

Guidance

Data Communications Company (DCC): Regulatory Instructions and Guidance – Annexes 2 to 4

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The Regulatory Instructions and Guidance (RIGs) provide the basis on which the Licensee must report Price Control Information as required under the Smart Meter Communication Licence. This document contains detailed instructions on what to report and offers guidance on how to complete the reporting templates. This document is ancillary to the main RIGs document, and contains Annexes 2 to 4 to that document.

The Licensee is required to report to us on an annual basis by 31 July, following each Regulatory Year. It must act in accordance with the RIGs, and these will continue to apply to each year of price control reporting for the duration of the Licence term.

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Contents

1. Introduction	4
Purpose and Structure	4
Related Publications.....	4
2. Procedures and General Information	6
Section summary	6
Procedures for Cost Reporting.....	6
Price base for historical and forecast data	6
Reporting of Forecasts	6
General Information	7
3. Annex 2 – Baseline Margin Project Performance Adjustment	8
Section summary	8
Fixed Data and Summary	8
Fixed Data – Sheet 1	8
Summary – Sheet 2	8
Project Performance Adjustment – Sheets P1 to P5+	9
4. Annex 3 – External Costs	13
Section summary	13
Fixed Data and Summary	13
Fixed Data – Sheet 1	13
Summary – Sheet 2	13
External Costs – Data Service Provider – Sheet 3a	13
External Costs – CSP North/Central/South – Sheet 3b, 3c, 3d.....	15
External Costs – SMETS1 External Costs – Sheet 3e to 3l.....	16
External Costs – Other Costs – Sheet 3m	18
Previous year regulatory reporting reconciliations and commentary of DSP, CSP, SMETS1 Service Provider and other External Costs – Sheets 4a to 4m	18
5. Annex 4 – Centralised Registration Service Revenue	20
Section summary	20
Procedures for Cost Reporting.....	20
Fixed Data and Summary	20
Fixed Data – Sheet 1	20
Centralised Registration Service Revenue – Sheet 2	20
Part 1 – Summary.....	21
Part 2 – CRS Internal Costs by GL code	22
Part 3 – CRS External Costs	22
Centralised Registration Service Performance Adjustment – Sheet 3.....	23
Part 1 – Summary.....	23
Part 2 – Transitional Phase.....	24
Part 3 – DBT Phase	26
CRS External Costs – Sheets 4a to 4f.....	28
Previous year regulatory reporting reconciliations of total Centralised Registration Service Costs – Sheet 5.....	29
Previous year regulatory reporting reconciliations and commentary of Fundamental Registration Service Providers and other CRS External Costs – Sheets 6a to 6f	30
Appendices	32

1. Introduction

Purpose and Structure

- 1.1. This document sets out the reporting of Price Control Information in three areas, which are:
 - 1.1.1. Baseline Margin Project Performance Adjustment (Section 3);
 - 1.1.2. External Costs (Section 4); and
 - 1.1.3. Centralised Registration Service Revenue (Section 5).
- 1.2. These sections are annexes to the main RIGs document for ease-of-use and are the guidance to the reporting templates Annexes 2 to 4.
- 1.3. The information required here must be submitted annually by the 31 July as part of the Licensee's Price Control submission.
- 1.4. This document is accompanied by three annex Price Control Reporting templates (Annexes 2 to 4), through which the Licensee is required to report the information specified in this document and those templates. All of the information reported in the annex templates feeds into the main reporting template.

Related Publications

RIGs Guidance Documents

[Main RIGs guidance document](#)

[Annex 1 RIGs guidance document – Quality of Service Information](#)

RIGs Reporting Templates

[Main RIGs reporting template](#)

[Annex 1 RIGs reporting template – Quality of Service Information](#)

[Annex 2 RIGs reporting template – Baseline Margin Project Performance Adjustment](#)

[Annex 3 RIGs reporting template – External Costs](#)

[Annex 4 RIGs reporting template – Centralised Registration Service Revenue](#)

Other Related Publications

[Smart Meter Communication Licence](#)

[Direction on margin and incentives for DCC's role in the DBT phase of the Switching Programme](#)

2. Procedures and General Information

Section summary

This section describes the procedures for cost reporting which are common across Annexes 3 and 4, and covers the first six sheets of each annex which are common across Annexes 2 to 4.

Procedures for Cost Reporting

- 2.1. All cost data should be reported on an accruals basis unless otherwise specified.
- 2.2. All monetary amounts should be reported in £m and to three decimal places. Where possible the data requested should be provided. Where it is not possible for any reason to provide the data in the detail required this should be explained in a commentary submitted alongside the reporting pack.
- 2.3. The template includes 'spare' rows to cater for some variation in the way business activities are accounted for (for example under different accounting treatments). The Authority welcomes the opportunity to engage with the Licensee to further develop the reporting pack in this regard.

Price base for historical and forecast data

- 2.4. The Specified Information in the cost reporting templates are designed to capture the data across the full duration of the Licence. As a consequence, all previous periods are to be completed with the outturn figures and all future periods are to be completed with forecasts.
- 2.5. All historical expenditure should be input in nominal terms ie, in the prices of the year to which the data relates.
- 2.6. Reporting of forecast expenditure should be in the price base of the Relevant Regulatory Year as defined in the Licence. Forecasts should therefore include the expected impact of real price effects, but not the expected impact of economy-wide inflation.
- 2.7. When considering the impact of real price effects DCC should reference economy-wide inflation as measured by the retail prices index (RPI). These RIGs include a supporting question for DCC to explain real price effects and any assumptions it has made in its forecasts.

Reporting of Forecasts

- 2.8. Forecasts reported in this regulatory reporting template should only include costs that are economic and efficient. Estimates or differences from prudent budgeting should be reported separately.

General Information

- 2.9. The first six sheets of this reporting template are identical to the general information sheets in the main reporting template.
- 2.10. To fill out these sheets please refer to Section 2 of the main RIGs document.

3. Annex 2 – Baseline Margin Project Performance Adjustment

Section summary

This section describes the Specified Information for reporting related to Baseline Margin Project Performance Adjustment Schemes.¹ It sets out the inputs required and calculations performed in the Annex 2 RIGs reporting template.

