



# Charging Statement for Service Charges

Regulatory Year ending 31 March 2016  
Effective from 1 April 2015

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## 1 Introduction

- 1.1 This document is the Charging Statement for Service Charges (Charging Statement) for Smart DCC Ltd (DCC) for the Regulatory Year ending 31 March 2016 (RY 2015/16). This Charging Statement was published on 1 April 2015 in a form approved by the Gas and Electricity Markets Authority (the Authority) in accordance with Licence Condition (LC) 19.5 of the Smart Meter Communication Licence (the Licence).
- 1.2 The purpose of this document is to publish DCC Service Charges and to enable SEC Parties to estimate their annual Service Charges for RY 2015/16.
- 1.3 The algebraic approach to the calculation of Service Charges is set out in Section K (Charging Methodology) of the Smart Energy Code (SEC). Further details on the supporting commercial arrangements are set out in Section J (Charges) of the SEC. In this document all SEC references are in the form 'Section xx'.
- 1.4 RY 2015/16 is a critical year for DCC Service Charges. From April 2015;
- Costs will increase significantly, as DCC is first obliged to make regular payments to at least one of the External Service Providers as they complete their contractual milestones
  - Under Section K3.2 and the definition outlined in Section K11.1, the Charging Methodology for Fixed Charges enters the User Integration Testing and Mass Rollout (UITMR) Period (which commences at the start of the month in which the DCC is first obliged to make regular payments to one or more of the External Service Providers).
- 1.5 This Charging Statement is primarily prepared based on the best information and

assumptions available as at the date of the submission of the Notice for this Charging Statement.

- 1.6 As with most complex programmes, the development of the DCC service involves a level of emergent change which gives rise to elements of uncertainty and risk. Consequently, actual costs may vary from those anticipated in the Charging Statement. The intent of the prudent estimate is to ensure, as far as is possible, that Service Charges do not need to change consistent with the obligation in LC36. The high-level assumptions that DCC has made are outlined below.

### DCC consultation on changes to the DCC plan and Implementation Milestones

- 1.7 In November 2014, DCC consulted on changes to the DCC plan and Implementation Milestones. On 5 March 2015, the Secretary of State approved the proposed plan. For the purpose of this Charging Statement DCC has assumed that DCC live operations will begin no earlier than April 2016. The proposed changes to the DCC plan incorporate the anticipated impact of Great Britain Companion Specification (GBCS) version 0.8 and version 0.8.1.

### SEC4 Consultation

- 1.8 In June 2014, the Department of Energy and Climate Change (DECC) consulted on the fourth stage of the Smart Energy Code (SEC4). Subsequently DECC's conclusion is being released in parts. The first part (SEC4a) was issued in November 2014, with further conclusions published in January 2015. DCC anticipates that the remaining parts will be issued in 2015.
- 1.9 DCC has reflected an estimate of cost for some of the anticipated SEC4 impact in

this Charging Statement, however there are a number of items which DCC is currently working with External Service Providers to understand and agree any impact. DCC may consider amending the Service Charges should there be any material variation in costs.

#### Dual-band Communications Hubs

- 1.10 On 16 March 2015, DCC received a direction from DECC to undertake an impact assessment in relation to the introduction of dual-band Communications Hubs. As we are in the early stages of designing this service, DCC has included an internal cost assumption relating to the introduction of this capability.

#### Centralised registration and next-day switching

- 1.11 DCC has not included costs in this Charging Statement relating to the design, implementation and operation of a centralised registration service. Ofgem concluded on its consultation on “Moving to reliable next-day switching” on 10 February 2015. DCC anticipates subsequent confirmation of arrangements for DCC to

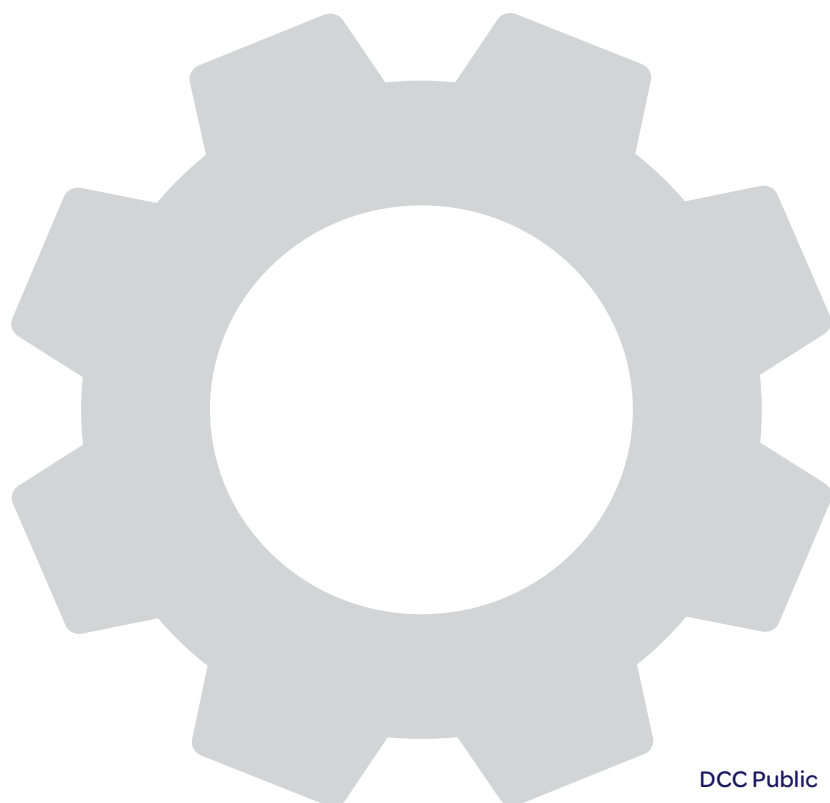
recover any cost it incurs in the execution of the programme.

#### DCC Price Control

- 1.12 This Charging Statement reflects the direction issued by the Authority on 27 February 2015 to remove Unacceptable Costs and the margin lost as a result of the value of  $IM5_{t-1}$  from the calculation of the Allowed Revenue for RY 2015/16. These directions were made as a result of the Authority’s price control assessment for RY 2013/14.

#### Other information

- 1.13 A timetable for future publications of indicative Charging Statements and indicative budgets is available in Annex 1.
- 1.14 This document is available on the DCC website ([www.smartdcc.co.uk](http://www.smartdcc.co.uk)).
- 1.15 Please email [finance@smartdcc.co.uk](mailto:finance@smartdcc.co.uk), if you have any questions relating to this document or if you would like to provide feedback on how this document might be improved for future updates.



## SECTION A – SUMMARY OF CHARGES FOR RY 2015/16

### 2 Summary of Charges

2.1 In accordance with the Charging Methodology, this section sets out the charges applicable in RY 2015/16. Explanation of these charges is available under each of the respective charging sections later in this Charging Statement.

#### Fixed Charges

2.2 The Fixed Charges in Table 1 are applicable to the number of:

- Mandated Smart Metering Systems for Domestic Premises; and
- Smart Metering Systems for Designated Premises.

The monthly Fixed Charges are expressed to three decimal places and exclude VAT.

| Charging Groups | Name                     | Monthly Fixed Charge (£ / meter)   |                                   |                                |                              |
|-----------------|--------------------------|------------------------------------|-----------------------------------|--------------------------------|------------------------------|
|                 |                          | Domestic Premises                  | Non-Domestic Premises Regions (r) |                                |                              |
|                 |                          | All Regions (RDFC <sub>grt</sub> ) | North (RNFC <sub>grt</sub> )      | Central (RNFC <sub>grt</sub> ) | South (RNFC <sub>grt</sub> ) |
| g1              | Import Suppliers         | £0.198                             | £0.283                            | £0.156                         | £0.164                       |
| g2              | Import Suppliers         | £0.032                             | £0.046                            | £0.026                         | £0.027                       |
| g3              | Gas Suppliers            | £0.149                             | £0.214                            | £0.118                         | £0.124                       |
| g4              | Electricity Distributors | £0.024                             | £0.035                            | £0.019                         | £0.020                       |
| g5              | Gas Transporters         | £0.000                             | £0.000                            | £0.000                         | £0.000                       |

Table 1 – Monthly Fixed Charges by Charging Group applicable in RY 2015/16

#### Fixed CH Charges

2.3 The monthly Fixed CH Charges are set to zero for RY 2015/16. This is based on the

assumption that DCC live operations starts no earlier than April 2016.

| Charging Groups | Name             | Fixed CH Charges (£ / meter)       |                                   |                                |                              |
|-----------------|------------------|------------------------------------|-----------------------------------|--------------------------------|------------------------------|
|                 |                  | Domestic Premises                  | Non-Domestic Premises Regions (r) |                                |                              |
|                 |                  | All Regions (DCHC <sub>grt</sub> ) | North (NCHC <sub>grt</sub> )      | Central (NCHC <sub>grt</sub> ) | South (NCHC <sub>grt</sub> ) |
| g1              | Import Suppliers | -                                  | -                                 | -                              | -                            |
| g2              | Import Suppliers | -                                  | -                                 | -                              | -                            |
| g3              | Gas Suppliers    | -                                  | -                                 | -                              | -                            |

Table 2 – Monthly Fixed CH Charges by Charging Group applicable in RY 2015/16

## Explicit Charges

- 2.4 The Explicit Charges in Tables 3, 4 and 5 are applicable where a party procures a specific DCC service as set out in section K7.5 of the Charging Methodology. Further detail on these Explicit Charges is available in section 10 (Estimated Explicit Charges Revenue and Explicit Charges).
- 2.5 Table 3 sets out the set Explicit Charges applicable for DCC services procured by parties in RY 2015/16.

| Set Explicit Charge |  |                       |   |
|---------------------|--|-----------------------|---|
| SEC Reference       | Service  | Charges excluding VAT | Unit  |
| K7.5(j)             | Communications identified in the DCC User Interface Services Schedule 'Service Requests' | £0.00                 | Per Service Request   |
| K7.5(l)             | CH stock level charge  | £0.45                 | Per Communications Hub per month                                |
| K7.5(n)             | CH auxiliary equipment: RF mesh aerial   | £4.00                 | Per aerial  |
| K7.5(n)             | CH auxiliary equipment: Cellular aerial  | £4.00                 |   |
| K7.5(p)             | CH returned not redeployed   | £50.00                | Per Communications Hub  |
| K7.5(r)             | Test comms hubs  | £60.83                | Per Communications Hub (subject to a minimum order of 10 units) |

