

To: Smart DCC Limited

**Gas Act 1986 – Section 23(2)
Electricity Act 1989 – Section 11A(2)**

**Notice of statutory consultation on a proposal to modify the conditions of the
smart meter communication licence**

1. The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify the conditions of the Smart Meter Communication Licence granted or treated as granted under section 7AB(2) and (4) of the Gas Act 1986 and section 6(1A) and (1C) of the Electricity Act 1989 ('the DCC Licence') by amending Licence Condition 36 and Licence Condition 38.
2. We are proposing these modifications because there is currently an inconsistency in the Licence Conditions between the calculation of the Project Baseline Margin recovered by the Licensee, and the Baseline Margin Project Performance Adjustment.
3. The effect of these modifications is to clarify that Relevant Adjustments to the Baseline Margin are to be expressed in 2013/14 prices and to correct the calculation of the Baseline Margin Project Performance Adjustment, such that it is consistent with the calculation of the Project Baseline Margin recovered by the Licensee.
4. A copy of the proposed modifications and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from foi@ofgem.gov.uk.
5. Any representations with respect to the proposed licence modifications must be made on or before 26 April 2019 to: Andrew Roberts, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to smartmetering@ofgem.gov.uk.
6. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
7. If we decide to make the proposed modifications, they will take effect not less than 56 days after the decision is published.

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Jacqui Russell
Head of Metering & Market Operations
Duly authorised on behalf of the
Gas and Electricity Markets Authority

27 March 2019

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

Schedule 1

PROPOSED MODIFICATIONS TO THE SMART METER COMMUNICATION LICENCE

Licence Condition	Original text	Proposed text	Reason for change
A5. Appendix 2, Condition 36	<p>A5. Notice given under paragraph A2 of a proposed Relevant Adjustment must also:</p> <p>(a) detail the change (or changes) to the BM value (or values) that are proposed and the Regulatory Year (or Years) to which the change (or changes) would relate, in each case identifying separately the change (or changes) relating to the Project Baseline Margin for any Project n;</p> <p>(b) set out the basis of the calculation of those proposed changes; and</p> <p>(c) explain why, in the opinion of the person making the proposal, the Relevant Adjustment is justified in all the circumstances of the case.</p>	<p>A5. Notice given under paragraph A2 of a proposed Relevant Adjustment must also:</p> <p>(a) detail the change (or changes) to the BM value (or values) that are proposed and the Regulatory Year (or Years) to which the change (or changes) would relate, in each case identifying separately the change (or changes) relating to the Project Baseline Margin for any Project n;</p> <p><u>(aa) express each of the changes referred to in paragraph (a) in 2013/14 prices, calculated by reference to the value of PIBM_t in the Regulatory Year preceding that in which the Relevant Adjustment is proposed</u></p> <p>(b) set out the basis of the calculation of those proposed changes; and</p> <p>(c) explain why, in the opinion of the person making the proposal, the Relevant Adjustment is justified in all the circumstances of the case.</p>	<p>This change makes it clear in the Licence that adjustments to the Baseline Margin values are made in 2013/14 prices, and that DCC should make its application in this price base.</p>

<p>A11. Appendix 2, Condition 36</p>	<p><i>A11. A determination under paragraph A7 may:</i></p> <p><i>(a) confirm, reject, or amend the proposed Relevant Adjustment;</i></p> <p><i>(b) include such additional or consequential adjustments (if any) as the Authority thinks appropriate to the BM value (or values) for any Regulatory Year</i></p> <p><i>(or Years) other than the Regulatory Year (or Years) set out in the proposed Relevant Adjustment; and</i></p> <p><i>(c) separately identify the value of any Project Baseline Margin that relates to a Project n, so that it is clearly distinguishable both from:</i></p> <p><i>(i) the value of any element of the Relevant Adjustment that relates to any other Project n; and</i></p> <p><i>(ii) the value of the elements of the Relevant Adjustment that do not relate to a Project.</i></p>	<p><i>A11. A determination under paragraph A7 may:</i></p> <p><i>(a) confirm, reject, or amend the proposed Relevant Adjustment;</i></p> <p><i>(b) include such additional or consequential adjustments (if any) as the Authority thinks appropriate to the BM value (or values) for any Regulatory Year</i></p> <p><i>(or Years) other than the Regulatory Year (or Years) set out in the proposed Relevant Adjustment; and</i></p> <p><i>(c) separately identify the value of any Project Baseline Margin that relates to a Project n, so that it is clearly clearly distinguishable both from:</i></p> <p><i>(i) the value of any element of the Relevant Adjustment that relates to any other Project n; and</i></p> <p><i>(ii) the value of the elements of the Relevant Adjustment that do not relate to a Project.</i></p> <p><u><i>Providing always that each of the values specified in the determination shall be expressed in 2013/14 prices, calculated by reference to the value of the PIBM_t in the Regulatory Year preceding that in which the Relevant Adjustment is determined.</i></u></p>	<p>This change makes it clear in the Licence that adjustments to the Baseline Margin values are made in 2013/14 prices, and that the determination should be made in 2013/14 prices.</p>
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<p>A17. Appendix 1, Condition 38</p>	<p>$PBM_{n,t}$ means the amount of the Project Baseline Margin in respect of Project n in Regulatory Year t which has been (or is deemed to have been) determined for that Regulatory Year, multiplied by the price index adjuster (PIBM) for that Regulatory Year and divided by PIBM for the Regulatory Year in which that Project Baseline Margin was (or is deemed to have been) determined,</p>	<p>$PBM_{n,t}$ means the amount of the Project Baseline Margin in respect of Project n in Regulatory Year t (<u>expressed in 2013/2014 prices</u>) which has been (or is deemed to have been) determined for that Regulatory Year, multiplied by the price index adjuster (PIBM) for that Regulatory Year and divided by PIBM for the Regulatory Year in which that Project Baseline Margin was (or is deemed to have been) determined,</p>	<p>This corrects an error in the calculation of the Baseline Margin Project Performance Adjustment. The previous version was not consistent with the calculation of the Project Baseline Margin recovered by DCC.</p>
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