Fixed Data and Summary

Fixed Data – Sheet 1

- 3.1. This sheet contains data that is common across worksheets. It is not identical to Sheet 1 of the main reporting template, as it does not hold as much information as Sheet 1 of the main reporting template. All information on this sheet is covered in Section 3 of the main RIGs document, please refer to that document for further information.

Summary – Sheet 2

PURPOSE: this worksheet summarises performance adjustments associated with each Project² and calculates the Baseline Margin Project Performance Adjustment (BMPPA).

- 3.2. This worksheet calculates the BMPPA as defined in Condition 38.11 of the Licence. For reference the formula is stated below:

$$BMPPA_t = \left(\sum_{All,n} PPA_{n,t} \right) \times (-1)$$

Where $PPA_{n,t}$ means a Project Performance Adjustment, which is the amount of an adjustment that is determined in respect of Project n in Regulatory Year t in accordance with the terms of a BMPPA Scheme made by the Secretary of State under Appendix 1 of Condition 38 of the Licence.

- 3.3. The Licensee should use the values given on this sheet to populate Part 4 of Sheet 7 of the main RIGs reporting template (which has an identical structure/layout).
- 3.4. If there are a greater number of Projects or Project Activities³ than have been allocated for in this worksheet, the Licensee should add additional rows for the additional

¹ A Baseline Margin Project Performance Scheme made by the Secretary of State under Appendix 1 of Licence Condition 38.

² Has the same meaning as in Licence Condition 38.

³ Project Activity has the same meaning as in Appendix 1 of Licence Condition 38.

Projects or Project Activities which replicate the formulae, structure, format and style of the original rows used to report and calculate the BMPPA values.

- 3.4.1. The Licensee must ensure the Projects and Project Activities occur in the same order as in the main reporting template and its Annexes.
- 3.4.2. The Licensee must ensure the BMPPA is calculated as specified in paragraph 3.2 of this document, ie all additional Project Performance Adjustments are part of the summation in the BMPPA term.

Project Performance Adjustment – Sheets P1 to P5+

PURPOSE: this worksheet calculates the Project Performance Adjustment associated with Project n.

- 3.5. This worksheet should be used to report the Licensee’s performance in relation to a Baseline Margin Project Performance Adjustment (BMPPA) Scheme.
- 3.6. This worksheet has a standardised structure and layout for all Projects. Initially five Project Performance Adjustment sheets have been made available, but the Licensee may add more sheets as is made necessary by the creation of additional BMPPA Schemes.
- 3.7. The Licensee should name any sheet used to report a Project Performance Adjustment with the name of the Project at the top of the sheet where it reads “please specify”.
- 3.8. While the basic structure of each Project is the same (as defined in the Licence), the number of Project Activities may vary between Projects.⁴ The Licensee should insert or delete rows in each section of this worksheet such that there are the correct and consistent number of rows for the number of Project Activities. Excluding the Average Specified Rate rows and the Project Baseline Margin input row, the number of rows in each section should equal the number of Project Activities.
- 3.9. The Licensee must make sure that when inserting or deleting any rows the formulae, structure, format and style of the sheet remain the same. This means that any inserted rows have the relevant formulae copied into them, and that they link to the correct cells.
 - 3.9.1. The Licensee must ensure the Project Activities occur in the same order as in the main reporting template and its Annexes.
 - 3.9.2. The Licensee must ensure the Project Performance Adjustment is calculated as specified in this section, and therefore as specified in Appendix 1 of Licence Condition 38, and the relevant BMPPA Scheme.

⁴ Any given Project may have one or more Project Activities associated with it.

- 3.10. The rest of this section explains the calculations performed in each part of this sheet, and how it replicates the calculations given in Appendix 1 of Licence Condition 38.
- 3.11. **Project Performance Adjustment n:** calculates the Project Performance Adjustment (PPA) for Project n. This then feeds into the calculation of the BMPPA. The PPA is a summation of all of the adjustments associated with each activity, and is therefore calculated in accordance with the formula in paragraph A13 of Appendix 1 of Licence Condition 38. For reference the formula is given below.

$$PPA_{n,t} = \sum_{All_PA} PAA_{PA,t}$$

Where $PPA_{n,t}$ has the same meaning as in paragraph 3.2 of this document, and $PAA_{PA,t}$ means the Project Activity Amount determined in relation to Project Activity PA.

- 3.12. **Project Activity Amounts:** calculates the Project Activity Amount associated with each Project Activity, which then feed into the Project Performance Adjustment. This is calculated in accordance with paragraph A17 of Appendix 1 of Licence Condition 38 for the year in which the Project Activity is completed, and paragraph A18 for years after the completion year. For reference the formulae are given below.

Formula for the year of completion (A17)

$$PAA_{PA,t} = WF_{PA} \times PF_{PA} \left(PBM_{n,t} + \sum_{All\,l} PBM_{n,l} \right)$$

Formula for years after completion (A18)

$$PAA_{PA,t} = WF_{PA} \times PF_{PA} \times PBM_{n,t}$$

Where $PAA_{n,t}$ has the same meaning in paragraph 3.11 of this document. WF_{PA} means the Project Activity Weighting Factor. PF_{PA} means the Project Activity Performance Factor. $PBM_{n,t}$ means the Project Baseline Margin in year t. $PBM_{n,l}$ means the Project Baseline Margin in any year prior to year t indexed up to year t by reference to the ASR (see paragraph 3.20). Further explanations of these terms can be found in the relevant paragraphs below.

- 3.13. While the rows in "Project Activity Amounts" section in the Sheets P1 to P5 replicate the calculation shown above, they do not perform the whole calculation in this single step. Instead, the calculation is performed in several steps. These rows perform the following calculation.

$$PAA_{PA,t} = WF_{PA} \times PF_{PA} \times (PBM \text{ sum})$$

Where all terms have the same meaning as in paragraph 3.12, and PBM sum has the meaning described in paragraph 3.17.