Table 3 – Set Explicit Charges applicable in RY 2015/16



2.6 Table 4 below sets out the indicative Explicit Charges. These charges rely on a number of variables which are only known at the point at

which a party applies for a particular service. At the point of application, DCC will provide parties with a no obligation quote.

| Indicative Explicit Charge |   |                       |   |
|----------------------------|---|-----------------------|---|
| SEC Reference              | Service                                       | Charges excluding VAT | Unit  |
| K7.5(a)                    | User Security Assessments                     |                       |   |
| K7.5(a)                    | Follow-up Security Assessments                |                       |   |
| K7.5(a)                    | User Security Assessment Reports              |                       | Contact SECAS at secas@gemserv.com  |
| K7.5(b)                    | Full Privacy Assessments                      |                       |   |
| K7.5(b)                    | Privacy Assessment Reports                    |                       |   |
| K7.5(c)                    | DCC Gateway LV Connection – connection charge | £2,000 – £4,000       | Per connection  |
| K7.5(c)                    | DCC Gateway LV Connection – annual charge     | £600 – £1,000         | Per year of a 3-year contract (there will also be the option for a 1-year contract) |
| K7.5(d)                    | DCC Gateway HV Connection – connection charge | £3,000 – £15,000      | Per connection  |
| K7.5(d)                    | DCC Gateway HV Connection – annual charge     | £4,000 – £32,000      | Per year of a 3-year contract (there will also be the option for a 1-year contract) |
| K7.5(e)                    | Gateway equipment relocation                  | £759                  | Per consultant day  |
| K7.5(g)                    | Parse and Correlate support                   | £280 – £1,300         | Per consultant day  |
| K7.5(k)                    | CH non-standard delivery                      | £100                  | Per delivery  |
| K7.5(o)                    | CH returned and redeployed                    | £9.10                 | Per Communications Hub  |
| K7.5(q)                    | CH wrong returns location                     | £1.35 – £2.50         | Per Communications Hub (subject to minimum volumes)                                 |

Table 4 – Indicative Explicit Charges applicable in RY 2015/16

2.7 Table 5 below lists the DCC services which parties will be able to procure in the future when available. This Charging Statement may

be updated during RY 2015/16 to reflect the introduction of some of these charges.

| SEC Reference | Service   | Charge  |
|---------------|---|---|
|               |   | (£, excluding VAT)  |
| K7.5(f)       | Detailed Evaluation for a proposed Elective Communication Service |   |
| K7.5(h)       | SM WAN for testing  | Charging Statement will be revised once services are more defined and/or scheduled to be made available |
| K7.5(i)       | Additional testing support  |   |
| K7.5(m)       | CH variant charge   |   |

Table 5 – Explicit Charges yet to be determined

## SECTION B – ESTIMATED REVENUE

### 3 Estimated Allowed Revenue

3.1 In accordance with section K2 of the Charging Methodology, this section sets out DCC's Estimated Allowed Revenue for RY 2015/16, which is necessary for DCC to deliver Mandatory Business Services, Elective Communication Services and pay Pass-Through Costs.

3.2 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 Hubs Service and Other Enabling Services.

3.3 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 SEC.

3.4 Table 6 sets out DCC's Estimated Allowed Revenue for RY 2015/16, in total and split by its components.

| Acronym           | Name                                | RY 2015/16 (£m) |
|-------------------|-------------------------------------|-----------------|
| EFR <sub>t</sub>  | Estimated Fixed Revenue             | 114.7           |
| EECR <sub>t</sub> | Estimated Explicit Charges Revenue  | 1.3             |
| EESR <sub>t</sub> | Estimated Elective Services Revenue | Nil             |
| EAR <sub>t</sub>  | Estimated Allowed Revenue           | 116.0           |

Table 6 – Estimated Allowed Revenue for RY 2015/16

### 4 Estimated Fixed Revenue

4.1 Table 7 sets out the Estimated Fixed Revenue split by its components in accordance with section K3.8 of the Charging Methodology.

| Acronym            | Name  | RY 2015/16 (£m) |
|--------------------|---|-----------------|
| NFR <sub>t</sub>   | National Fixed Revenue                        | 65.1            |
| RFR <sub>Nt</sub>  | Regional Fixed Revenue (North)                | 30.6            |
| RFR <sub>Ct</sub>  | Regional Fixed Revenue (Central)              | 9.7             |
| RFR <sub>St</sub>  | Regional Fixed Revenue (South)                | 9.3             |
| RCHR <sub>Nt</sub> | Regional Communications Hub Revenue (North)   | Nil             |
| RCHR <sub>Ct</sub> | Regional Communications Hub Revenue (Central) | Nil             |
| RCHR <sub>St</sub> | Regional Communications Hub Revenue (South)   | Nil             |
| EFR <sub>t</sub>   | Estimated Fixed Revenue                       | 114.7           |

Table 7 – Estimated Fixed Revenue for RY 2015/16

4.2 National Fixed Revenue and Regional Fixed Revenue for the North, Central and South

Regions are used to calculate the Fixed Charges in Table 1.



- 4.3 Regional Communications Hub Revenue for the North, Central and South Regions are all set to zero. This is based on the assumption that DCC live operations starts no earlier than April 2016.
- 4.4 Estimated Fixed Revenue comprises:
- Costs defined within LC35 (Definitions for the Price Control Conditions), 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 incurred by DCC in procuring Fundamental Service Capability, i.e. the costs of the External Service Providers (Data Service Provider and the Communications 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 SEC Parties and recovers the costs directly
    - Baseline Margin as defined in LC36 (Determination of the Licensee’s Allowed Revenue)
  - Prudent estimate:
    - In accordance with Part B of LC36 (Determination of the Licensee’s Allowed Revenue), DCC may make adjustments 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 LC27 (Indebtedness and transfers of funds), 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.
- 4.5 The estimates for Internal Costs include an allowance for indexation using a forecast Retail Prices Index (RPI) of 3%, which DCC derives from data published by the Office for National Statistics ([www.ons.gov.uk](http://www.ons.gov.uk)). Baseline Margin also includes an allowance for indexation using RPI as defined in LC36.8.
- 4.6 External Costs include an allowance for indexation using a forecast of Consumer Price Index (CPI) of 2% in accordance with the provisions of the External Service Provider contracts. DCC derived this rate from data published by the Office for National Statistics ([www.ons.gov.uk](http://www.ons.gov.uk)).
- 4.7 Pass-Through Costs include an allowance for indexation at the rates provided by the Authority and SECCo Ltd (as applicable).
- 4.8 The correction factor does not include any allowance for indexation, as the numbers stated are in current values.

| Estimated Fixed Revenue by category                                 |  | Total excl VAT (£m) |
|---|--|---------------------|
| Internal Costs (1)  | DCC licensing competition baseline (2)         | 16.4                |
|   | Changes – baseline (3)                         | 1.8                 |
|   | Changes – new scope (4)                        | 15.8                |
| Baseline Margin (5)   |  | 2.9                 |
| External Costs (6)  | External Service Provider procurement baseline | 64.0                |
|   | Changes  | 8.3                 |
| Pass-Through Costs  | Authority (7)                                  | Nil                 |
|   | SECCo Ltd (8)                                  | 4.5                 |
| Correction factor   | Estimated – RY 2014/15 (9)                     | (2.1)               |
|   | Published – RY 2013/14 (10)                    | (6.4)               |
|   | Communications Hubs (11)                       | 0.0                 |
| Prudent estimate (12)   |  | 9.5                 |
| Estimated Fixed Revenue for the Regulatory Year (EFR <sub>y</sub> ) |  | 114.7               |

Table 8 – Estimated Fixed Revenue by category for RY 2015/16

4.9 Table 8 provides Estimated Fixed Revenue by category for RY 2015/16.

4.10 With reference to Table 8:

1. Internal Costs for DCC for RY 2015/16 include resource costs that relate to:

- Engaging with SEC Panel, SEC Parties and other stakeholders
- Contract and performance managing External Service Providers
- Applying the Charging Methodology and complying with the Price Control Conditions in the Licence
- Providing DCC Internal Systems, including the billing system
- Applying design governance
- Assuring test activities of External Service Providers

- Planning, coordinating and assuring testing

- Providing a Smart Metering Key Infrastructure (SMKI) Services and Parse and Correlate Software
- Providing service management including first line Service Desk
- Managing changes to the programme
- Programme managing DCC deliverables.

Internal Costs also include non-resource costs. Examples of non-resource costs include:

- Accommodation
- Travel
- Recruitment
- Legal fees

- Consulting fees
- Information technology services and Capita plc shared services (e.g. Group Finance, Tax and Treasury and Group HR)
- All External Service Provider cost that is not related to the Fundamental Service Capability

These costs are described in the Regulatory Instructions and Guidance (RIGs), published by the Authority on its website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk))

2. DCC licensing competition baseline is the estimated Internal Costs submitted by Capita plc to DECC during the DCC licensing competition prior to the grant of the Licence.
3. Changes to the DCC licensing competition baseline reflect 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.
4. Changes in Internal Costs due to new scope include:
  - Costs associated with changes to the Integrated Solution Delivery Plan (ISDP) in relation to the timing of the release of Great Britain Companion Specification (GBCS) version 0.7r6, 0.8 and 0.8.1
  - The costs of setting up and operating the SMKI Service and Parse and Correlate Software
  - The costs of additional resource to oversee the planning, coordinating and assuring testing, following assessments by DCC of the requirements to verify and to validate External Service

Providers and Testing Participant test preparation

- Refinement of the service management framework through design workshops leading to an increase in scope of the design, integration and technical requirements of the DCC service management system
  - Requirements for DCC to provide financial stability and financial security in accordance with LC26 (Financial stability and financial security), which was subject to finalisation following the grant of the Licence
  - Auditing the accuracy of External Service Providers' charges and their performance against contractual milestones in accordance with Schedule 8.4 (Records and Audit Provisions) of the External Service Provider contracts
  - Operational costs associated with the evolving Communications Hubs financing arrangements
  - The extra level of resource required to manage the emerging complexities of the DCC programme
  - An allowance for costs associated with the early stages of introduction of dual-band Communications Hubs and Enrolment and Adoption of SMETS1 meters.
5. This is the Baseline Margin as set out in Appendix 1 to LC36 (Determination of the Licensee's Allowed Revenue). Following publication of the Charging Statement for RY 2013/14 DCC identified, and brought to the attention of the Secretary of State and the Authority, a minor issue with the phasing of Baseline

Margin between Regulatory Years. DECC acknowledged this issue in its response to the consultation on SEC Stage 3 (SEC3), published on 12 June 2014. The revised phasing was designated in the Licence on 31 July 2014.

