



Making a positive difference
for energy consumers

Company Secretary
Smart DCC Limited
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CC Paul French

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Date: 9 March 2017

Dear Company Secretary

**Smart Meter Communication Licence (“the Licence”)¹
Consent to reduce the notice period for proposing an amendment to the Service
Charges in respect to the direction defining the CRSPA term.²**

Conditions 19.9 and 19.10 of the Licence prohibits Smart DCC Ltd (“the Licensee”) from amending its Service Charges unless it has given Notice in the specified manner to the Gas and Electricity Markets Authority (“the Authority”). That Notice must be given no less than three months before the date when the Licensee proposes to amend its Service Charges,³ except where the Authority otherwise consents.⁴

On 22 December 2016, the Licensee submitted Notice to the Authority of DCC’s Service Charges for the Regulatory Year ending 31 March 2018.

Under Licence Condition 36.4 the Licensee, in setting Service Charges for its Mandatory Business Services, must take all reasonable steps to secure that, in Regulatory Year t , its Regulated Revenue does not exceed a prudent estimate of its Allowed Revenue for that Regulatory Year. Under part G of licence condition 36, DCC is now subject to a ‘Report and Direct’ penalty interest rate regime for any over-recovery from users beyond 110% of Allowed Revenue.⁵

On 9 March 2017 the Authority made a direction under paragraph 10 of condition 36 of the licence to amend the value of the term $CRSPA_t$, which if not amended would be zero, in respect to its role in determining the licensee’s Centralised Registration Service Revenue. The direction on the CRSPA term clarifies the Baseline Margin value within DCC’s Service Charges. As set out in the direction⁶ the value for $CRSPA_t$ will be calculated according to the following formula: $CRSPA_t = 13.6\% * (CRSIC_t - DM1_t - DM2_t - DM3_t + R_t)$. This reflects an

¹ The Smart Meter Communications Licences granted to the Licensee pursuant to Section 7AB(2) and (4) of the Electricity Act 1989 and Sections 6(1A) and (1C) of the Gas Act 1986 (such licences together referred to as “the Licence”).

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

³ Defined under Licence Condition 1.4 of the Licence

⁴ Pursuant to condition 19.10 of the Licence

⁵ https://www.ofgem.gov.uk/system/files/docs/2016/05/decision_to_modify_smart_meter_communication_licence_for_dcc_penalty_interest_rate_web_version.pdf

⁶ <https://www.ofgem.gov.uk/publications-and-updates/decision-margin-and-incentives-dccs-role-within-transitional-phase-switching-programme>

allowance for DCC to earn a fixed margin of 12% (13.6% rate of return) applied to Internal Costs incurred in relation to the Transitional Phase of the Switching Programme.

In accordance with Licence Condition 19.10 the Authority hereby consents to the Licensee giving less than three months' notice in respect of proposing an amendment to Service Charges for the Regulatory Year ending 31 March 2018 to reflect our direction defining the CRSPA term.

Yours sincerely,

Rob Salter-Church
Partner, Consumers and Competition
Duly authorised on behalf of the Gas and Electricity Markets Authority
9 March 2017

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

Whereas:

1. Smart DCC Ltd⁷ (the "Licensee") is the holder of the Licence.
2. Under Condition 19.10 of the Licence, the Licensee may only amend its Service Charges in respect of any Agreement for Services if it does so in accordance with condition 19.9, except if the Authority otherwise consents.
3. Under Condition 19.9 of the Licence, the Licensee must give the Authority a Notice of its proposals to amend its Service Charges in respect of any Agreement for Services not less than three months before the date on which the Licensee proposes to make the amendments.
4. On 22 December 2016 the Licensee published its Services Charges for Regulatory Year 2017/18. These will be in effect between April 2017 and March 2018.
5. On 9 March 2017 the Authority made a direction under paragraph 10 of condition 36 of the licence to amend the value of the term CRSPA_t in respect to its role in determining the licensee's Centralised Registration Service Revenue. This found that:
 - DCC would earn a fixed margin of 12% (13.6% rate of return) applied to Internal Costs incurred in relation to the Transitional Phase of the Switching Programme; and
 - DCC would have margin placed at risk linked through incentives in relation to the timely delivery of 3 incentivised milestones to agreed quality
6. As a consequence of the 9 March 2017 amendment to the CRSPA_t term the Authority directed the Licensee to:
 - reflect the update of the term in its Centralised Registration Service Revenue calculation in its price control submission for Regulatory Year 2017/2018. This will affect the Baseline Margin value within DCC's Service Charges.

Now the Authority consents as follows:

7. Pursuant to Licence Condition 19.10 of the Licence, the Licensee may give less than three months' Notice of proposed amendments to the Service Charges for the Regulatory Year ending 31 March 2018 to reflect our direction made on 9 March 2017 defining the CRSPA term.
8. This document also constitutes a notice under section 38A of the Gas Act 1986 and section 49A Electricity Act 1989 of the reasons for the decision of the Authority to give this consent pursuant to the Condition.

Dated: 9 March 2017

Rob Salter-Church
Partner, Consumers and Competition
Duly authorised on behalf of the Gas and Electricity Markets Authority

⁷ Registered as a Company in England and Wales under Company Number 08641679.