- 3.14. **Project Baseline Margin:** is for the Licensee to report the Project Baseline Margin associated with Project n. The Licensee should input the values calculated in Part 1 of Sheet 6 of the main RIGs reporting template. Please note, these are the nominal values that have been adjusted for inflation.
- 3.15. **Weighting Factors:** is for the Licensee to report the Weighting Factors associated with each Project Activity. The Weighting Factors for all of the Project Activities of a Project should sum to one. The whole row for each Project Activity Weighting Factor should have the same value. These values should be found in the relevant BMPPA Scheme.
- 3.16. **Performance Factors:** is for the Licensee to report the Performance Factor it achieved for each Project Activity. The whole row for each Project Activity Performance Factor should have the same value. These values should be found in the relevant BMPPA Scheme based on the Licensee’s performance in relation to that Scheme.
- 3.17. **PBM sum:** is a substitution for the final component of the formulae in paragraph A17 and A18, such that:

For the year of completion

$$(PBM\ sum) = PBM_{n,t} + \sum_{All\ I} PBM_{n,I}$$

For years after completion

$$(PBM\ sum) = PBM_{n,t}$$

For years before completion

$$(PBM\ sum) = 0$$

All terms have the same meaning as in the other paragraphs in this section.

- 3.18. **After Completion:** is a logical test of whether the Regulatory Year is after the Completion Year.
- 3.19. **Completion Year:** is for the Licensee to report the year in which the Project Activity is completed. The whole row for each Project Activity Completion Year should have the same value in it, eg if a Project Activity is completed in RY 2018/19, every cell in that Project Activity’s Completion Year row would contain the value ‘2019’.
- 3.20. **ASR-PBM calculation:** calculates the $PBM_{n,I}$ term referenced in paragraph 3.12 or holds the value $PBM_{n,t}$. The formula for $PBM_{n,I}$ is given in paragraph A17 of Appendix 1 of Licence Condition 38. It is included below for reference:

$PBM_{n,I}$ means the value of PBM_n in any preceding Regulatory Year, indexed up to Regulatory Year t by reference to the Average Specified Rate, so that:

a) In relation to PBM_n for Regulatory Year t-1:

$$PBM_{n,t} = PBM_{n,t-1} \left[1 + \frac{ASR_t}{100} \right]$$

b) In relation to PBM_n for Regulatory Year t-2:

$$PBM_{n,t} = PBM_{n,t-2} \left[\left(1 + \frac{ASR_t}{100} \right) \left(1 + \frac{ASR_{t-1}}{100} \right) \right]$$

c) In Regulatory Year t-3 and any preceding Regulatory Year, $PBM_{n,t}$ shall be calculated using the same method as in a) and b).

3.21. The value held in these cells depends on whether it is before the Project Activity's completion year, as shown below:

For the years before completion

$$ASR\text{-}PBM \text{ calculation} = PBM_{n,t}$$

For the year of completion and afterwards

$$ASR\text{-}PBM \text{ calculation} = PBM_{n,t}$$

3.22. While the rows in this section of the sheet replicate this calculation, they do not perform the whole calculation in this single step. Instead, the calculation is performed in two steps. These rows perform the following calculation.

$$ASR\text{-}PBM \text{ calculation} = PBM_{n,t} \times (ASR \text{ calculation})$$

3.23. **1+ASR/100:** performs the stated calculation for use in the ASR calculation.

3.24. **Average Specified Rate:** restates the Average Specified Rate reported in Sheet 1.

3.25. **ASR calculation:** either calculates the compounded Average Specified Rate described in paragraph 3.20, or holds a value of 1. This is determined as follows:

For the years before completion

$$ASR \text{ calculation} = \left[\left(1 + \frac{ASR_t}{100} \right) \left(1 + \frac{ASR_{t-1}}{100} \right) \dots \right]$$

Such that any given year before completion will have the corresponding compounded ASR described in paragraph 3.20.

For the year of completion afterwards

$$ASR \text{ calculation} = 1$$

4. Annex 3 – External Costs

Section summary

This section describes the Specified Information for reporting External Costs in RIGs reporting template – Annex 3. The section covers:

- the procedures for cost reporting;
- the general information and fixed information sheets;
- the cost reporting for each SMETS2 External Cost contract;
- the cost reporting for each SMETS1 External Cost contract; and
- the reconciliations between reported External Costs and previous year's reporting.

Fixed Data and Summary

Fixed Data – Sheet 1

- 4.1. This sheet contains data that is common across worksheets. It is not identical to Sheet 1 of the main reporting template, as it does not hold as much information as Sheet 1 of the main reporting template. All information on this sheet is covered in Section 3 of the main RIGs document, please refer to that document for further information.

Summary – Sheet 2

PURPOSE: this worksheet is a summary of the External Costs incurred and forecast by the Licensee.

- 4.2. This sheet gives a summary of all of the Licensee's External Costs by service provider. It does not require any input from the Licensee.
- 4.3. This sheet is identical in layout to the Sheet 4 of the main reporting template. The information on this sheet should be used to fill in Sheet 4 of the main reporting template.

External Costs – Data Service Provider – Sheet 3a

PURPOSE: this worksheet requires the Licensee to report the costs of its Data Service Provider (DSP).

- 4.4. This sheet should be populated by the Licensee with incurred and forecast DSP External Costs. Definitions of the cost headings for DSP-related External Costs are discussed below. DSP External Costs should be reported separately as 'Baseline' and 'New Scope' costs (as discussed below).