6. The External Costs for RY 2015/16 are detailed in Table 9:

| Estimated External Baseline Costs by category                       | Total excluding VAT (£m)                       |            |
|---|--|------------|
|   | External Service Provider procurement baseline | Changes    |
| Set-up Costs (a)  | 42.5   | 24.2       |
| Fixed operational costs (b)   | 18.7   | (18.3)     |
| Performance Incentives (c)  | 0.0  | 1.7        |
| Communications Hubs (d)   | 2.8  | (1.6)      |
| Impact Assessments/Projects (e)                                     | 0.0  | 2.3        |
| DCC User Gateway Catalogue services (f)                             | 0.0  | 0.0        |
| <b>Estimated External Costs by category for the Regulatory Year</b> | <b>64.0</b>                                    | <b>8.3</b> |

Table 9 – Estimated External Costs by category for RY 2015/16

a) Set-up costs are payable to External Service Providers monthly in arrears through deferred set-up charges arising upon achievement of the relevant milestones 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 contracts. The redacted versions of the contracts are available on the DCC website. These tables outline the name, description and date of milestones within each phase of the ISDP:

- 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.

Changes to Set-up Costs include:

- Refinement of the service management framework through design workshops leading to increased scope and requirements for External Service Providers
- Costs associated with changes to the ISDP in relation to the timing of GBCS activities as consulted in April/ May 2014
- The agreed costs relating to additional functionality and complexities identified within GBCS version 0.7r6
- Allowance for the impact of GBCS version 0.8 and version 0.8.1. DCC is set to begin commercial negotiations with External Service Providers in early 2015. The outcome of these negotiations may lead to significant adjustment to External Service

Providers' cost profile in which case, DCC may consider revising Service Charges in the Charging Statement for RY 2015/16

- DCC has estimated the costs of future Change Requests that are necessary to deliver Mandatory Business Services. DCC manages Change Requests where applicable in accordance with transitional governance arrangements and the External Service Provider contracts.

b) Fixed operational costs consist of fixed monthly charges payable to External Service Providers for the provision of Services from the commencement of DCC live operations to the end of the External Service Provider contracts.

Changes to fixed operational costs include:

- Costs relating to the increased scope of the service management System
- Extended coverage in the North Region
- Costs associated with changes proposed to the DCC plan.

c) As a result of revised ISDP and in line with External Service Provider contracts, performance incentives payments relating to RY 2014/15 have been adjusted to RY 2015/16. DCC make these payments when External Service Providers meet their respective performance milestones, otherwise the Estimated Fixed Revenue will be returned to SEC Parties as part of the correction factor in the subsequent Regulatory Year.

d) Communications Hubs costs consist of an asset charge payable to External Service Providers over a 10 year period following each successful delivery of a Communications Hub and a monthly

maintenance charge payable to External Service Providers following each successful commissioning of a Communications Hub.

- Changes to Communications Hub costs consist of a mandatory three month contingency fund for Communications Hub Finance Charges, in accordance with the financing arrangements outlined in the DECC consultation on SEC Stage 2 (SEC2).

- Based on the assumptions that DCC live operations will be no earlier than April 2016, the majority of the Communications Hub volumes in RY 2015/16 will now occur in RY 2016/17, consequently fewer costs associated with Communications Hubs will materialise in RY 2015/16.

e) DCC has estimated the cost associated with an anticipated level of Impact Assessments and Projects that are necessary to deliver Mandatory Business Services. DCC manages Impact Assessments and Projects as applicable in accordance with Transitional Governance arrangements and the External Service Provider contracts.

f) DCC may procure items from the DCC User Gateway Catalogue set out in the External Service Provider contracts. Costs relating to items in the DCC User Gateway Catalogue that will benefit all SEC Parties will be included within Fixed Charge, e.g. testing software licences to support the end-to-end testing for a given number of concurrent SEC Parties.

7. The Authority has confirmed to DCC that its annual fee for RY 2015/16 is nil.
8. The Pass-Through Cost relating to SECCo Ltd includes activities that are transferring from DECC to the SEC Panel.

9. The estimated correction factor is defined in LC36 (Determination of the Licensee's Allowed Revenue) and provides a mechanism for DCC to return the difference between Allowed Revenue and Regulated Revenue to SEC Parties with respect to the prior Regulatory Year. The estimated correction factor for RY 2014/15 is the difference between the costs that DCC currently estimates it will incur in RY 2014/15 and the Service Charges included in the Charging Statement for RY 2014/15. This figure is negative as the estimated Service Charge is set to exceed the cost in this Regulatory Year. Further detail on this was made available in DCC's finance update at end of January 2015. This value was adjusted by £0.4m to reflect the direction issued by the Authority on 27 February 2015 to remove Unacceptable Costs and the margin lost as a result of the value of  $IM5_{t-1}$ . These directions were made as a result of the Authority's price control assessment for RY 2013/14.
10. DCC reported the correction factor as deferred revenue in its Statement of Financial Position for RY 2013/14 in its Regulatory Accounts, published on 30 July 2014. This figure is 'negative' as the Service Charges were greater than the costs incurred during the Regulatory Year.
11. Correction factor for Communications Hubs in RY 2015/16 is expected to be nil as this charge will be applicable post March 2016. On its application correction factor for Communications Hubs will only be payable to those SEC Parties who fall into the three Communications Hubs Charging Groups.
12. 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 SEC Parties, it will not provide DCC with sufficient operating liquidity to ensure that it can meet its financial commitments in months when cash outflows are likely to exceed cash inflows. In RY 2015/16, the prudent estimate represents four weeks' operating liquidity to ensure DCC remains cash positive and meet its financial commitments during each month. DCC will return any surplus in prudent estimate to SEC Parties by way of the correction factor in RY 2016/17.

## 5 Estimated Elective Services Revenue

- 5.1 Elective Charges are payable in respect of Elective Communication Services, which include:
- Services to or from a Smart Metering System that relate solely to the Supply of Energy (or its use), and
  - Services that are provided by DCC pursuant to a Bilateral Agreement.
- 5.2. In accordance with Section H7 (Elective Communication Services) of the SEC, these services require a preliminary assessment, Detailed Evaluation (if necessary) and formal offer from DCC to enter into a Bilateral Agreement with a party.
- 5.3 As DCC has not entered into any Bilateral Agreements and does not anticipate orders for this service in RY 2015/16, Elective Services Revenue for RY 2015/16 is nil.

## SECTION C – FIXED CHARGES

### 6 Charging Periods

- 6.1 In accordance with section K3.2 of the Charging Methodology, Fixed Charges are payable:
- Prior to the UITMR period for Mandated Smart Metering Systems (MSMS) for Domestic Premises – this period ends on 31 March 2015
  - During the UITMR period for MSMS for Domestic Premises and Enrolled Smart Metering Systems (ESMS) for Designated Premises, and
  - After the UITMR period for ESMS (whether for Domestic Premises or Designated Premises).
- 6.2 Non-Domestic smart meters enrolled in DCC.
- 6.3 Domestic meters and domestic smart meters will be invoiced at the same monthly Fixed Charge (£ / meter). For example, a SEC Party with 100 electricity domestic meters will be invoiced the same amount as a SEC Party with 75 electricity domestic meters and 25 electricity domestic smart meters (i.e. 100 meters and smart meters in total).
- 6.4 Non-domestic smart meters enrolled in DCC will be invoiced at different Fixed Charges for the North, Central and South Regions. For example, a SEC Party with 100 non-domestic smart meters in the North Region will be invoiced at a different rate compared to a SEC Party with 100 non-domestic smart meters in the South Region.

#### During UITMR

- 6.2 UITMR commences from 1 April 2015 as DCC starts its regular payments to at least one of its External Service Providers. In accordance to section K3.2 of the Charging Methodology, the approach to setting Fixed Charges in this Charging Statement moves into second of the three phases. DCC will invoice SEC Parties based on the number of:
- Domestic meters; whether or not enrolled in DCC;

#### After UITMR

- 6.5 After the conclusion of mass rollout, DCC will invoice SEC Parties based on the number of domestic smart meters enrolled in DCC and non-domestic smart meters enrolled in DCC. There will no longer be a charge for meters that are not enrolled in DCC.

### 7 Charging Groups

- 7.1 Fixed Charges payable in respect of Smart Metering Systems will be payable by SEC Parties who fall into the Charging Groups set out in Tables 10, 11 and 12.
- 7.2 Tables 10, 11 and 12 show the volume assumptions made by DCC in relation to each Charging Group. These assumptions are used in conjunction with National Fixed Revenue and Regional Fixed Revenue, from Table 7, to determine the monthly Fixed Charge per meter. Assumptions related to each Charging Group for domestic and non-domestic volumes are available in Annex 2.
- 7.3 The size of the Charging Groups has been estimated based on the data provided by the Registration Data Providers as at 15 November 2014. This is the most recent and complete data available to the DCC at the time of preparing this Charging Statement. Tables 10, 11 and 12 are defined below.

- Table 10 – Domestic meters: is an estimate of the aggregated number of Mandated Smart Metering Systems in each Region (REDSMS). The regional split is based on mix provided in the volumes forecast submitted to DCC by SEC Parties in November 2014.
- Table 11 – Non-domestic meters: is an estimate of the aggregated number of Smart Metering Systems in Non-Domestic Premises enrolled in DCC in each Region (RENSMS). There are currently no Smart Metering Systems for Non-Domestic premises enrolled in DCC until after DCC live operations which is assumed as no earlier than 1 April 2016 for the purpose of this Charging Statement, therefore currently the volumes are set to zero.
- Table 12 – Total Smart Metering Systems (RESMS): Total of Mandated Smart Metering Systems for Domestic Premises (REDSMS) and Smart Metering Systems in Non-Domestic Premises enrolled in DCC (RENSMS).

| Charging Group | Name                     | Estimated Size of Charging Group (REDSMS <sub>gr</sub> ) |            |            |           | Charging Group Weighting Factor ( $\alpha_{gr}$ ) |
|----------------|--------------------------|--|------------|------------|-----------|---|
|                |                          | Total All Regions  | Region (r) |            |           |   |
|                |                          |  | North      | Central    | South     |   |
| g1             | Import Suppliers         | 27,816,443   | 8,623,097  | 10,570,248 | 8,623,097 | 0.49  |
| g2             | Export Suppliers         | -  | -          | -          | -         | 0.08  |
| g3             | Gas Suppliers            | 22,616,212   | 7,011,026  | 8,594,161  | 7,011,026 | 0.37  |
| g4             | Electricity Distributors | 28,019,083   | 8,685,916  | 10,647,252 | 8,685,916 | 0.06  |
| g5             | Gas Transporters         | 22,766,407   | 7,057,586  | 8,651,235  | 7,057,586 | 0.00  |

