined e.g. Ethernet, FTTC, ADSL and/or copper
- The bandwidth requested by the party.

41. DCC considers that it would be beneficial to parties to have access to some indicative charges to give an idea of the potential quantum, however these should not be relied upon as a basis for actual charges.

42. The indicative Explicit Charge for DCC Gateway Connections are set out below, these indicative prices based on a sample 'spread' of locations. The exact cost of a selected option will be made available on application (pursuant to Sections H15.8DCC and H15.9(b) of the DCC):

<u>Service</u>	<u>Indicative connection charge (£, excluding VAT)</u>	<u>Indicative annual charge (£, excluding VAT)</u>
<u>DCC Gateway HV Connection (Up to 100Mbps (which can be utilised in increments of 10Mbps))</u>	<u>3,000 – 15,000</u>	<u>4,000 – 32,000</u>
<u>DCC Gateway LV Connection (Up to 40Mbps)</u>	<u>2,000 – 4,000</u>	<u>600 – 1,000</u>

**Table 7 - Indicative DCC Gateway Connection charges**

43. We consider that the majority of DCC Gateway Connections ordered would fall within the indicative price bands set out in the table above.

**Anticipated further Explicit Charges**

44. Table 8, below, sets out a summary of the each Explicit Charge that is included in the Charging Methodology, but are not applicable in RY 2014/15. These charges will be included in the Charging Statement for RY 2015/16.

<u>Explicit Charge</u>	<u>DCC reference</u>
<u>Charge for 'security assessments'</u>	<u>K7.5(a)</u>
<u>Charge for 'privacy assessments'</u>	<u>K7.5(b)</u>
<u>Charge for 'gateway equipment relocation'</u>	<u>K7.5DCC</u>
<u>Charge for 'elective service evaluations'</u>	<u>K7.5(f)</u>
<u>Charge for 'P&amp;C support'</u>	<u>K7.5(g)</u>
<u>Charge for 'SM WAN for testing'</u>	<u>K7.5(h)</u>
<u>Charge for 'additional testing support'</u>	<u>K7.5(i)</u>
<u>Charge for 'communication services'</u>	<u>K7.5(j)</u>
<u>Charge for 'CH non-standard delivery'</u>	<u>K7.5(k)</u>

<u>Explicit Charge</u>	<u>DCC reference</u>
<u>Charge for 'CH stock level charge'</u>	<u>K7.5(l)</u>
<u>Charge for 'CH variant charge'</u>	<u>K7.5(m)</u>
<u>Charge for 'CH auxiliary equipment'</u>	<u>K7.5(n)</u>
<u>Charge for 'CH returned and redeployed'</u>	<u>K7.5(o)</u>
<u>Charge for 'CH returned not redeployed'</u>	<u>K7.5(p)</u>
<u>Charge for 'CH wrong returns location'</u>	<u>K7.5(q)</u>
<u>Charge for 'test comms hubs'</u>	<u>K7.5DCC</u>

**Table 8 - Summary of Explicit Charges**

- ~~34.46. Due to the fact that these services will not be ordered in RY 2014/15 (the DCC provisions will not be activated until April 2015 or later), DCC has assumed zero revenue from these services in the revised EECR<sub>1</sub> for RY 2014/15.~~
- ~~35. DCC recognises that there are a number of services that DCC intends to provide to SEC Parties for which it would be appropriate to introduce an Explicit Charge to the Charging Methodology to meet part (d) of the Second Relevant Policy Objective.~~
- ~~36. There are a limited number of that may apply within RY 2014/15. These include:~~
- ~~▪ Charges to provide DCC User Gateway Means of Connection~~
  - ~~▪ Charges to provide Test Sets, testing consultancy and test lab connections~~
  - ~~▪ Charge for additional Communications Hub training~~
  - ~~▪ Charges for Communications Hubs for testing purposes~~
  - ~~▪ Charges for assistance relating to the Parsing and Correlation Software.~~
- ~~37. DCC will work with DECC to introduce drafting to the SEC to allow for the provision of these Services and to introduce the appropriate Explicit Charges to the Charging Methodology.~~
- ~~38.47. Due to the uncertainty in uptake of RY 2014/15 and in the absence of Explicit Charges within the Charging Methodology, DCC has not included an estimate for Explicit Revenue~~
- ~~39. Should the Charging Methodology be updated to include Explicit Charges that come into effect during RY 2014/15, DCC will issue a revised Charging Statement.~~



### 3 VAT and Credit Cover

40.48 All charges outlined in the Charging Statement are shown excluding VAT.

41.49 In accordance with Section J3 of the SEC, each User is required to provide credit cover. For the purpose of calculating the Credit Cover Requirement, DCC considers the Charges inclusive of VAT as outlined in Section J3.3.

