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for energy consumers

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Dear Company Secretary

Approval of statement pursuant to paragraph 5 of condition 19 (Charging Statement for Service Charges) of Smart DCC Limited's Smart Meter Communication Licence¹

This letter sets out the Authority's² decision pursuant to condition 19.5, 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 consultation³, 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 2018 DCC submitted to us an updated statement for service charges that will take effect from 01 April 2019 for the Regulatory Year (RY) 2019/2020. Compared to the RY 2018/19 statement in place, the key changes to the form of the statement DCC proposed included⁴:

- Updates to reflect estimated costs/revenue for RY 2019/20
 - Table 1 – Monthly Fixed Charges by Charging Group
 - Table 2 – Monthly Fixed Alt HAN Charges by Charging Group
 - Table 3 – Monthly Fixed CH Charges by Charging Group
 - Table 7 – Estimated Allowed Revenue
 - Table 8 – Estimated Fixed Revenue
 - Table 9 – Estimated Fixed Revenue by category
 - Table 10 – Estimated External Costs by category

¹ 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>

² The terms "we", "us", "our", "Ofgem" and "the "Authority" are used interchangeably in this document and refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

³ https://www.ofgem.gov.uk/system/files/docs/2017/01/consultation_letter_on_dcc_charging_statement_17_18_final.pdf

⁴ <https://www.smartdcc.co.uk/media/2977/charging-statement-ry1920-issue-01-draft.pdf>

- Changes to 'Set' Explicit Charges for RY2019/20 (Table 4)
 - Updated to reflect the relevant aerial types available for purchase
- Changes to Indicative Explicit Charges applicable in RY2019/20 (Table 5)
 - 'SM WAN for Testing – Monthly Charges' and 'CH nonstandard delivery' charge have been amended to show an indicative range
- Changes to Total Smart Metering Systems forecast for start of RY2019/20 (Table 11)
 - Updated to reflect a forecast of SMS volume for the start of RY2019/20
- Changes to Forecast CH and ESMS volume in RY2019/20 (Table 12)
 - Updated to reflect updated forecast volumes
- Changes to Charging Group Weighting Factors (Table 13)
 - Table expanded to include weighting factors for the Fixed Charge and Fixed Alt HAN Charge, in addition to the existing Fixed CH Charge

The statement was in the form that DCC expected to use for the regulatory year starting on 1 April 2019.

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 2019/20 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.

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 while considering whether to approve the form of the statement. We are satisfied that the form of the statement meets the requirements as set out above.

Pursuant to paragraph 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 section 49A Electricity Act 1989.

Yours sincerely,

Jacqui Russell
Head of Metering & Market Operations

Duly authorised on behalf of the Gas and Electricity Markets Authority