Table 10 – Domestic (REDMS): Mandated Smart Metering Systems

| Charging Group | Name                     | Estimated Size of Charging Group (RENSMS <sub>gr</sub> ) |            |         |       | Charging Group Weighting Factor ( $\alpha_{gr}$ ) |
|----------------|--------------------------|--|------------|---------|-------|---|
|                |                          | Total All Regions  | Region (r) |         |       |   |
|                |                          |  | North      | Central | South |   |
| g1             | Import Suppliers         | -  | -          | -       | -     | 0.49  |
| g2             | Export Suppliers         | -  | -          | -       | -     | 0.08  |
| g3             | Gas Suppliers            | -  | -          | -       | -     | 0.37  |
| g4             | Electricity Distributors | -  | -          | -       | -     | 0.06  |
| g5             | Gas Transporters         | -  | -          | -       | -     | 0.00  |

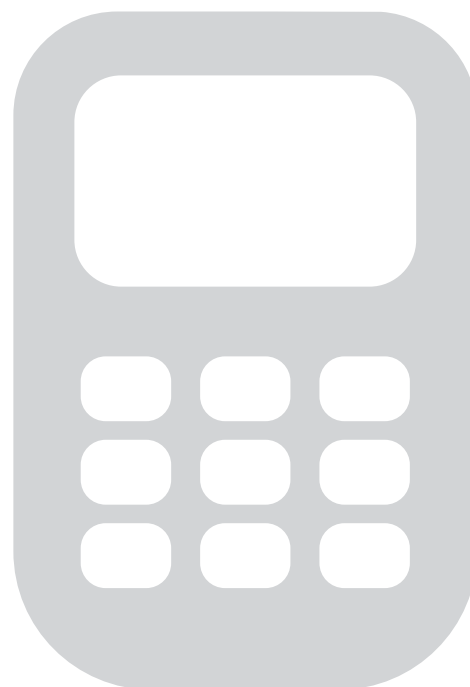
Table 11 – Non-Domestic (RENSMS): Smart Metering Systems enrolled in DCC

| Charging Group | Name                     | Estimated Size of Charging Group (RESMS <sub>gr</sub> ) |            |            |           | Charging Group Weighting Factor ( $\alpha_{gr}$ ) |
|----------------|--------------------------|---|------------|------------|-----------|---|
|                |                          | Total All Regions                                       | Region (r) |            |           |   |
|                |                          |   | North      | Central    | South     |   |
| g1             | Import Suppliers         | 27,816,443  | 8,623,097  | 10,570,248 | 8,623,097 | 0.49  |
| g2             | Export Suppliers         | -   | -          | -          | -         | 0.08  |
| g3             | Gas Suppliers            | 22,616,212  | 7,011,026  | 8,594,161  | 7,011,026 | 0.37  |
| g4             | Electricity Distributors | 28,019,083  | 8,685,916  | 10,647,252 | 8,685,916 | 0.06  |
| g5             | Gas Transporters         | 22,766,407  | 7,057,586  | 8,651,235  | 7,057,586 | 0.00  |

Table 12 – Total Smart Metering Systems (RESMS)



- 7.4 In accordance with the First Relevant Policy Objective, Fixed Charges in respect of Mandated Smart Metering Systems for Domestic Premises will be the same in the North, Central and South Regions (also referred to as the 'postage stamp' principle). However, charges for Smart Metering Systems in Non-Domestic Premises enrolled in DCC differ by a Region which is consistent with the Third Relevant Policy Objective. The new Licence condition came into effect on 14 January 2015.
- 7.5 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 within each Charging Group in accordance with the Charging Methodology. This estimate is derived from:
- Forecast of Smart Metering Systems roll out volumes;
  - Service Request cost assumptions; and
  - Forecast of Service Request volumes for RY 2021/22 (until data on usage becomes available).
- 7.6 The Charging Group Weighting Factors apply equally across all three Regions regardless of whether a premises is Domestic or Non-Domestic.
- 7.7 DCC has derived these Charging Group Weighting Factors using aggregated demand and rollout profiles provided by energy suppliers and network operators to DECC at the bid stage combined with the contracted variable costs of External Service Providers.
- 7.8 Table 1 (Summary of Charges) shows the monthly Fixed Charge applicable to each Smart Metering System within each Charging Group from 1 April 2015. The monthly Fixed Charges are set for:
- Domestic Premises; and
  - Non-Domestic Premises which are further split by North, Central and South Regions.
- 7.9 The formula for calculating the monthly Fixed Charges is set out in the Charging Methodology under the following Sections:
- K5.4 – Determining Fixed Charges for Non-Domestic Premises; and
  - K5.5 – Determining the Fixed Charges for Domestic Premises.



## SECTION D – COMMUNICATIONS HUBS CHARGES AND EXPLICIT CHARGES

### 8 Communications Hubs

8.1 Charges in relation to Communications Hub Services are payable by a SEC Party from the point a Communications Hub order has been delivered and accepted by that Party.

8.2 A SEC Party has five days from the point of receiving a delivery to either accept or reject it. A delivery will be deemed as accepted through either SEC Party acceptance or on the expiry of the five days if no action is taken. Subsequently a SEC Party may return the Communications Hubs which may be subject to an Explicit Charge, see section 10 on Estimated Explicit Charges Revenue and Explicit Charges.

#### Communications Hub Revenue

8.3 For the purposes of this Charging Statement only it is assumed that DCC live operations will be no earlier than April 2016 which means the initial delivery date for Communications Hubs will be March 2016. Therefore estimated Communications Hub Revenue is set to zero in RY 2015/16.

8.4 DCC will start to recover Communications Hub Revenue one month after the initial delivery date i.e. in April 2016 (RY 2016/17). Communications Hub Revenue will be based on the volumes forecast which are due to be submitted to DCC in quarter three RY 2015/16.

#### Types of Communications Hubs Charges

8.5 In accordance with the Charging Methodology, DCC will recover estimated Regional Communications Hub Revenue using a Fixed CH Charge. As discussed above this charge will not be applicable in RY 2015/16.

8.6 In accordance with section K7.5 of the Charging Methodology, DCC will recover Estimated Explicit Charges Revenue associated with Communications Hubs

using a stock level charge. This charge will apply to any Communications Hubs delivered in March 2016 (initial delivery date).

#### Fixed CH Charge

8.7 Consistent with the Third Relevant Policy Objective, Fixed CH Charges will differ between Domestic and Non-Domestic Premises.

8.8 A SEC Party will be invoiced for these charges based on the number of:

- Domestic Smart Metering Systems; and
- Non-domestic Smart Metering Systems.

#### Charging Groups for Fixed CH Charges

8.9 Fixed CH Charges apply to Import Electricity, Export Electricity and Gas Suppliers.

8.10 Following the installation of a Communications Hub a Fixed CH Charge is only payable by SEC Parties who fall into either one or more of the Charging Groups for Communications Hubs as per Table 13.

8.11 The CH Charging Group Weighting Factors specify the ratio of costs to be incurred in respect to each Smart Metering System. In accordance with section K3.13 of the Charging Methodology, DCC derives these ratios based on the relative proportion of their Charging Group Weighting Factors.

| Charging Group | Name             | CH Charging Group Weighting Factor ( $\alpha_{gr}$ ) |
|----------------|------------------|--|
| g1             | Import Suppliers | 0.52   |
| g2             | Export Suppliers | 0.09   |
| g3             | Gas Suppliers    | 0.39   |

Table 13 – Charging Group for Fixed CH Charge

8.12 The CH Charging Group Weighting Factors will be refreshed in line with any subsequent updates to the Charging Group Weighting Factors.

8.13 The CH Charging Group Weighting Factors apply equally across all three Regions regardless of Domestic or Non-Domestic Premises.

### Stock level charge

8.14 Stock level charge is a blended average charge set at the start of each Regulatory Year. The charge is based on the number of

Communications Hubs held in stock by a SEC Party at the end of the Charging Period.

8.15 Prior to installation of a Communications Hub, it is not possible to determine whether it is to be installed in a Domestic or Non-Domestic Premises. Therefore consistent with the First Relevant Policy Objective a single stock level charge will apply across all three Regions.

8.16 The stock level charge for RY 2015/16 is set out in Table 3 in section A (Summary of Charges).

## 9 Faults

9.1 This section explains the Charges payable where a Communications Hub is found to have a fault. The responsibility of that fault could either lie with a SEC Party or DCC and will be determined in accordance with Section F9.6.

### SEC Party fault

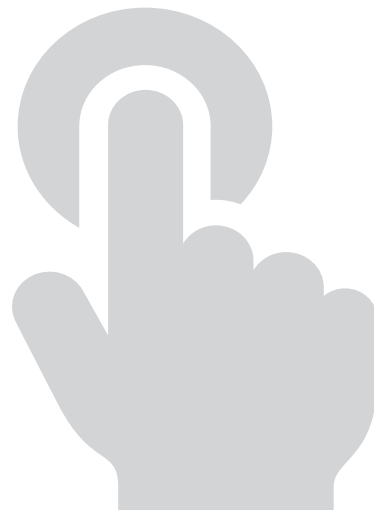
9.2 Where a SEC Party is deemed to be responsible for a Communications Hub fault, one of two charges will apply. These are set out below:

- **CH returned not redeployed** (Section K7.5(p)): A blended average charge set at the start of each Regulatory Year to recover the remaining cost associated with a Communications Hub.
- **CH returned and redeployed** (Section K7.5(o)): A blended average charge set at the start of each Regulatory Year to recover the cost associated with reconditioning a Communications Hub where appropriate prior to its deployment.

9.3 The applicable charges for these two items in RY 2015/16 are set out in Table 3 and 4 in section A (Summary of Charges).

### DCC faults

9.4 DCC is not obliged to set out the compensation, in relation to DCC faults in the Charging Statement as it is envisaged it will be captured in Section F9 (to be concluded by DECC in early 2015). However, DCC will consider including this in a future Charging Statement as this information may be helpful to stakeholders in understanding the cost impact of both a SEC Party fault and a DCC fault.



## 10 Estimated Explicit Charges Revenue and Explicit Charges

10.1 In accordance with section K7.5 of the Charging Methodology, Explicit Charges are payable in respect of Explicit Charging Metrics, which represent those Core Communication Services and Enabling Services that are to be charged for separately from Fixed Charges. They recover the costs associated with a range of specific services and are generally driven by volume. The cost of those services would only arise where it is specifically ordered or required by a Party (or a non-SEC party where a bilateral agreement is in place), and would be recovered from that party.