- 4.5. **Total Costs:** the summation of Baseline and New Scope costs associated with the service provider. This is inclusive of incentive payments and performance related refunds.
- 4.6. **Total Costs (without incentive payments, without credits):** this is the total costs associated with the service provider minus incentive payments and performance related refunds.
- 4.7. The Licensee should report DSP **Baseline** costs under the following sub-headings:
- 4.7.1. **Set-up costs:** pre-integration, system integration, roll-out/coverage, user integration (interface testing), user integration (testing charges) and DSP incentive payment related costs.
- 4.7.2. **Operational costs:** including fixed operational charges, transaction charges and termination assistance.
- 4.8. Incentive payments, to be included in set-up costs, are related to the achievement of Shared Milestones by all the Licensee's Service Providers by a proposed achievement date.
- 4.9. **Performance related refunds:** shall include all performance payments or credits from the DSP to the Licensee under their performance standard agreements. This amount is to be reported as a negative value.
- 4.10. The Licensee should report **New Scope** costs under the following sub-headings:
- 4.10.1. **Impact assessments**
- 4.10.2. **Catalogue services**
- 4.10.3. **Projects**
- 4.11. In reporting DSP External Costs, 'Baseline' costs should only include costs associated with delivering the requirements associated with the original contract award to the DSP. New Scope costs should include any requirements that are considered by the Licensee to be additional to the requirements associated with the original contract award to the DSP.
- 4.12. The template provides space for four additional projects. If there were more than four projects during the year the Licensee should insert a replica of the costs structure in alphabetical order, ensuring this is reflected in the corresponding cells in Sheet 4a of this reporting template.
- 4.13. If there are additional items which the Licensee needs to report in relation to DSP costs which do not currently have row headings within this worksheet, then the Licensee should inform Ofgem of this matter.

External Costs – CSP North/Central/South – Sheet 3b, 3c, 3d

PURPOSE: these worksheets require the Licensee to report the costs of its North, South and Central Communication Service Providers (CSPs).

- 4.14. These three worksheets require the Licensee to report the costs of its Communication Service Providers (CSP). The three worksheets cover the three communication service areas – North, Central and South.
- 4.15. Each of these worksheets should be populated by the Licensee with the incurred and forecast CSP External Costs. Definitions of the cost headings for CSP External Costs are discussed below. CSP External Costs should be reported separately as 'Baseline' and 'New Scope' costs (as outlined in the remainder of the section).
- 4.16. **Total Costs:** the summation of Baseline and New Scope costs associated with the service provider. This is inclusive of incentive payments and performance related refunds.
- 4.17. **Total Costs (excluding incentive payments):** this is the total costs associated with the service provider minus incentive payments and performance related refunds.
- 4.18. The Licensee should report CSP **Baseline** costs under the following sub-headings:
- 4.18.1. **Set-up costs:** including pre-integration, system integration, roll-out/coverage, user integration (interface testing), user integration (testing charges) and CSP incentive payment related costs.
- 4.18.2. **Operational costs:** including fixed operational charges, transaction charges, termination assistance, Communications Hub Monthly Asset charges and Communications Hub Maintenance charges.
- 4.19. Incentive payments, to be included in set-up costs, are related to the achievement of Shared Milestones by all the Licensee Service Providers by a proposed achievement date.
- 4.20. **Performance related refunds:** shall include all performance payments or credits from the CSP to the Licensee under their performance standard agreements. This amount is to be reported as a negative value.

4.21. The Licensee should report **New Scope** costs under the following sub-headings:

4.21.1. **Impact assessments**

4.21.2. **Catalogue services**⁵

4.21.3. **Projects**

4.22. In reporting CSP External Costs, 'Baseline' costs should only include costs associated with delivering the requirements that were provided to the CSP(s) at original contract award. 'New Scope' costs should include any requirements that are considered by the Licensee to be additional to the requirements provided to the CSP(s) at original contract award.

4.23. The template provides space for four additional projects. If there were more than four projects during the year the Licensee should insert a replica of the costs structure in alphabetical order, ensuring this is reflected in the corresponding cells in Sheets 4b to 4d.

4.24. If there are additional items which the Licensee needs to report in relation to CSP costs which do not currently have row headings within this worksheet, then the Licensee should inform Ofgem of this matter.

External Costs – SMETS1 External Costs – Sheet 3e to 3l

PURPOSE: these worksheets require the Licensee to report the costs of its SMETS1 Service Providers.

4.25. These sheets should be populated by the Licensee with incurred and forecast SMETS1 Service Providers' External Costs, following similar principles to those applied to the DSP and CSP cost reporting worksheets.

⁵ Catalogue Services these are a list of services specified within the External Service Provider contracts that DCC can request.

4.26. The list of SMETS1 Service Providers and their corresponding cost sheets is as follows:

4.26.1. S1SP_1 – Sheet 3e

4.26.2. S1_CSP_1 – Sheet 3f

4.26.3. S1SP_2 – Sheet 3g

4.26.4. S1_CSP_2 – Sheet 3h

4.26.5. S1SP_3a – Sheet 3i

4.26.6. S1SP_3b – Sheet 3j

4.26.7. S1_DCOa – Sheet 3k

4.26.8. S1_DCOb – Sheet 3l

4.27. **Total Costs:** the summation of Baseline and New Scope costs associated with the service provider. This is inclusive of incentive payments and performance related refunds.

4.28. **Total Costs (excluding incentive payments):** this is the total costs associated with the service provider minus incentive payments and performance related refunds.

4.29. The Licensee should report SMETS1 Service Provider **Baseline** costs under the following sub-headings:

4.29.1. **Set-up costs**

4.29.2. **Operational costs**

4.30. The Licensee should specify headings for each of the component costs of Set-up costs, and Operational costs. The Licensee should insert additional rows if required, ensuring that all additional rows are included in the relevant total, and are reflected in the corresponding cells in Sheets 4e to 4l.

4.31. **Performance related refunds:** shall include all performance payments or credits from the SMETS1 Service Providers to the Licensee under their performance standard agreements. This amount is to be reported as a negative value.

4.32. The Licensee should report **New Scope** costs under the following sub-headings:

4.32.1. **Impact assessments**

4.32.2. **Catalogue services**

4.32.3. **Projects**

- 4.33. In reporting SMETS1 Service Provider External Costs, 'Baseline' costs should only include costs associated with delivering the requirements that were provided to the SMETS1 Service Provider(s) at original contract award. 'New Scope' costs should include any requirements that are considered by the Licensee to be additional to the requirements provided to the SMETS1 Service Provider(s) at original contract award.
- 4.34. The template provides space for four additional projects. If there were more than four projects during the year the Licensee should insert a replica of the costs structure in alphabetical order, ensuring that all additional rows are included in the relevant total, and are reflected in the corresponding cells in Sheets 4e to 4l.