### 3 4 ~~Indicative Charging Statements and Indicative Budgets~~

42.50 In accordance with Sections J4.3 and J4.4 of the SEC, every quarter DCC must create and publish on the DCC website an Indicative Charging Statement for the next Regulatory Year and Indicative Budgets for the second and third Regulatory Years thereafter.

43.51 DCC will publish Indicative Charging Statements and Indicative Budgets within the first five Working Days of the months set out in Table ~~6~~<sup>9</sup> below.

Month	Indicative Charging Statement	Indicative Budgets	
April 2014	RY 2015/16	RY 2016/17	RY 2017/18
July 2014	RY 2015/16	RY 2016/17	RY 2017/18
October 2014	RY 2015/16	RY 2016/17	RY 2017/18
January 2015	RY 2015/16	RY 2016/17	RY 2017/18

~~Table 6~~ - Table 9 - Indicative Charging Statement and Indicative Budgets

## Annex B: Worked Examples

### 3 ~~1~~ Import Electricity Supplier

44.52 This example illustrates how charges will be calculated each month for a fictional SEC Party, Get Smart Electricity Ltd (GSE). GSE is:

- An Import Electricity Supplier with two associated Service User Codes.

45.53 Table ~~7~~10 itemises the information necessary to calculate the Monthly Fixed Charge.

			A	B	A x B
Charging Groups	Name	Service User Code	Actual Size of Charging Group (AMSMS <sub>pgmt</sub> )	Monthly Fixed Charge (£ / meter) (FCgt)	Total Monthly Fixed Charge
g1	Import Electricity Suppliers	ES_XXXX	3,242,724	£0.077	£249,689.75
g1	Import Electricity Suppliers	ES_YYYY	399,617	£0.077	£30,770.51
<b>Total Charge Excluding VAT</b>					<b>£280,460.26</b>
<b>VAT at 20%</b>					<b>£56,092.05</b>
<b>Total Charge Including VAT</b>					<b>£336,552.31</b>

Table ~~7~~ – ~~Table 10~~ - Import Electricity Supplier

46.54 In Table ~~7~~10 above:

- Service User Code refers to the Master Registration Agreement (MRA) codes for Charging Group 1. The ES prefix in the body of the table indicates an Import Electricity Supplier code.
- Actual Size of Charging Group is the number of meters for domestic premises according to the registration data as at the 15<sup>th</sup> day of the charging month
- Monthly Fixed Charges are as shown in Table 3 of this Charging Statement for each Service User Code
- Total Monthly Fixed Charge is the product of the Actual Size of Charging Group and the Monthly Fixed Charge.

47.55 In this example, DCC will email an invoice to GSE for £336,552.31 including VAT. This invoice will be supported by a supplementary schedule detailing charges for each Service User Code similar to the information in Table ~~7~~10.

## 2 Dual Fuel Supplier

48-56 This example illustrates how charges will be calculated each month for a fictional SEC Party, Get Smart Dual Fuel Ltd (GSDF). GSDF is:

- An Import Electricity Supplier with two associated Service User Codes
- A Gas Supplier with two associated Service User Codes.

49-57 Table 811 itemises the information necessary to calculate the Monthly Fixed Charge.

			A	B	A x B
Charging Groups	Name	Service User Code	Actual Size of Charging Group (AMSMS <sub>pgmt</sub> )	Monthly Fixed Charge (£ / meter) (FCgt)	Total Monthly Fixed Charge
g1	Import Electricity Suppliers	ES_XXXX	3,242,724	£0.077	£249,689.75
g1	Import Electricity Suppliers	ES_YYYY	399,617	£0.077	£30,770.51
g3	Gas Suppliers	GS_XXX	5,056	£0.058	£293.25
g3	Gas Suppliers	GS_YYY	291,163	£0.058	£16,887.45
<b>Total Charge Excluding VAT</b>					<b>£297,640.96</b>
<b>VAT at 20%</b>					<b>£59,528.19</b>
<b>Total Charge Including VAT</b>					<b>£357,169.15</b>

Table 8—Table 11 - Dual Fuel Supplier

50-58 In Table 811 above:

- Service User Code refers to the Master Registration Agreement (MRA) and Uniform Network Code (UNC) codes for Charging Groups 1 and 3. The ES and GS prefixes in the body of the table is used to differentiate between Import Electricity Supplier and Gas Supplier codes
- Actual Size of Charging Group is the number of meters for domestic premises according to the registration data as at the 15<sup>th</sup> day of the charging month
- Monthly Fixed Charges are as shown in Table 3 of this Charging Statement for each Service User Code
- Total Monthly Fixed Charge is the product of the Actual Size of Charging Group and the Monthly Fixed Charge.