10.2 DCC estimates that EECR<sub>t</sub> (Estimated Explicit Charges Revenue) will be £1.36m for RY 2015/16. The assumptions made in relation to EECR<sub>t</sub> are set out in Annex 3. Actual revenue recovered in RY 2015/16 will be determined by the actual volume of services procured by parties.

10.3 Annex 3 sets out supporting information for each of the Explicit Charges (explained below). It sets out the factors that will influence the level of each of the indicative Explicit Charges in Table 4 in section A (Summary of Charges).

10.4 All Set Explicit Charges set out in Table 3 in section A (Summary of Charges) reflect all costs related to provisioning those services.

10.5 DCC will make available to parties an operation manual in sufficient time for when each of these services become available to order. That manual will set out the approach for ordering services.

### Legal provisions for ordering services attracting an Explicit Charge

10.6 Current Explicit Charging Metrics are set out in Section K7.5, which refers to Sections F, G, H and I, much of which is yet to come into effect (see Section X2.1). Therefore the Explicit Charges listed in this Charging Statement will only become effective at the

point at which all corresponding legal text in the SEC and its subsidiary documents come into effect.

### Categories of Explicit Charges

10.7 Explicit Charges largely fall into one of three categories. They are:

- Set Explicit Charges (set out in Table 3 in section A);
- Indicative Explicit Charges (set out in Table 4 in section A); and
- Explicit Charges yet to be determined (set out in Table 5 in section A).

10.8 Some Explicit Charges can only be indicative as they will rely on a number of variables which are only known at the point at which a party applies for a particular service. For the purpose of enabling parties to estimate the level of Explicit Charges, DCC has set out indicative Explicit Charges in Table 4 in section A. The likely cost drivers for these services are explained in Annex 3.

10.9 All Security and Privacy Assessments will be procured by the SEC Panel; these costs will be notified to DCC and will be treated as Recoverable Costs in accordance with Section C8.2.

### Services available in the future

10.10 The approach to testing is currently under development in the context of the proposed changes to the DCC plan. Therefore, DCC anticipates that the Explicit Charges relating to 'SM WAN for testing' and 'additional testing support' will be updated via a Notice to amend the Service Charges in the Charging Statement during RY 2015/16. DCC intend that these will be added in time for the proposed start date for interface testing, allowing for any lead times, in accordance

with LC19.11.

10.11 At a certain time in the future, SEC Parties will also be able to:

- request a Detailed Evaluation in respect of Elective Communications Services; and
- order variant Communications Hubs.

10.12 DCC will recover the cost of these services via Explicit Charges in accordance with Sections K7.5(f) and K7.5(m) respectively. DCC will update these charges in the Charging Statement when these services are scheduled to be made available. DCC anticipates that this will be no earlier than April 2016.

## SECTION E – INVOICING

### 11 Invoicing and Credit Cover

11.1 This Charging Statement covers 12 Charging Periods, consistent with the indicative invoicing timetable available on the DCC website.

11.2 A Charging Period for the purpose of invoicing is based on a view of volume taken on the 15<sup>th</sup> day of the calendar month and it will apply across all the different types of charges mentioned in this Charging Statement.

11.3 All charges outlined in this Charging Statement are shown excluding VAT.

11.4 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 J1.5.

11.5 Consistent with these timescales, DCC issues invoices to SEC Parties 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.

11.6 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 15<sup>th</sup> day of the calendar month.

11.7 Explicit Charges for services which were fulfilled and any confirmed charges or credits associated with Communications Hubs faults during a Charging Period will feature in the next invoice issued after the end of that Charging Period.

11.8 DCC will issue a principal invoice accompanied by a supplementary schedule detailing the invoice amount by specific services. This invoice amount will be paid into the DCC account.

11.9 In addition to the principal invoice a secondary invoice will be issued to Parties who have Communications Hubs held in stock at the end of a Charging Period and or Smart Metering Systems. This invoice will contain a proportion of the total charges associated with Communications Hub Services and will be paid into a separate account. For the avoidance of the doubt the sole purpose of the secondary invoice is to split the total amount payable in a Charging Period in respect to Communications Hubs. This is not a double or an incremental charge.

11.10 In accordance with section J3, each SEC Party 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.

## SECTION F – ANNEXES

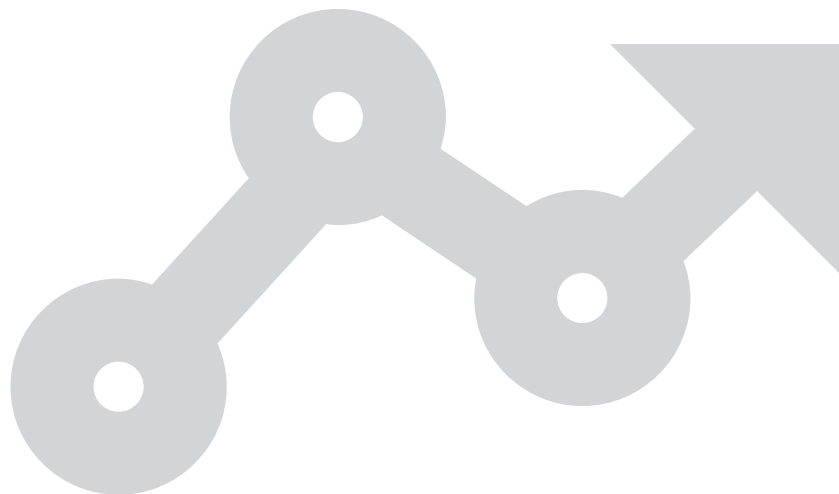
### Annex 1: Timetable for indicative Charging Statement and indicative budgets

12.1 In the first five working days of the months set out in Table 14, DCC will publish an indicative Charging Statement and working model for the next Regulatory Year along

with indicative budgets for the second and third Regulatory Years thereafter. These documents are available on the DCC website ([www.smartdcc.co.uk](http://www.smartdcc.co.uk)).

| Month        | Indicative Charging Statement | Indicative Budgets |            |
|--------------|-------------------------------|--------------------|------------|
| April 2015   | RY 2016/17                    | RY 2017/18         | RY 2018/19 |
| July 2015    | RY 2016/17                    | RY 2017/18         | RY 2018/19 |
| October 2015 | RY 2016/17                    | RY 2017/18         | RY 2018/19 |
| January 2016 | RY 2016/17                    | RY 2017/18         | RY 2018/19 |

Table 14 – Timetable for indicative Charging Statement and indicative budgets



## Annex 2: Fixed Charge – Assumptions

### Volume Assumptions for Fixed Charges

13.1 This section sets out the current assumptions used for the estimated volumes for each of the Charging Groups for both Domestic Mandated Smart Metering Systems and Non-Domestic Smart Metering Systems in Tables 10 and 11.

13.2 Assumptions for Domestic Mandated Smart Metering System Volumes:

- Import Suppliers (g1) – meters that have a domestic profile class 1 and 2 associated with the Metering Point Administration Number (MPAN) and an identifiable chargeable Import Electricity Supplier
- Export Suppliers (g2) – these meters are currently included in Import Electricity Suppliers in accordance with Section X2.6 (a) of the SEC
- Gas Suppliers (g3) – meters that have a domestic market sector code associated with the Meter Point Reference Number (MPRN) and an identifiable chargeable Gas Supplier
- Electricity Distributors (g4) – meters that have a domestic profile class 1 and 2 associated with the MPAN

- Gas Transporters (g5) – meters that have 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.

13.3 Assumptions for non-domestic Smart Metering Systems volumes:

- The volume estimates for each of the charging groups will be set to zero as there will be no Non-Domestic smart meters enrolled in DCC until after DCC live operations. However a Fixed Charge for Non-Domestic meters features in this statement and will become applicable only when a SEC Party has enrolled in DCC a smart meter for Designated Premises.

## Annex 3: Estimated Explicit Charges Revenue and Explicit Charges – supporting information

14.1 This annex sets out further detail in relation to:

- Explicit Charges (including cost drivers for indicative Explicit Charges); and
- Explanation of how the  $EECR_t$  has been estimated.

14.2 In describing each of the Explicit Charges we have provided SEC references to Section K only. We have not provided onward references since these are subject to change through the ongoing development and introduction of new SEC content.

### Estimated Explicit Charges Revenue ( $EECR_t$ )

14.3 In estimating the  $EECR_t$ , DCC has made a number of assumptions in relation to the forecast volume and prices of certain service in RY 2015/16. Many of those forecasts are set at zero, this is due to a variety of reasons, including:

- A number of services will not be available to order for the entire Regulatory Year, as these will rely on certain sections of the SEC becoming effective on a date which is yet to be determined. Due to this uncertainty, DCC has considered it appropriate to assume that there will be no orders for these services.
- Due to the changes to the DCC plan a number of services will now not be ordered in RY 2015/16, due to changes in milestones.
- Due to uncertainty in costs DCC has not included any revenue assumptions in relation to Security and Privacy Assessments.

### Set Explicit Charges

14.4 The values for following types of charges are set out in section A (Summary of Charges).

14.5 CH stock level charge: where DCC has delivered a Communications Hub to a Party but it is not installed at the end of the Charging Period, a monthly stock level charge will apply. DCC will recover the cost of this service via an Explicit Charge in accordance with Section K7.5(l).

14.6 CH returned not redeployed: A Party may return, or notify as lost or destroyed, Communications Hubs for a reason which is a CH User Responsibility – those Communications Hubs will not be reconditioned for redeployment. DCC will recover the cost of this service via an Explicit Charge in accordance with Section K7.5(p).

14.7 Test comms hubs: Parties may order Communications Hubs for testing purposes. DCC will recover the cost of this asset via an Explicit Charge in accordance with section K7.5(r) of the SEC.

14.8 CH auxiliary equipment: Parties may order additional Communications Hub Auxiliary Equipment, which includes additional aerials. This is over and above the aerials that will form part of a Communications Hubs order for premises that requires it as part of a standard installation. DCC will recover the cost of additional aerials via an Explicit Charge in accordance with Section K7.5(n).

14.9 Communications services 'Service Requests': Under K7.5(j) of the SEC, DCC may recover the costs of communications services available via the DCC User Interface Services Schedule via an Explicit Charge. DCC will recover this cost via the Fixed Charge, hence



the value of the Explicit Charge has been set to zero, pursuant to Section K7.6(e). DCC consulted on this approach in May 2014. The rationale for this approach is that it is more economic and efficient to recover Service Request costs via Fixed Charges because:

- Total cost of Service Requests is approximately 0.2% of total External Costs
- Less cost and complexity for the billing system to recover through Fixed Charges
- Simpler invoices with less reconciliation activity for SEC Parties
- Greater cost certainty in advance of each Regulatory Year.