External Costs – Other Costs – Sheet 3m

PURPOSE: this worksheet requires the Licensee to report other costs in procuring Fundamental Service Capability.

- 4.35. It should be populated following similar principles to those applied to the DSP and CSP cost reporting worksheets.
- 4.36. If the Licensee needs to report External Costs in this worksheet, then the Licensee should inform Ofgem of this matter ahead of the regulatory reporting template submission.

Previous year regulatory reporting reconciliations and commentary of DSP, CSP, SMETS1 Service Provider and other External Costs – Sheets 4a to 4m

PURPOSE: these worksheets intend to provide a reconciliation of incurred and forecast Licensee External costs in the current regulatory reporting year compared to estimates in the previous regulatory reporting year. They also require the Licensee to explain any variations.

- 4.37. Variation can be explained in the comment boxes provided. Sheets 4a to 4m each correspond to Sheets 3a to 3m respectively.
- 4.38. Each worksheet is split into three parts:
- 4.38.1. Part 1 calculates the difference, for each Regulatory Year, between External Costs reported in Part 2 and Part 3 of the worksheet. This illustrates how incurred and forecast External Costs for the current Regulatory Year have changed from what was reported by the Licensee for the previous Regulatory Year. This part also requires the Licensee to provide an associated explanation of any differences in reported External Costs compared to economic and efficient incurred and forecast costs submitted by the Licensee and approved by the Authority at the previous Price Control review.
- 4.38.2. Part 2 gives the incurred and forecast economic and efficient External Costs for each Regulatory Year reported by the Licensee for the current Regulatory Year. The information on External Costs in this part of the worksheet is drawn from Sheets 3a to 3m of the current regulatory reporting year templates.

- 4.38.3. Part 3 requires the Licensee to report its incurred and forecast economic and efficient External Costs for each Regulatory Year as identified in the previous Regulatory Year.

5. Annex 4 – Centralised Registration Service Revenue

Section summary

This section describes the Specified Information for reporting in relation to the Centralised Registration Service (CRS) in RIGs reporting template – Annex 4. The section covers:

- Procedures for Cost Reporting;
- General Information, Fixed Data and Summary;
- the cost reporting for CRS Internal Costs;
- the performance reporting for the CRS Performance Adjustment;
- the cost reporting for CRS External Costs; and
- the reconciliations for reported costs and the previous year's reporting.

Procedures for Cost Reporting

5.1. The procedures for cost reporting are the same as those specified in Section 2 of this document, with two additions:

5.1.1. The Licensee should only start reporting costs in this reporting template from Regulatory Year 2017/18.

5.1.2. Any values reported should reconcile to in-year reporting submitted to the Authority under the ex-post plus CRS Price Control.

Fixed Data and Summary

Fixed Data – Sheet 1

5.2. This sheet contains data that is common across worksheets. It is not identical to Sheet 1 of the main reporting template, as it does not hold as much information as Sheet 1 of the main reporting template. All information on this sheet is covered in Section 3 of the main RIGs document, please refer to that document for further information.

Centralised Registration Service Revenue – Sheet 2

PURPOSE: this worksheet calculates the CRS Revenue, and is where the Licensee should report all CRS costs excluding CRS External Costs.

5.3. This sheet calculates the CRS Revenue, and should be used to report all of the Licensee's CRS costs except the CRS External Costs.⁶

⁶ CRS External Costs contribute to the Centralised Registration Service Revenue and are summarised on this sheet, but are the Licensee reports these costs in Sheets 4a to 4f.

5.4. This sheet is split into three parts:

5.4.1. Part 1 is a summary of the components of the CRS Revenue and calculates the final values.

5.4.2. Part 2 is for the Licensee to report CRS Internal Costs by GL code.

5.4.3. Part 3 gives a summary of CRS External Costs.

Part 1 – Summary

5.5. Part 1 calculates the CRS Revenue, and also requires inputs from the Licensee. The individual components of the CRSR are set out below.

5.6. **Centralised Registration Service Revenue (CRSR_t):** is calculated in accordance with Licence Condition 36.9. The formula is stated below.

$$CRSR_t = CRSEC_t + CRSIC_t + CRSPC_t + CRSCA_t + CRSPA_t + CRSPTC_t + CRSECGS_t - CRSVASC_t$$

where each of the terms is explained below.

5.7. **Total Centralised Registration Service Costs:** states the sum of the costs incurred and forecast by the Licensee related to the Centralised Registration Service – CRS External Costs, CRS Internal Costs, CRS Pre-Agreed Costs, CRS Cost Adjustment, and CRS Pass-Through Costs.

5.8. **Total CRS External Costs (CRSEC_t):** includes the costs that were (or are expected to be) economically and efficiently incurred by the Licensee in procuring the services of the CRS Service Providers (listed in paragraph 5.45), and any other costs the Authority agrees are CRS External Costs. The values for this term are drawn from Part 3 of this sheet.

5.9. **Total CRS Internal Costs (CRSIC_t):** includes the sum of costs (excluding CRS External Costs, CRS Pre-Agreed Costs, and CRS Pass-Through Costs) that were (or are expected to be) economically and efficiently incurred by the Licensee in delivering the Centralised Registration Service. These costs are the summation of two parts as shown in the formula below, and include CRS Shared Service Costs.

$$CRSIC_t = CRSICT_t + CRSICD_t$$

5.9.1. **Internal Costs Transitional Phase (CRSICT_t):** CRS Internal Costs incurred during the Transitional Phase.

5.9.2. **Internal Costs DBT Phase (CRSICD_t):** CRS Internal Costs incurred during the DBT Phase.

5.10. **CRS Pre-Agreed Costs (CRSPC_t):** for the Licensee to report any Pre-Agreed Costs. The value of this term will be zero unless otherwise directed by the Authority, following consultation with the Licensee, the SEC Panel, SEC Parties and REC Parties as appropriate.