54-59 In this example, DCC will email an invoice to GSDF for £357,169.15 including VAT. This invoice will be supported by a supplementary schedule detailing charges for each Service User Code similar to the information in Table 811.

### 3 Electricity Distributor

52.60 This example illustrates how charges will be calculated each month for a fictional SEC Party, Get Smart Electricity Distribution Ltd (GSED). GSED is:

- An Electricity Distributor with two associated Service User Codes.

53.61 Table 912 itemises the information necessary to calculate the Monthly Fixed Charge.

Charging Groups	Name	Service User Code	A Actual Size of Charging Group (AMSMS <sub>pgmt</sub> )	B Monthly Fixed Charge (£ / meter) (FCgt)	A x B Total Monthly Fixed Charge
g4	Electricity Distributors	ED_XXXX	1,759,294	£0.010	£17,592.94
g4	Electricity Distributors	ED_YYYY	989,157	£0.010	£9,891.57
<b>Total Charge Excluding VAT</b>					<b>£27,484.51</b>
<b>VAT at 20%</b>					<b>£5,496.90</b>
<b>Total Charge Including VAT</b>					<b>£32,981.41</b>

Table 9 – Table 12 - Electricity Distributor

54.62 In Table 912 above:

- Service User Code refers to the Uniform Network Code (UNC) codes for Charging Group 4. The ED prefix in the body of the table indicates an Electricity Distributor code.
- Actual Size of Charging Group is the number of meters for domestic premises according to the registration data as at the 15<sup>th</sup> day of the charging month
- Monthly Fixed Charges are as shown in Table 3 of this Charging Statement for each Service User Code
- Total Monthly Fixed Charge is the product of the Actual Size of Charging Group and the Monthly Fixed Charge.

55.63 In this example, DCC will email an invoice to GSED for £32,981.41 including VAT. This invoice will be supported by a supplementary schedule detailing charges for each Service User Code similar to the information in Table 912.

## Annex C: Glossary of Terms

Acronyms	Definition
CPI	Consumer Price Index
DCC	Smart DCC Ltd
DECC	Department of Energy and Climate Change
ESMS	Enrolled Smart Metering Systems
IMF	Implementation Managers Forum
MPAN	Metering Point Administration Number
MPRN	Meter Point Reference Number
MRA	Master Registration Agreement
MSMS	Mandated Smart Metering Systems
RIG	Regulatory Instructions and Guidance
RPI	Retail Prices Index
SEC	Smart Energy Code
<a href="#">SEC4</a>	<a href="#">Consultation on new Smart Energy Code content (Stage 4)</a>
<a href="#">SM WAN</a>	<a href="#">Smart Meter Wide Area Network</a>
SMCL	Smart Meter Communication Licence
SMKI	Smart Metering Key Infrastructure Service
TBDG	Technical Business Design Group
UITMR	User Integration Testing and Mass Rollout
UNC	Uniform Network Code

Table 10—Table 13 - Acronyms

Defined Terms	Reference	Definition
Allowed Revenue	SMCL 36.8	Allowed Revenue is the total amount of revenue determined on an accruals basis in relation to each Regulatory Year, in accordance with the Principal Formula outlined in the Licence.
Charging Group Weighting Factors	SEC K3.10	Charging Group Weighting Factors are designed to reflect the relative proportion of fixed costs attributable to Import Suppliers (g1), Export Suppliers (g2), Gas Suppliers (g3), Electricity Distributors (g4) and Gas Transporters (g5).