### Indicative Explicit Charges

14.10 DCC Gateway Connections: 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.

14.11 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 Section H15 and Appendix G: DCC Gateway Connection Code of Connection, 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.

14.12 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 Section H15 and Appendix G: DCC Gateway Connection Code of Connection, 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.

14.13 The indicative Explicit Charges for DCC Gateway Connections are set out in section A of this Charging Statement. These indicative prices are based on a sample 'spread' of locations. The exact cost of a selected option will be made available on application (pursuant to Sections H15.8(c) and H15.9(b) of the SEC). DCC considers that the majority of DCC Gateway Connections ordered would fall within the indicative price bands set out in section A.

14.14 The DCC Connection Ordering Guidance and associated forms are available on the DCC website, which set out the process for ordering DCC Gateway Connections.

14.15 Gateway equipment relocation: Parties may make a request to alter the location of its DCC Gateway Equipment within the party's

premises. Following a formal request from the party to DCC to relocate equipment, DCC shall confirm the Explicit Charge payable in accordance with K7.5(e) of the SEC. The variables that will influence the level of this charge will be:

- The level of expertise required to carry out the relocation
- The number of days of effort required to carry out relocation.

14.16 Security and Privacy Assessments: Parties are to pay Explicit Charges in respect of User Security Assessments, Follow-up Security Assessments, User Security Assessment Reports, Full Privacy Assessments and/or Privacy Assessment Reports. The Panel will procure these services and DCC will recover the incurred expenditure on behalf of the Panel via an Explicit Charge in accordance with K7.5 (a) and (b) of the SEC.

14.17 These charges are designed to pass through the expenditure from the Panel to DCC which then recovers it from Parties. These costs are treated as Recoverable Costs in accordance with section C8.2 of the SEC. For more information in relation to these Explicit Charges please contact SECAS at secas@gemserv.com.

14.18 P&C support: Parties may request further assistance in relation to its use of Parse and Correlate Software. DCC will recover the cost of this via an Explicit Charge in accordance with section K7.5(g) of the SEC. The value of that charge will be confirmed after all relevant information has been provided to DCC in relation to the request. The variables that will influence the level of this charge will be:

- The level of expertise required to provide the requested software support
- The number of days of effort required to provide the requested software support.

14.19 CH non-standard delivery: Parties may specify non-standard instructions for the delivery of Communications Hub Orders. DCC will recover the cost of this service via an Explicit Charge in accordance with K7.5(k) of the SEC. The value of that charge will be confirmed after all relevant information has been provided to DCC in relation to the request. The variables that will influence the level of this charge will be:

- The value of additional logistics
- The cost of storage and transport.

14.20 CH wrong returns location: Where Parties return a Communications Hub to the wrong location (for example, to the wrong External Service Provider), DCC will recover the cost of this via an Explicit Charge in accordance with K7.5(q) of the SEC. The value of that charge will be confirmed after all relevant information has been provided to DCC in relation to the request. The variables that will influence the level of this charge will be:

- Quantity of Communications Hubs to be redelivered
- Location to which order must be redelivered.

14.21 CH returned and redeployed: Parties may return Communications Hubs for a reason which is a CH User responsibility – those Communications Hubs will be reconditioned for redeployment. DCC will recover the cost of this service via an Explicit Charge in accordance with K7.5(o) of the SEC. The value of that charge will be confirmed after all relevant information has been provided to DCC in relation to the request. The key variable that will influence the level of this charge will be the average of asset life across Communications Hubs at varying stages of asset life.

## Other costs

14.22 Parties may also be liable to pay for any expenses incurred by DCC which arise for activities not directly mentioned in Section K – for example, these may include any expenses incurred as a result of the cancellation of an order for any of the services listed in section A of this Charging Statement. DCC shall notify the Party of any expenses incurred and any compensation due from the Party to DCC pursuant to the relevant section of the SEC.



## Annex 4: Worked Examples

15.1 The following three worked examples use the charges set out in the following tables:

- Monthly Fixed Charge in Table 1
- Stock level charge in Table 3
- Auxiliary aerials charge in Table 3

15.2 Worked examples 2 and 3 include Mandated Smart Meters and Smart Meters enrolled in DCC. Although DCC does not anticipate any Smart Meters enrolled in DCC in RY 2015/16, it has been included in these examples to illustrate how an invoice amount will be calculated.

### Example 1: Single fuel supplier

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

- An Import Supplier only

15.4 At the end of the charging period which is the 15<sup>th</sup> day of the month GSE has:

- 3,642,724 domestic Smart Metering Systems;
- 3,242,724 Mandated Meters which are not smart meters; and

- 400,000 smart meters enrolled in DCC

- 100,000 non-domestic smart meters enrolled in DCC;

- 70,000 smart meters in the North Region; and

- 30,000 smart meters in the South Region

- 20,000 Communications Hubs in stock at the end of the charging period

- 100 Auxiliary cellular mesh aerials were accepted in the charging period

15.5 Tables 15a and 15b shows an example of how total payable amounts appearing on the principal and secondary invoices at the end of a Charging Period will be calculated for Fixed Charges and Explicit Charges.

15.6 In this example, GSE will pay a total amount of £905,904.53. DCC will email two invoices to GSE; principal Invoice £904,284.53 and secondary Invoice £1,620.00 both including VAT. The total amount will be supported by a supplementary schedule detailing charges for each SEC Party.



| Charging Group                   | Name             | Premises Type   | Region (r) | Actual Size of Charging Group (ADSMS <sub>pgmt</sub> & ANSMS <sub>pgmt</sub> ) | Monthly Fixed Charge (£ / meter) (RDFC <sub>gt</sub> & RNFC <sub>grt</sub> ) | Total Monthly Fixed Charge |
|----------------------------------|------------------|-----------------|------------|--|--|----------------------------|
| g1                               | Import Suppliers | Domestic        | All        | 3,642,724  | £0.198   | £720,808.17                |
| g1                               | Import Suppliers | Non Domestic    | North      | 70,000   | £0.283   | £19,793.92                 |
| g1                               | Import Suppliers | Non Domestic    | South      | 30,000   | £0.164   | £4,918.36                  |
| Total Monthly Fixed Charge       |                  |                 |            |  |  | £745,520.44                |
| Charge Name                      | Charge type      | Basis of Charge | Units      | Explicit Charge (£ / unit)   | Explicit Charge (£)  |                            |
| Communications Hubs Stock Charge | Explicit Charge  | Per Hub         | 20,000     | £0.450   | £9,000.00  |                            |
| Auxiliary cellular mesh aerials  | Explicit Charge  | Per Unit        | 100        | £4.000   | £400.00  |                            |
| Total Monthly Explicit Charge    |                  |                 |            |  | £9,400.00  |                            |
| Total Charges Excluding VAT      |                  |                 |            |  | £754,920.44  |                            |
| Less Secondary Invoice (15%)     |                  |                 |            |  | (£1,350.00)  |                            |
| Net Total Excluding VAT          |                  |                 |            |  | £753,570.44  |                            |
| VAT @ 20%                        |                  |                 |            |  | £150,714.09  |                            |
| Total Charges Including VAT      |                  |                 |            |  | £904,284.53  |                            |

Table 15a – Principal invoice

| Charge Name  | Explicit Charge (£) |
|--|---------------------|
| Proportion of Communication Hub Charges (15% x £9,000) | £1,350.00           |
| VAT @ 20%  | £270.00             |
| Total Charges Including VAT                            | £1,620.00           |

Table 15b – Secondary invoice

**Example 2: Dual fuel supplier**

15.7 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 Supplier, and
- A Gas Supplier

15.8 At the end of the charging period which is the 15<sup>th</sup> day of the month GSDF has:

- 3,642,724 domestic Smart Metering Systems;
  - Electricity 1,848,353 mandated meters which are not smart meters and 228,000 smart meters enrolled in DCC
  - Gas 1,394,371 mandated meters which are not smart meters and 172,000 Smart Meters enrolled in DCC
- 100,000 non-domestic smart meters enrolled in DCC
  - Electricity 57,000 smart meters Enrolled in DCC
    - 39,900 smart meters in the North Region
    - 17,100 smart meters in the South Region

- Gas 43,000 smart meters Enrolled with DCC
  - 30,100 smart meters in the North Region
  - 12,900 smart meters in the South Region
- 20,000 Communications Hubs in stock at the end of the Charging period
- 100 Auxiliary cellular mesh aerials were accepted in the Charging Period

15.9 Tables 16a and 16b shows an example of how total payable amounts appearing on the principal and secondary invoices at the end of a Charging Period will be calculated for Fixed Charges and Explicit Charges.

15.10 In this example, GSDF will pay a total amount of £811,695.09. DCC will email two invoices to GSDF; principal Invoice £810,075.09 and secondary Invoice £1,620.00 both including VAT. The total amount will be supported by a supplementary schedule detailing charges for each SEC Party.



| Charging Group                   | Name             | Premises Type   | Region (r) | Actual Size of Charging Group (ADSMS <sub>pgmt</sub> & ANSMS <sub>pgmt</sub> ) | Monthly Fixed Charge (£ / meter) (RDFC <sub>gr</sub> & RNFC <sub>gr</sub> ) | Total Monthly Fixed Charge |
|----------------------------------|------------------|-----------------|------------|--|---|----------------------------|
| g1                               | Import Suppliers | Domestic        | All        | 2,076,353  | £0.198  | £410,860.65                |
| g3                               | Gas Suppliers    | Domestic        | All        | 1,566,371  | £0.149  | £234,042.00                |
| g1                               | Import Suppliers | Non Domestic    | North      | 39,900   | £0.283  | £11,282.53                 |
| g3                               | Gas Suppliers    | Non Domestic    | North      | 30,100   | £0.214  | £6,426.96                  |
| g1                               | Import Suppliers | Non Domestic    | South      | 17,100   | £0.164  | £2,803.47                  |
| g3                               | Gas Suppliers    | Non Domestic    | South      | 12,900   | £0.124  | £1,596.96                  |
| Total Monthly Fixed Charge       |                  |                 |            |  |   | £667,012.57                |
| Charge Name                      | Charge type      | Basis of Charge | Units      | Explicit Charge (£ / unit)   | Explicit Charge (£)   |                            |
| Communications Hubs Stock Charge | Explicit Charge  | Per Hub         | 20,000     | £0.450   | £9,000.00   |                            |
| Auxiliary cellular mesh aerials  | Explicit Charge  | Per Unit        | 100        | £4.000   | £400.00   |                            |
| Total Monthly Explicit Charge    |                  |                 |            |  | £9,400.00   |                            |
| Total Charges Excluding VAT      |                  |                 |            |  | £676,412.57   |                            |
| Less Secondary Invoice (15%)     |                  |                 |            |  | £(1,350.00)   |                            |
| Net Total Excluding VAT          |                  |                 |            |  | £675,062.57   |                            |
| VAT @ 20%                        |                  |                 |            |  | £135,012.51   |                            |
| Total Charges Including VAT      |                  |                 |            |  | £810,075.09   |                            |

Table 16a – Principal invoice

| Charge Name  | Explicit Charge (£) |
|--|---------------------|
| Proportion of Communication Hub Charges (15% x £9,000) | £1,350.00           |
| VAT @ 20%  | £270.00             |
| Total Charges Including VAT                            | £1,620.00           |

Table 16b – Secondary Invoice

**Example 3: Electricity Distributor**

15.11 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 only

15.12 At the end of the charging period which is the 15<sup>th</sup> day of the month GSE has:

- 2,076,353 domestic Smart Metering Systems;
- 57,000 non-domestic smart meters enrolled in DCC;
- 39,900 smart meters in the North Region
- 17,100 smart meters in the South Region

15.13 Table 17 shows an example of how a principal invoice amount will be calculated for Fixed Charges and Explicit Charges.