- 5.11. **CRS Cost Adjustment (CRSCA_t):** for the Licensee to report any cost adjustments to the Pre-Agreed Costs or correction factor. The value of this term will be zero unless directed by the Authority.
- 5.12. **CRS Pass-Through Costs (CRSPTC_t):** for the Licensee to report Pass-Through Costs associated with delivering the Centralised Registration Service. The value of this term will be zero unless otherwise directed by the Authority, following consultation with the Licensee, the SEC Panel, SEC Parties and REC Parties as appropriate.
- 5.13. **CRS Performance Adjustment (CRSPA_t):** reports the CRS Performance Adjustment, which is drawn from Sheet 3 of this reporting template.
- 5.14. **CRS External Contract Gain Share (CRSECGS_t):** for the Licensee to report any CRSECGS Relevant Adjustments it has been awarded in relation to the Centralised Registration Service. These are then summed to give the total CRSECGS.
- 5.14.1. The Licensee should give the application year of any Relevant Adjustments that are reported. The Licensee should insert additional rows if necessary, ensuring that all Relevant Adjustments are included in the total CRSECGS.
- 5.14.2. The value of this term will be zero unless otherwise directed by the Authority.
- 5.15. **CRS Value Added Service Contribution (CRSVASC_t):** for the Licensee to report any Value Added Service Contributions which relate to the Centralised Registration Service. The value of this term will be zero unless otherwise directed by the Authority.

Part 2 – CRS Internal Costs by GL code

- 5.16. Part 2 of the sheet gives the CRS Internal Costs excluding Shared Service Costs, and Shared Service Costs separately. It should be populated by the Licensee with incurred and forecast CRS Internal Costs by GL accounting code.
- 5.17. The Licensee must report the CRS Internal Costs split between the Transitional Phase and the DBT Phase.
- 5.18. 'Spare' rows are included to cater for some variation in the way business activities are accounted for (for example under different accounting treatments). For consistency, if activities are added to 'spare' rows for one phase this should be replicated for the other phase and the total of the two.

Part 3 – CRS External Costs

- 5.19. This part of the sheet gives a summary of all of the Licensee's CRS External Costs by provider. It does not require any input from the Licensee.
- 5.20. The information in this part of the sheet is drawn from Sheets 4a to 4f of this reporting template.

Centralised Registration Service Performance Adjustment – Sheet 3

PURPOSE: this worksheet is for the Licensee to report its performance against the CRS incentive regimes.

- 5.21. This sheet calculates the Centralised Registration Service Performance Adjustment (CRSPA), and should be used to report the Licensee's performance against the CRS incentive regimes.
- 5.22. This sheet is split into three parts:
- 5.22.1. Part 1 is a summary of the components of the CRSPA.
 - 5.22.2. Part 2 is for the Licensee to report its performance against the Transitional Phase performance regime, and calculates the Transitional Phase CRSPA.
 - 5.22.3. Part 3 is for the Licensee to report its performance against the DBT Phase performance regime, and calculates the DBT Phase CRSPA.

Part 1 – Summary

- 5.23. Part 1 calculates the Centralised Registration Service Performance Adjustment; it does not require inputs from the Licensee. The individual components are set out below.
- 5.24. **CRS Performance Adjustment (CRSPA_t):** calculates the CRSPA in accordance with the direction on CRS margin and incentives.⁷ The formula is given below.

$$CRSPA_t = CRSPAT_t + CRSPAD_t$$

where the terms are explained below.

- 5.25. **Transitional Phase CRSPA (CRSPAT_t):** is the performance related revenue that the Licensee is allowed in remuneration for its role in delivering the Transitional Phase of the Switching Programme in Regulatory Year t. The values are drawn from Part 2 of this sheet.
- 5.26. **DBT Phase CRSPA (CRSPAD_t):** is the performance related revenue that the Licensee is allowed in remuneration for its role in delivering the DBT Phase of the Switching Programme in Regulatory Year t. The values are drawn from Part 3 of this sheet.

⁷ 'Direction on margin and incentives for DCC's role in the DBT phase' (which also includes the Transitional phase margin and incentives) <https://www.ofgem.gov.uk/publications-and-updates/decision-margin-and-incentives-dccs-role-within-design-build-and-test-phase-switching-programme>

- 5.27. **Operational Phase:** is to remain blank until the Authority directs on the margin and incentives for the Licensee’s role in the Operational Phase of the Switching Programme.

Part 2 – Transitional Phase

- 5.28. This part of the sheet calculates the CRSPA for the Transitional Phase of the Switching Programme, following the formulae given in the direction on CRS margin and incentives and modification made in the Switching Programme change Request CR-E26.⁸

- 5.29. **Transitional Phase CRSPA (CRSPAT_t):** calculates the CRSPAT in accordance with the relevant formula in the direction on CRS margin and incentives and modification made in the Switching Programme change Request CR-E26, which is given below for reference.

$$CRSPAT_t = 13.6\% \times (CRSICT_t - TM1_t - TM2_t - TM3a_t - TM3b_t + R_t)$$

Where CRSICT_t is the Transitional Phase CRS Internal Costs in Regulatory Year t; TM1_t, TM2_t, TM3a_t and TM3b_t are the amount of costs no longer eligible to earn margin for Transition Milestone 1, 2, 3a and 3b respectively; and R_t is the recovery mechanism for margin previously lost at milestone 1 and 2.

- 5.30. **Total Transitional Phase CRS Internal Costs (CRSICT_t):** is drawn from Sheet 2 of this reporting template, it is inclusive of Shared Service costs.
- 5.31. **Transition Milestone 1 and 2 (TM1_t, TM2_t):** calculates the amount of costs no longer eligible to earn margin from Transitional Milestones 1 and 2. The calculations are performed in the same way for each milestone, in accordance with the direction on CRS margin and incentives. The formulae are given below for reference.

If the TMz_t Specified Criteria are achieved on or by Tz

$$TMz_t = 0$$

If the TMz_t Specified Criteria are achieved after Tz but up to and including Tz + TD

$$TMz_t = \frac{1}{3} CRSCBT_t \times TAz \times 5\%$$

If the TMz_t Specified Criteria are not achieved before or on Tz + TD

$$TMz_t = \frac{1}{3} CRSCBT_t$$

⁸ The incentive regime for the Transitional Phase of the Switching Programme was modified in January 2019 via a Change Request, CR-E26. The result was that Transition Milestone 3 was split into two milestones, 3a and 3b. The formulae presented here are amended versions of the formulae given in the direction on CRS margin and incentives which reflect the modification made by CR-E26.

