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Dear company secretary,

Approval of statement pursuant to paragraph 19.5 of condition 19 (Charging Statement for Service Charges) of the Smart Meter Communication Licence¹

This letter sets out the basis for the Authority's² decision to approve the form of the Charging Statement for Service Charges (statement) prepared by Smart DCC Limited (DCC).

Appendix 1 explains what DCC is and what its Licence requires.

Initial submission and DCC's consultation

During November and December, DCC consulted on the proposed changes to the statement³. The changes allow DCC to levy an explicit charge for provision of user gateway connections (ie a physical connection that allows users of DCC's services to access DCC's services). Compared to the form of the statement that was approved on 28 March 2014, the key changes were to:

- Section 4 (Explicit Charges), which now provides the high level information that DCC's service users need to understand the service for which the charge will be levied
- Annex 2 (Estimated Explicit Revenue for Regulatory Year 2014/15), which sets out further details to help DCC's service users to understand more details about the service. In particular it contains the expected range of costs most services user should expect to face when taking the service. It also sets out the drivers that will influence if a service user's charge will be at the upper or lower end (or even outside) of the expected range.

The statement was in the form that DCC expected to use for the remainder of the regulatory year ending on 31 March 2015.

DCC received zero responses to its consultation.

¹ The Smart Meter Communication Licences were granted under both the Gas Act 1986 and the Electricity Act 1989. For ease, in this letter we refer to these licences in the singular.

² 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 letter, 'we' and 'us' are used to refer to both 'Ofgem' and 'Authority').

³ Consultation is here: http://www.smartdcc.co.uk/media/16453/2014-11-20-lc19-notice_to_amend_charging_statement_1415_and_draft_charging_statement.pdf

Ofgem's view on the changes

DCC has been unable to provide a precise figure for the provision of a user gateway connection. However, we recognise that for some services DCC will need to calculate the precise charge on a user by user basis as the services are requested and the exact scope of the service is understood. Given the information DCC has available regarding user gateway connections, we consider that the changes to the statement provides sufficient detail in a clear enough manner to allow service users to make a reasonable estimate of the charges they will be liable to pay DCC for DCC user gateway connections.

We consider that the statement is coherent and easy to navigate as well as being accurate in all material respects.

Authority's decision

We have considered whether the proposed changes contained in the statement submitted by DCC are consistent with the requirements of condition 19 of DCC's licence and DCC's wider licence and statutory obligations. We have also had regard to our principal objective and general duties in considering the statement. We are satisfied that approval of the form of the statement is consistent with the above.

Pursuant to paragraph 19.5 of condition 19, the Authority hereby approves the form of the statement annexed to this letter.⁴

Yours faithfully,

Rob Church
Partner, Retail Markets

Duly authorised on behalf of the Authority

⁴ We have annexed a version which shows, in tracks, the changes against the previously approved form. DCC will maintain the approved version, without track changes, on its website. <http://www.smartdcc.co.uk/>

Appendix 1: What is DCC and what does its licence require?

What is DCC?

DCC is a new licensed entity that we regulate. It is a central communications body appointed to organise 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 ('service users').⁵

DCC plans to develop and deliver these data and communications services by contracting with external service providers ('service providers'). We expect DCC to start offering data and communications services to its service users in late 2015. In the interim, DCC is taking steps to ensure that it can provide these services. These will involve testing the systems being built by the service providers to make sure they work together and work with the systems of the service users.

What does DCC's Licence require?

Under its Licence, DCC has to maintain the Charging Statement in a form that we have approved.⁶ On 28 March 2014 we approved the form of the 2014/15 Charging Statement. DCC levies charges on service users, and the charging statement must set out the basis on which the charges will be payable.⁷ These charges are formally known as 'service charges'. 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.⁸

DCC's licence⁹ requires it to periodically review the information in the Charging Statement. Further, at least once in each regulatory year (beginning on 1 April of each year), DCC must make any changes necessary to ensure the Charging Statement continues to be accurate and reliable. The Smart Energy Code (Section J.4) creates a further obligation, which requires DCC to amend the service charges only once in each calendar year (subject to certain caveats).¹⁰

⁵ Condition 4 of DCC's licence defines the activity that the licence authorises DCC to carry out in GB.

⁶ Licence condition 19.5.

⁷ Licence Condition 19.4.

⁸ The Smart Energy Code is a new industry code. It is a multiparty agreement which defines the rights and obligations between DCC and service users.

⁹ Condition 19.14.

¹⁰ Condition 19.11 also sets out conditions that must be met before the service charges can be amended more than once in a regulatory year.