Defined Terms	Reference	Definition
Charging Methodology	SEC K	Charging Statements are prepared in accordance with the Charging Methodology, which provides the mechanism for determining Fixed Charges (during, before and after UITMR), Explicit Charges and Elective Charges.
Communications Hub Service	SMCL 17 (E)	The Communications Hub Service is provided by DCC for the purpose of enabling Energy Suppliers to comply with their duties in respect of the installation of Smart Metering Systems at the premises of Energy Consumers.
Core Communication Services	SMCL 17 (B)	Core Communication Services relate solely to the Supply of Energy (or its use) under the Principal Energy Legislation.
<u>DCC Gateway Bandwidth Option</u>	<u>SEC H15</u>	<u>The DCC Gateway Bandwidth Option is either the DCC User Gateway HV Connection or a DCC Gateway LV Connection.</u>
<u>DCC Gateway Connection</u>	<u>SEC H15</u>	<u>The DCC Gateway Connection means, for a premises, the physical infrastructure by which a connection is (or is to be) made between that premises and the DCC Systems (and each DCC Gateway Connection shall form part of the DCC Systems).</u>
<u>DCC Gateway Connection Code of Connection</u>	<u>SEC H15</u>	<u>DCC Gateway Connection Code of Connection is the SEC Subsidiary Document set out in Appendix [TBC] of the SEC.</u>
<u>DCC Gateway Equipment</u>	<u>SEC H15</u>	<u>DCC Gateway Equipment means, for each premises and any DCC Gateway Connection provided at that premises, that part of the DCC Gateway Connection that is (or is to be) located within that premises.</u>
<u>DCC Gateway HV Connection</u>	<u>SEC H15</u>	<u>The DCC Gateway HV Connection means the high-volume technology solution by which the DCC provides DCC Gateway Connections, as further described in the DCC Gateway Connection Code of Connection.</u>
<u>DCC Gateway LV Connection</u>	<u>SEC H15</u>	<u>The DCC Gateway LV Connection means the low-volume technology solution by which the DCC provides DCC Gateway Connections, as further described in the DCC Gateway Connection Code of Connection.</u>
Elective Communication Services	SMCL 17 (C)	Elective Communication Services are communication services (other than Core Communication Services) that relate solely to the Supply of Energy (or its use) under the Principal Energy Legislation.

Defined Terms	Reference	Definition
Enabling Services	SMCL 1.4	Enabling Services form part of the Mandatory Business of DCC and fulfil an enabling role with respect to the provision of Core Communication Services and Elective Communication Services. Enabling Services consist of (a) the Enrolment Service, (b) the Communications Hub Service, and (c) Other Enabling Services.
Enrolment Service	SMCL 17 (D)	The Enrolment Service is operated by DCC for the purpose of enrolling a Smart Metering System into the Smart Metering Inventory under the SEC.
Mandatory Business Services	SMCL 1.4	Mandatory Business Services comprise the Mandatory Business operated or provided by DCC, namely (a) Core Communication Services, (b) Elective Communication Services, and (c) Enabling Services.
<del>Means of Connection</del>	<del>N/A</del>	<del>The Means of Connection includes the technical and operational arrangements for any communications interface between the DCC User Gateway and a Service User.</del>
Parsing and Correlation Software	N/A	Parsing and Correlation Software ensures that the Extensible Mark-up Language (XML) commands sent to Smart Meter devices from Service User systems have the same meaning as the corresponding command in the message format used by Smart Meter devices.
Regulated Revenue	SMCL 35.5	Regulated Revenue is the actual revenue measured on an accruals basis in relation to each Regulatory Year received by DCC based on Service Charges levied in the Charging Statement.
Regulatory Year	SMCL 1.4	A Regulatory Year is a period of 12 months beginning 1 April in any calendar year and ending 31 March of the next calendar year.
Service Charges	SEC J1.1	Service Charges are determined in accordance with the Charging Statement applicable from time to time.
<u>SM WAN</u>	<u>SEC H</u>	<u>The SM WAN is the means by which the DCC sends, receives and conveys communications to and from Communications Hub Functions.</u>
Smart Metering Key Infrastructure Service	N/A	A Smart Metering Key Infrastructure is the equivalent of a Public Key Infrastructure (PKI) hierarchy for an end-to-end Smart Metering System. A PKI is the set of hardware, software, people, policies and procedures needed to create, manage, distribute, use, store, and revoke digital certificates.

Defined Terms	Reference	Definition
Smart Metering System	SMCL 1.4	A Smart Metering System is installed at premises for the purposes of the Supply of Energy and as a minimum (a) consists of the apparatus identified in, (b) has the functional capability specified by and (c) complies with the other requirements of the Smart Metering Equipment Technical Specification that is applicable at the date of installation.

~~Table 11~~ - Table 14 - Defined Terms