Where $z = 1$ or 2 ; T_z is a date set within the Switching Incentivised Milestone Dates document; TA_z is the number of Relevant Days after T_z that the TM_z Specified Criteria are met; $TD = 20$ Relevant Days; and $CRSCBT_t$ is the total cost base associated with the delivery of all the identified Transition Milestones.

- 5.32. **Transition Milestone 3a and 3b (TM_{3a_t} , TM_{3b_t}):** calculates the amount of costs no longer eligible to earn margin from Transitional Milestones 3a and 3b. The calculations are performed in the same way for each milestone, in accordance with the direction on CRS margin and incentives and the modification made in the Switching Programme Change Request CR-E26. The formulae are given below for reference.

If the TM_{3y_t} Specified Criteria are achieved on or by T_{3y}

$$TM_{3y_t} = 0$$

If the TM_{3y_t} Specified Criteria are achieved after T_{3y} but up to and including $T_{3y} + TD$

$$TM_{3y_t} = W_y \times \frac{1}{3} CRSCBT_t \times TA_{3y} \times 5\%$$

If the TM_{3y_t} Specified Criteria are not achieved before or on $T_{3y} + TD$

$$TM_{3y_t} = W_y \times \frac{1}{3} CRSCBT_t$$

Where $y = a$ or b ; T_{3y} is a date set within the Switching Incentivised Milestone Dates document; TA_{3y} is the number of Relevant Days after T_{3y} that the TM_{3y} Specified Criteria are met; $TD = 20$ Relevant Days; $CRSCBT_t$ is the total cost base associated with the delivery of all the identified Transition Milestones; and $W_a = 75\%$ and $W_b = 25\%$.

- 5.33. **TA1, TA2, TA3a and TA3b:** are for the Licensee to report the number of Relevant Days after T_1 , T_2 , T_{3a} and T_{3b} , respectively, that the relevant TM Specified Criteria was met.
- 5.34. **Transitional Phase CRS Cost Base ($CRSCBT_t$):** is for the Licensee to report the total cost base associated with the delivery of all the identified Transition Milestones over the lifetime of the Transitional Phase of the Switching Programme. The aggregate value of this term will be assessed through DCC's annual price control submissions over the Transitional Phase with the final calculation and adjustment being made following the final submission of the Transitional Phase.
- 5.34.1. The Licensee should only report this value with the final Price Control submission of the Transitional Phase, and only in the column of the final regulatory year of the Transitional Phase.
- 5.35. **Recovery Mechanism (R_t):** is the recovery mechanism for margin previously lost at milestone 1 and 2, and is calculated in accordance with the direction on CRS margin

and incentives, and the modification made in the Switching Programme Change Request CR-E26.⁹ The formulae are given below for reference.

If the TM3a Specified Criteria are achieved on or by T3a

$$R_t = TM1_t + TM2_t$$

If the TM3a Specified Criteria are achieved after T3a but up to and including T3a + TD

$$R_t = (TM1_t + TM2_t) \times (TD - TA3a) \times 5\%$$

If the TM3a Specified Criteria are not achieved before or on date T3a + TD

$$R_t = 0$$

Where T3a is a date set within the Switching Incentivised Milestone Dates document; TA3a is the number of Relevant Days after T3a that the TM3a Specified Criteria are met; and TD = 20 Relevant Days.

Part 3 – DBT Phase

5.36. This part of the sheet calculates the CRSPA for the DBT Phase of the Switching Programme, following the formulae given in the direction on CRS margin and incentives.

5.37. **DBT Phase CRSPA (CRSPAD_t):** calculates the CRSPAD in accordance with the relevant formula in the direction on CRS margin and incentives, which is given below for reference.

$$CRSPAD_t = 13.6\% \times (CRSICD_t - DM1_t - DM2_t - DM3_t - DM4_t - DM5_t + DRM_t) + DDR_t$$

Where CRSICD_t is the DBT Phase CRS Internal Costs in Regulatory Year t; DM1_t, DM2_t, DM3_t, DM4_t and DM5_t are the amount of costs no longer eligible to earn margin for DBT Milestone 1, 2, 3, 4 and 5 respectively; DRM_t is the Discretionary Recovery Mechanism; and DDR_t is the Discretionary Data Reward.

5.38. **Total DBT Phase CRS Internal Costs (CRSICD_t):** is drawn from Sheet 2 of this reporting template, it is inclusive of Shared Service costs.

5.39. **DBT Milestone 1, 2, 3, 4 and 5 (DM1_t, DM2_t, DM3_t, DM4_t, DM5_t):** calculates the amount of costs no longer eligible to earn margin from DBT Milestones 1, 2, 3, 4 and 5. The calculations are performed in the same way for each milestone, in accordance with the direction on CRS margin and incentives. The formulae for each DBT milestone follows the same format, but each milestone varies slightly. The milestones have different weightings relative to each other, rates at which margin is lost, and time

⁹ The effect of CR-E26 on the Recovery Mechanism is not discussed in the change request. For the purposes of calculating the Recovery Mechanism Transition Milestone 3 has been replaced by Transition Milestone 3a in the relevant formulae.

periods over which margin is lost. For reference, the formulae are given in a general form below, and the weightings, rates, and time periods are given in Table 5.1.

If the DMz_t Specified Criteria are achieved on or by Dz

$$DMz_t = 0$$

If the DMz_t Specified Criteria are achieved after Dz but up to and including $Dz + IT_z$

$$DMz_t = W_z \times IR_z \times DAz \times CRSCBD_t$$

If the DMz_t Specified Criteria are achieved after $Dz + IT_z$ but up to and including $Dz + IT_z + FT_z$

$$DMz_t = W_z \times [FR_z \times (DAz - IT_z) + 10\%] \times CRSCBD_t$$

If the DMz_t Specified Criteria are not achieved before or on $Dz + IT_z + FT_z$

$$DMz_t = W_z \times CRSCBD_t$$

Where $z = 1, 2, 3, 4$ or 5 ; Dz is a date set within the Switching Incentivised Milestone Dates document; DAz is the number of Relevant Days after Dz that the DMz Specified Criteria are met; W_z is the weighting applied to DBT milestone z ; IT_z is the initial time period over which margin is lost; FT_z is the final time period over which margin is lost; IR_z is the initial rate at which margin is lost for DBT milestone z ; FR_z is the final rate at which margin is lost for DBT milestone z ; and $CRSCBD_t$ is 70% of the total cost base associated with the delivery of all the identified DBT Milestones (see paragraph 5.41).

