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Laura Nell  
Head of Smart Metering  
Office of Gas and Electricity Markets  
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5 May 2016

Dear Laura,

**Re: Statutory Consultation: final proposals for DCC penalty interest rate –  
DCC response**

DCC welcomes the opportunity to respond to Ofgem's consultation.

We agree that the updated proposed drafting of Licence conditions 36.15 and 36.16 (as set out in the April 2016 consultation), and in particular the proposed modifications to the correction factor formula, reflect Ofgem's, now clarified, policy intent that the penalty interest rate can apply to any portion of the over-recovery that is not justified, if the 110 per cent threshold has been breached.

We agree with the proposal for the mechanism to formally apply from Regulatory Year 2016/17. We note that the proposed licence drafting does not recognise this intent, however we assume that the conclusions to this consultation will formally state the start date for the new calculation of the correction factor.

Recognising the invitation to voluntarily report in line with the proposed licence modifications, we can confirm that we will report on any over recovery, as appropriate, in our RY 2015/16 price control submission. We note that no penalty interest rate would apply in RY 2015/16.

If you have any questions regarding any part of this response please contact me or Bushra Ali ([Bushra.Ali@smartdcc.co.uk](mailto:Bushra.Ali@smartdcc.co.uk)).

Yours sincerely,



**Helen Fleming**  
Policy Director