15.14 In this example, DCC will email a principal invoice to GSED for £62,441.15 including VAT. This invoice will be supported by a supplementary schedule detailing charges for each SEC Party. Charges associated with Communications Hubs are not applicable to GSED.

| Charging Group              | Name                     | Premises Type | Region (r) | Actual Size of Charging Group (ADCH <sub>pgmt</sub> & ANCH <sub>pgmt</sub> ) | Monthly Fixed CH Charge (£ / meter) (DCHC <sub>gt</sub> & NCHC <sub>grt</sub> ) | Total Monthly Fixed Charge |
|-----------------------------|--------------------------|---------------|------------|--|---|----------------------------|
| g4                          | Electricity Distributors | Domestic      | All        | 2,076,353  | £0.024  | £50,309.47                 |
| g4                          | Electricity Distributors | Non Domestic  | North      | 39,900   | £0.035  | £1,381.53                  |
| g4                          | Electricity Distributors | Non Domestic  | South      | 17,100   | £0.020  | £343.28                    |
| Total Fixed Charge          |                          |               |            |  |   | £52,034.28                 |
| Total Charges Excluding VAT |                          |               |            |  |   | £52,034.28                 |
| VAT @ 20%                   |                          |               |            |  |   | £10,406.86                 |
| Total Charges Including VAT |                          |               |            |  |   | £62,441.15                 |

Table 17 – Principal invoice



## Annex 5: Acronyms

| Acronyms | Definition                                   |
|----------|--|
| CH       | Communications Hubs                          |
| CPI      | Consumer Price Index                         |
| DCC      | Smart DCC Ltd                                |
| DECC     | Department of Energy and Climate Change      |
| ESMS     | Enrolled Smart Metering Systems              |
| GBCS     | Great Britain Companion Specification        |
| g1       | Import Suppliers (Charging Group g1)         |
| g2       | Export Suppliers (Charging Group g2)         |
| g3       | Gas Suppliers (Charging Group g3)            |
| g4       | Electricity Distributors (Charging Group g4) |
| g5       | Gas Transporters (Charging Group g5)         |
| HV       | High-Volume                                  |
| IHD      | In Home Display                              |
| IMF      | Implementation Managers Forum                |
| ISDP     | Integrated Solution Delivery Plan            |
| LC       | Licence Condition                            |
| LV       | Low-Volume                                   |
| MPAN     | Metering Point Administration Number         |
| MPRN     | Meter Point Reference Number                 |
| MRA      | Master Registration Agreement                |
| MSMS     | Mandated Smart Metering Systems              |
| PKI      | Public Key Infrastructure                    |
| RDP      | Registration Data Provider                   |
| RIGs     | Regulatory Instructions and Guidance         |
| RPI      | Retail Prices Index                          |
| RY       | Regulatory Year                              |
| SEC      | Smart Energy Code                            |
| SEC4     | New Smart Energy Code content (Stage 4)      |
| SMKI     | Smart Metering Key Infrastructure            |
| SM WAN   | Smart Metering Wide Area Network             |
| UITMR    | User Integration Testing and Mass Rollout    |
| UNC      | Uniform Network Code                         |
| XML      | Extensible Markup Language                   |

Table 18 – Acronyms

## Annex 6: Glossary

| Defined Terms                       | References        | Definition   |
|-------------------------------------|-------------------|--|
| Adoption                            | SEC N1.1          | Means, in respect of a Communications Contract, to novate (with or without amendment) some or all of the Supplier Party's rights and obligations under the contract (to the extent arising after the date of novation) to the DCC; and "Adopt", "Adopting" and "Adopted" shall be interpreted accordingly.   |
| Allowed Revenue                     | LC 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.  |
| Authority                           | SEC A1.1          | Means the Gas and Electricity Markets Authority as established under section 1 of the Utilities Act 2000.  |
| Baseline Margin                     | LC 35.5           | Means in relation to each Regulatory Year an amount of additional revenue, over and above the sum of the Licensee's Internal Costs and External Costs, that the Secretary of State has agreed shall be included (subject to the operation of the Baseline Margin Performance Adjustment) in the Licensee's Allowed Revenue, and is determined in accordance with the provisions of Part C of Condition 36. |
| Bilateral Agreement                 | SEC A1.1          | Means an agreement entered into pursuant to Section H7 of the SEC (Elective Communication Services) between the DCC and a User.  |
| Change Request                      | DSP/CSP contracts | Means a written request for a Contract Change which shall be substantially in the form of Appendix 1 to Schedule 8.2 of the DSP/CSP contract.  |
| CH Batch Fault                      | SEC A1.1          | Has the meaning given to that expression in Section F9.20 of the SEC (Liquidated Damages for CH Batch Faults).   |
| CH Type Fault                       | SEC A1.1          | Has the meaning given to that expression in Section F9.16 (Liquidated Damages for CH Type Faults).   |
| CH Charging Group                   | SEC K11.1         | Has the meaning given to that expression in Section K3.9.  |
| CH Charging Group Weighting Factors | SEC K11.1         | Has the meaning given to that expression in Section K3.13 of the SEC.  |
| CH User Responsibility              | SEC A1.1          | Has the meaning given to that expression in Section F9.6 of the SEC (Categories of Responsibility).  |
| Charging Groups                     | SEC K11.1         | Has the meaning given to that expression in Section K3.9 of the SEC.   |
| Charging Group Weighting Factors    | SEC K3.10         | Charging Group Weighting Factors are designed to reflect the relative proportion of fixed costs attributable to Import Electricity Suppliers (g1), Export Electricity Suppliers (g2), Gas Suppliers (g3), Electricity Distributors (g4) and Gas Transporters (g5).   |
| Charging Methodology                | SEC K             | Charging Statements are prepared in accordance with the Charging Methodology, which provides the mechanism for determining Fixed Charges (before, during and after UITMR), Explicit Charges and Elective Charges.  |
| Charging Period                     | SEC K11.1         | Means, in respect of each month (the 'current month'), the period from the start of the 16th day of the previous month to the end of the 15th day of the current month.  |
| Charging Statement                  | SEC A1.1          | Means, from time to time, the statement prepared by DCC pursuant to Condition 19 of the DCC Licence that is in force at that time (i.e. this document).  |
| Communications Hubs                 | SEC A1.1          | Means a Communications Hub Function together with a Gas Proxy Function.  |
| Communications Hub Finance Charges  | SEC A1.1          | Means, in respect of each Communications Hub Finance Facility, the DCC's charge to recover the applicable Communications Hub Finance Costs (being a subset of the Communications Hub Charges), in an amount each month determined by the DCC at the time it produces an Invoice for that month (having regard to the requirements of Condition 36.5 of the DCC Licence).                                   |
| Communications Hub Service          | LC 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          | LC 17 (B)         | Core Communication Services relate solely to the Supply of Energy (or its use) under the Principal Energy Legislation.  |
| DCC Gateway Connection               | N/A               | For each Party other than the DCC, the physical infrastructure by which a connection is (or is to be) made between the premises of that Party and the DCC Systems for the purposes of the DCC Services.   |
| DCC Gateway                          | SEC H3            | The DCC User Gateway is the interface designed to allow communications to be sent between SEC Parties and DCC.  |
| DCC Internal Systems                 | SEC A1.1          | Means those aspects of the DCC Total System for which the specification or design is not set out in this Code.  |
| DCC User Gateway Catalogue           | DSP/CSP contracts | Has the meaning given in Schedule 6.3 (Development Process) of the DSP/CSP contracts.   |
| DCC User Interface Services Schedule | SEC A1.1          | Means the SEC Subsidiary Document identified as the 'DCC User Gateway Interface Specification' set out in Appendix [F].   |
| Designated Premises                  | SEC A1.1          | Means Non-Domestic Premises defined as Designated Premises within the meaning given to that expression in the Electricity Supply Licences or the Gas Supply Licences.   |
| Detailed Evaluation                  | SEC A1.1          | Has the meaning given to that expression in Section H7.7 of the SEC (Detailed Evaluation of Elective Communication Services).   |
| Domestic Premises                    | SEC A1.1          | Means premises at which a Supply of Energy is or will be taken wholly or mainly for domestic purposes, which is to be interpreted in accordance with Condition 6 of the relevant Energy Supply Licence.   |
| Elective Communication Services      | LC 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.   |
| Electricity Distributors             | SEC A1.1          | Means, for a Smart Metering System or a Device, the holder of the Electricity Distribution Licence for the network to which the relevant premises are connected.  |
| Enabling Services                    | LC 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                            | SEC A1.1          | Means, in respect of a Smart Metering System, the act of enrolling that Smart Metering System in accordance with the Enrolment Service (and the words "Enrol" and "Enrolled" will be interpreted accordingly). Enrolment of a Smart Metering System ends on its Withdrawal.   |
| Enrolment Service                    | LC 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.  |
| Estimated Allowed Revenue            | SEC K11.1         | Has the meaning given to that expression in Section K2.1 of the SEC.  |
| Estimated Elective Service Revenue   | SEC K11.1         | Has the meaning given to that expression in Section K2.3 of the SEC.  |
| Estimated Explicit Charges Revenue   | SEC K11.1         | Has the meaning given to that expression in Section K2.5 of the SEC.  |
| Estimated Fixed Revenue              | SEC K11.1         | Has the meaning given to that expression in Section K2.6 of the SEC.  |
| Elective Charges                     | SEC K11.1         | Means the Charges payable in respect of Elective Communication Services.  |
| Elective Communications Services     | SEC A1.1          | Means the provision of communication services that are (or are to be) defined in a Bilateral Agreement (rather than the DCC User Interface Services Schedule) in a manner that involves communication via the SM WAN (provided that such services must relate solely to the Supply of Energy or its use).               |
| Explicit Charges                     | SEC K11.1         | Means the Charges calculated in accordance with Section K7 of the SEC, and payable in respect of the Explicit Charging Metrics.   |
| Explicit Charging Metrics            | SEC K11.1         | Has the meaning given to that expression in Section K7 of the SEC.  |

