

Company Secretary
Smart DCC Ltd
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cc Paul Hawkins

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Date: 27 February 2015

Dear Company Secretary

Smart Meter Communication Licence¹ ("the Licence")
Consent to reduce the notice period for proposing an amendment to the Service Charges in respect to price control determinations for Regulatory Year 2013/14.²

Conditions 19.9 and 19.10 of the Licence prohibits Smart DCC Ltd ("the Licensee") from amending its Service Charges unless it has given Notice in the specified manner to the Gas and Electricity Markets Authority ("the Authority"). That Notice must be given not less than three months before the date when the Licensee proposes to amend its Service Charges³, except where the Authority otherwise consents.⁴

On 31 December 2014, the Licensee submitted Notice to the Authority of DCC's Service Charges for the Regulatory Year ending 31 March 2016.

Under Licence Condition 36.4 the Licensee, in setting Service Charges for its Mandatory Business Services, must take all reasonable steps to secure that, in Regulatory Year t, its Regulated Revenue does not exceed a prudent estimate of its Allowed Revenue for that Regulatory Year.

On 27 February 2015 the Authority made a decision under Part B of Licence Condition 37 to exclude certain costs from any future calculations of the Licensee's Allowed Revenue. The Authority also determined that the Licensee had failed to achieve one of the six

¹ The Smart Meter Communications Licences granted to the Licensee pursuant to Section 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').

² All terms used in this Notice shall have the meaning given to them under the Licence, unless expressly stated otherwise.

³ Defined under Licence Condition 1.4 of the Licence

⁴ Pursuant to condition 19.10 of the Licence

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implementation milestones (IMs) due in 2013/14.⁵

In accordance with Licence Condition 19.10 the Authority hereby consents to the Licensee giving less than three months' notice in respect of proposing an amendment to Service Charges for the Regulatory Year ending 31 March 2016 to reflect our determinations under the price control for Regulatory Year 2013/14.

Yours sincerely

Rachel Fletcher

Senior Partner, Retail Markets

Duly authorised on behalf of the Gas and Electricity Markets Authority

27 February 2015

⁵ DCC Price Control Decision document available from: <https://www.ofgem.gov.uk/publications-and-updates/dcc-price-control-final-decision>

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Consent given by the Gas and Electricity Markets Authority (the "Authority") pursuant to Licence Condition 19 (Charging Statement for Service Charges) of the Smart Meter Communication Licences granted pursuant to Sections 7AB(2) and (4) of the Gas Act 1986 and Sections 6(1A) and (1C) of the Electricity Act 1989 to Smart DCC Ltd ("the Licence").

Whereas:

1. Smart DCC Ltd⁶ (the "Licensee") is the holder of the Licence.
2. Under Condition 19.10 of the Licence, the Licensee may only amend its Service Charges in respect of any Agreement for Services if it does so in accordance with condition 19.9, except if the Authority otherwise consents.
3. Under Condition 19.9 of the Licence, the Licensee must give the Authority a Notice of its proposals to amend its Service Charges in respect of any Agreement for Services not less than three months before the date on which the Licensee proposes to make the amendments.
4. On 31 December 2014 the Licensee published its Services Charges for Regulatory Year 2015/16. These will be in effect between April 2015 and March 2016.
5. On 27 February 2015 the Authority gave its price control decision in relation to Regulatory Year 2013/14⁷ (the "2013/14 price control") This found that:
 - £0.100 million of internal costs were not economically and efficiently incurred (the "Unacceptable Costs"); and
 - that IM5 had not been achieved, reducing the Licensee's baseline margin by £0.315 million.
6. As a consequence of the 27 February 2015 price control decision the Authority directed the Licensee to:
 - remove the Unacceptable Costs from the calculation of its Allowed Revenue under Licence Condition 36. This affects the value of the Allowed Revenue for Regulatory Year 2013/14, which in turn affects the calculation of Allowed Revenue for subsequent Regulatory Years; and
 - reflect the margin lost as a result of the value of IM5_{t-1} in the calculation of Allowed Revenue in Regulatory Year 2014/15.
7. The Authority notes that the Licensee has not been able to adjust its Services Charges for Regulatory Year 2014/15 to reflect these price control decisions of the Authority. The Authority therefore considers that consent should be given to the Licensee to amend the Services Charges in Regulatory Year 2015/16 to reflect these decisions.

Now the Authority consents as follows:

⁶ Registered as a Company in England and Wales under Company Number 08641679.

⁷ The DCC Price Control Direction is available at: <https://www.ofgem.gov.uk/publications-and-updates/dcc-price-control-consultation>

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8. Pursuant to Licence Condition 19.10 of the Licence, the Licensee may give less than three months' Notice of proposed amendments to the Service Charges to reflect the outcome of the Authority's decisions in respect of the 2013/14 price control.
9. This document also constitutes a notice under section 38A of the Gas Act 1986 and section 49A Electricity Act 1989 of the reasons for the decision of the Authority to give this consent pursuant to the Condition.

Dated: 27 February 2015

Rachel Fletcher

Senior Partner, Retail Markets

Duly authorised on behalf of the Gas and Electricity Markets Authority