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Date: 08 February 2018

Dear Company Secretary

**Approval of statement pursuant to paragraph 19.5 of condition 19 (Charging Statement for Service Charges) of Smart DCC Limited's Smart Meter Communication Licence<sup>1</sup>**

This letter sets out the Authority's decision to approve the form of the Charging Statement for Service Charges (statement) prepared by Smart DCC Limited (DCC) and its reasons for that decision.

As signalled in the January 2017 consultation<sup>2</sup>, we no longer consider that it is necessary for us to consult on all future changes to the form of DCC's Charging Statement. We expect DCC to ensure that any proposed amendments to the Charging Statement are made in a transparent way before being submitted to the Authority for approval. This may include DCC carrying out its own consultation where proposed amendments are material.

**Initial submission**

On 21 December 2017 DCC submitted to us an updated statement for service charges that will fall due in Regulatory Year (RY) 2018/2019. Compared to the RY 2017/18 statement in place, the key changes to the form of the statement DCC proposed included<sup>3</sup>:

- Changes to Explicit Charge and Indicative Explicit Charge
  - Move "Test comms hub" Explicit Charge (Table 4) to Indicative Explicit Charge (Table 5). This means that the price of "Test comms hub" will be confirmed at the point of order
- Changes to Estimated Fixed Revenue by components (Table 8)
  - Removes Alt HAN Fixed Revenue from National and Regional Fixed Revenue
  - Now, Estimated Fixed Revenue is split by three components
    - Total National and Regional Fixed Revenue
    - Alt HAN Fixed Revenue
    - Total Communications Hub Revenue

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<sup>1</sup> The Smart Meter Communication Licences were granted under both the Gas Act 1986 and the Electricity Act 1989. For ease, in this letter we refer to these licences in the singular. DCC's licence can be found at <https://epr.ofgem.gov.uk/Document>

<sup>2</sup> [https://www.ofgem.gov.uk/system/files/docs/2017/01/consultation\\_letter\\_on\\_dcc\\_charging\\_statement\\_17\\_18\\_final.pdf](https://www.ofgem.gov.uk/system/files/docs/2017/01/consultation_letter_on_dcc_charging_statement_17_18_final.pdf)

<sup>3</sup> [https://www.smartdcc.co.uk/media/446690/charging\\_statement\\_ry1819\\_notice\\_letter.pdf](https://www.smartdcc.co.uk/media/446690/charging_statement_ry1819_notice_letter.pdf)

- The revenue types are clearly distinguishable
- Changes to Estimated Fixed Revenue by category (Table 9)
  - Same as in Table 8, Alt HAN Fixed Revenue now is distinguishable revenue type
  - Rearrange the correction factors so that they net from the relevant revenue types/ components
    - Correction factor (4.7)
    - Alt HAN correction factor (4.8)
    - Communications Hubs correction factor (4.9)
  - Clearly distinguish the element of the correction factor which relates to disallowed costs

The statement was in the form that DCC expected to use for the regulatory year starting on 1 April 2018.

### **Ofgem view**

When determining whether to approve the form of the statement, we must consider the purpose of the statement, namely to allow service users to make a reasonable estimate of what service charges they will be liable to pay DCC in RY 2018/19 in respect of the relevant services.

We consider that the statement provides sufficient detail in a clear enough manner to allow service users to make a reasonable estimate of the service charges they will be liable to pay DCC for the relevant services. For example, DCC has improved the format of tables for reporting estimated charges and revenues in the statement. DCC has also made the Estimated Fixed Revenue and correction factor more distinguishable by revenue types.

In addition, we consider that the statement is accurate in all material respects.

### **Authority's decision**

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

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

This letter constitutes Notice of the Authority's reasons for the decision pursuant to section 38A Gas Act 1986 and s.49A Electricity Act 1989.

Yours sincerely,

**Jacqui Russell**  
**Head of Smarter Metering**

**Duly authorised on behalf of the Gas and Electricity Markets Authority**