|                                       |                               |   |
|---------------------------------------|-------------------------------|---|
| Export Supplier                       | SEC A1.1                      | Means, for a Smart Metering System or a Device and any period of or point in time, the Supplier Party Registered during that period of or at that point in time in respect of the Export MPAN relating to that Smart Metering System or Device (but excluding Smart Metering Systems or Devices for which there is no related Import MPAN, in which circumstance such Registered Supplier Party is deemed to be the Import Supplier in accordance with the definition thereof).                               |
| Extensible Markup Language            | TBC – SEC Subsidiary Document | Extensible Markup Language defines a set of rules for encoding documents in a format that is both human-readable and machine-readable. The design goals of the language emphasise simplicity, generality, and usability over the Internet.  |
| External Costs                        | LC 35.5                       | Means in relation to each Regulatory Year the actual amount of the costs that were economically and efficiently incurred by the Licensee in procuring Fundamental Service Capability during that period.  |
| External Service Provider             | LC 1.4                        | Means any person from whom Relevant Service Capability is procured by the Licensee (including a person from whom such capability is being procured by virtue of paragraph 6 of Condition 16 of the Licence) for the purpose of enabling the provision of Mandatory Business Services under or pursuant to the Smart Energy Code.  |
| First Relevant Policy Objective       | LC 18.15                      | As set out in Condition 18.15 of the Licence.   |
| Fixed Charges                         | SEC A1.1                      | Has the meaning given to that expression in the Charging Methodology in Section K of the SEC.   |
| Fixed CH Charge                       | SEC K                         | As set out in Section K3 of the SEC.  |
| Follow-up Security Assessment         | SEC A1.1                      | Has the meaning given to that expression in Section G8.17 of the SEC (Categories of Security Assurance Assessment).   |
| Full User Security Assessment         | SEC A1.1                      | Has the meaning given to that expression in Section G8.14 of the SEC (Categories of Security Assurance Assessment).   |
| Fundamental Service Capability        | LC 1.4                        | Has the meaning given to that term in Part J of Condition 16 (Procurement of Relevant Service Capability), as amplified by reference to the particulars set out in Schedule 1 to the Licence (Details of Fundamental Service Capability).   |
| Gas Supplier                          | SEC A1.1                      | Means, for a Smart Metering System or a Device and any period of or point in time, the Supplier Party Registered during that period of or at that point in time in respect of the MPRN relating to that Smart Metering System or Device.  |
| Gas Transporter                       | SEC A1.1                      | Means, for a Smart Metering System or a Device, the holder of the Gas Transporter Licence for the network to which the relevant premises are connected.   |
| Great Britain Companion Specification | LC 1.4                        | The Great Britain Companion Specification is the final part of the Smart Metering Equipment Technical Specification that defines the technical details of electricity and gas meters, In Home Displays (IHD) and Communications Hubs. It defines the details of the technical protocol used for these devices to communicate with each other. It is a fundamental and critical part of the smart metering ecosystem with many aspects of the DCC Service dependant on its quality and completeness.           |
| Impact Assessment                     | DSP/CSP contracts             | Means a detailed impact assessment of a Change Request substantially in the form of Appendix 3 to Schedule 8.2 and as further described in paragraph 7 of Part F of Schedule 8.2 of the DCC Service Provider contracts.   |
| Implementation Milestones             | LC Schedule 3                 | Has the meaning that is given to it in Schedule 3 (The Implementation Performance Regime) of the Licence.   |
| Import Supplier                       | SEC A1.1                      | Means, for a Smart Metering System or a Device and any period of or point in time:<br>(a) the Supplier Party Registered during that period of or at that point in time in respect of the Import MPAN relating to that Smart Metering System or Device; or<br>(b) where there is no related Import MPAN for that Smart Metering System or Device, the Supplier Party Registered during that period of or at that point in time in respect of the Export MPAN relating to that Smart Metering System or Device. |

|                                     |                   |   |
|-------------------------------------|-------------------|---|
| Internal Costs                      | LC 35.5           | Means in relation to each Regulatory Year the sum of the 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 (and may include costs incurred in respect of the governance and administration of the SEC that are not included in Pass-Through Costs).   |
| Mandated Smart Metering Systems     | SEC K11.1         | means, from time to time, each MPAN or MPRN associated with a Domestic Premises (regardless of whether or not a Smart Metering System has been installed or Enrolled), but excluding:<br>(a) those MPANs and MPRNs associated with premises in respect of which the DCC is exempted from the requirement to Enrol Smart Metering Systems in accordance with the Statement of Service Exemptions; and<br>(b) those MPANs that do not have the status of "traded" (as identified in the MRA) and those MPRNs that do not have a status that indicates that gas is off-taken at the supply point (as identified in the UNC). |
| Mandatory Business Services         | LC1.4             | 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.  |
| National Fixed Revenue              | SEC K3.7          | Is the revenue that should be recovered on a uniform basis across all the Regions.  |
| Notice                              | LC 1.4            | Means prior notice given directly to a person in Writing (and includes a notification).   |
| Other Enabling Service              | SEC A1.1          | Means the Services other than the Enrolment Services, the Communications Hub Services and the Communication Services.   |
| Party                               | SEC A1.1          | Means, from time to time, a person that has agreed to be bound by the SEC (either pursuant to the Framework Agreement or an Accession Agreement), and (without prejudice to Section M8.14 (Consequences of Ceasing to be a Party)) that has not at that time ceased to be so bound in accordance with Section M8 (but excluding SECCo).   |
| Pass-Through Costs                  | LC 35.5           | Means in relation to each Regulatory Year the sum of the amounts that are specified as Pass-Through Costs in paragraph 8 of Condition 36.   |
| Parse and Correlate Software        | SEC H11           | Parse and Correlate Software ensures that the Extensible Markup Language commands sent to Smart Meter devices from SEC Party systems have the same meaning as the corresponding command in the Service Request format used by Smart Meter devices.  |
| Price Control Condition             | LC 1.4            | Means a condition the purpose of which, whether on its own or in combination with any other Price Control Condition, is to limit or control the charges of, or the revenue of, the Licensee (and the Conditions contained in Chapter 9 are the Price Control Conditions of the Licence).  |
| Privacy Assessments                 | SEC A1.1          | Means a Full Privacy Assessment, Random Sample Privacy Assessment or User Privacy Self-Assessment.  |
| Privacy Assessment Report           | SEC A1.1          | Has the meaning given to that expression in Section I2.17 of the SEC (The Privacy Assessment Report).   |
| Project                             | CSP/DSP contracts | As set out in Schedule 8.8 to the DSP/CSP contracts.  |
| Public Key Infrastructure           | N/A               | A Public Key Infrastructure is the set of hardware, software, people, policies and procedures needed to create, manage, distribute, use, store, and revoke digital certificates.  |
| Recoverable Cost                    | SEC A1.1          | Has the meaning given to that expression in Section C8.2 of the SEC (SEC Costs and Expenses).   |
| Region                              | SEC A1.1          | Means each of the geographical regions of Great Britain that are subject to different DCC Service Provider Contracts, the exact boundaries of which will be as published by the DCC (or the Panel on behalf of the DCC) from time to time.  |
| Regional Communications Hub Revenue | SEC K11.1         | Has the meaning given to that expression in Section K3.8 of the SEC.  |

|                                      |                                    |   |
|--------------------------------------|------------------------------------|---|
| Registration Data Provider           | SEC A1.1                           | Means, in respect of each Network Party, the person nominated as such in writing to the DCC from time to time by that Network Party, on the basis that more than one Party may specify the same Registration Data Provider, and that the Network Party shall be deemed to have so nominated itself in the absence of any other nomination.                  |
| Regional Fixed Revenue               | SEC K11.1                          | Has the meaning given to that expression in Section K3.8 of the SEC.  |
| Regulated Revenue                    | LC 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 Instructions and Guidance | LC 1.4                             | Means the document of that name issued by the Authority under Condition 33 (Regulatory Instructions and Guidance) for purposes relating to the obligations of the Licensee under Condition 31 (Reporting of Quality of Service Information) and Condition 32 (Reporting of Price Control Information).  |
| Regulatory Year                      | LC 1.4                             | A Regulatory Year is a period of 12 months beginning 1st April in any calendar year and ending 31st March of the next calendar year.  |
| Relevant Service Capability          | LC 1.4                             | Means capability procured (or provided from within the Licensee's own resources) in accordance with Condition 16 of the Licence (Procurement of Relevant Service Capability) for the purposes of securing the provision of Mandatory Business Services under or pursuant to the Smart Energy Code.  |
| Second Relevant Objective            | LC 18.16                           | As set out in Condition 18.16 of the Licence.   |
| User Security Assessment             | SEC A1.1                           | Means either a Full User Security Assessment or a Verification User Security Assessment.  |
| Service Charges                      | SEC J1.1                           | Service Charges are determined in accordance with the Charging Statement applicable from time to time.  |
| Service Desk                         | SEC A1.1                           | Has the meaning given to that expression in Section H8.19 of the SEC (Service Desk).  |
| Service Requests                     | DCC User Gateway Services Schedule | A Service Request is a request for one of the 'messages' listed in the DCC User Gateway Service Schedule (or, in the case of Elective Communication Services, provided for in the relevant Bilateral Agreement).  |
| Smart Metering Key Infrastructure    | SEC L                              | A Smart Metering Key Infrastructure is the equivalent of a Public Key Infrastructure hierarchy for an end-to-end Smart Metering System.   |
| Smart Metering System                | LC 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. |
| Testing Participant                  | SEC A1.1                           | Means, in respect of each Testing Service, the persons (whether or not they are Parties) who are entitled to undertake such tests, as described in Section H14 (Testing Services), together with any other persons identified as such in Section T (Testing During Transition).   |
| Third Relevant Policy Objective      | LC 18.17                           | As set out in Condition 18.17 of the Licence.   |
| Unacceptable Costs                   | LC 37.8(a)                         | Means any External Costs or Internal Costs that the Authority considers were not economically and efficiently incurred in the relevant Regulatory Year.   |

Table 19 – Glossary