Table 5.1 DBT Phase incentive regime weightings, rates and time periods

DBT Milestone (z)	Weighting (W_z)	Initial Margin Loss Rate (IR_z)	Final Margin Loss Rate (FR_z)	Initial Time Period (IT_z)	Final Time Period (FT_z)
1	30%	2%	6%	5	15
2	20%	2%	6%	5	15
3	25%	10%/3 (3.3%)	90%/7 (12.9%)	3	7
4	10%	2%	6%	5	15
5	15%	10%/3 (3.3%)	90%/7 (12.9%)	3	7

5.40. **DA1, DA2, DA3, DA4 and DA5:** are for the Licensee to report the number of Relevant Days after D1, D2, D3, D4 and D5, respectively, that the relevant DM Specified Criteria was met.

5.41. **Total DBT Phase CRS Cost Base ($CRSCBD_t$):** is calculated in accordance with the direction on CRS margin and incentives as 70% of the total $CRSICD_t$ summed across all Regulatory Years of the DBT Phase of the Switching Programme.

- 5.42. **Discretionary Recovery Mechanism (DRM_t):** is for the Licensee to report the value of the Discretionary Recovery Mechanism calculated in accordance with the DRM guidance.¹⁰
- 5.43. **Discretionary Data Reward (DDR_t):** is for the Licensee to report the value of the Discretionary Data Reward calculated in accordance with the DDR guidance.¹¹ The DDR has a capped reward/penalty of +/- £0.200m based on achieved data quality standard.

CRS External Costs – Sheets 4a to 4f

PURPOSE: these worksheets require the Licensee to report the costs of its CRS Service Providers, and other costs the Authority agrees are CRS External Costs.

- 5.44. These sheets should be populated by the Licensee with incurred and forecast CRS Service Providers (CRSSP) costs, following similar principles to those applied to the External Cost reporting worksheets in Annex 3 – External Costs.
- 5.45. The list of CRSSPs and their corresponding cost sheets is as follows:
- 5.45.1. Address Management Service and Registration Service (AMSRS) – Sheet 4a
 - 5.45.2. Service Management Tools (SMT) – Sheet 4b
 - 5.45.3. CSS Systems Integrator (CSI) – Sheet 4c
 - 5.45.4. Core Systems Assurance (CSA) – Sheet 4d
 - 5.45.5. Switching Network (SN) – Sheet 4e
 - 5.45.6. Other CRS External Costs – Sheet 4f
- 5.46. **Total Costs:** the summation of Baseline and New Scope costs associated with the service provider. This is inclusive of incentive payments and performance related refunds.
- 5.47. **Total Costs (excluding incentive payments):** this is the total costs associated with the service provider minus incentive payments and performance related refunds.

¹⁰ 'Guidance for the Discretionary Recovery Mechanism' <https://www.ofgem.gov.uk/publications-and-updates/decision-margin-and-incentives-dccs-role-within-design-build-and-test-phase-switching-programme>

¹¹ 'Guidance for the Discretionary Data Reward' <https://www.ofgem.gov.uk/publications-and-updates/decision-margin-and-incentives-dccs-role-within-design-build-and-test-phase-switching-programme>

5.48. The Licensee should report CRSSP **Baseline** costs under the following sub-headings:

5.48.1. **Set-up costs**

5.48.2. **Operational costs**

5.49. The Licensee should specify headings for each of the component costs of Set-up costs, and Operational costs. The Licensee should insert additional rows if required, ensuring that all additional rows are included in the relevant total, and are reflected in the corresponding cells in Sheets 6a to 6f.

5.50. **Performance related refunds:** shall include all performance payments or credits from the CRSSPs to the Licensee under their performance standard agreements. This amount is to be reported as a negative value.

5.51. The Licensee should report **New Scope** costs under the following sub-headings:

5.51.1. **Impact assessments**

5.51.2. **Catalogue services**

5.51.3. **Projects**

5.52. In reporting CRSSP costs and other CRS External Costs, 'Baseline' costs should only include costs associated with delivering the requirements that were provided to the CRSSP(s) at original contract award. 'New Scope' costs should include any requirements that are considered by the Licensee to be additional to the requirements provided to the CRSSP(s) at original contract award.

5.53. The template provides space for four additional projects. If there were more than four projects during the year the Licensee should insert a replica of the costs structure in alphabetical order, ensuring that all additional rows are included in the relevant total, and are reflected in the corresponding cells in Sheets 6a to 6f.

5.54. If the Licensee needs to report External Costs in the Other CRS External Costs worksheet (Sheet 6f), then the Licensee should inform Ofgem of this matter ahead of the regulatory reporting template submission.

Previous year regulatory reporting reconciliations of total Centralised Registration Service Costs – Sheet 5

PURPOSE: this worksheet is intended to provide a detailed reconciliation of incurred and forecast Licensee CRS costs in the current regulatory reporting year compared to estimates from the previous regulatory reporting year. It also requires the Licensee to explain any variations.

5.55. It is split into three parts:

- 5.55.1. Part 1 calculates the difference, for each Regulatory Year, between the CRS Internal and External Costs reported in Part 2 and Part 3 of this worksheet. This illustrates how incurred and forecast CRS Internal and External Costs for the current Regulatory Year have changed from what was reported by the Licensee for the previous Regulatory Year. This part also requires the Licensee to provide an associated explanation of any differences in reported CRS Internal and External Costs compared to economic and efficient incurred and forecast costs submitted by the Licensee and approved by the Authority at the previous Price Control review.
- 5.55.2. Part 2 reports the Licensee's economic and efficient CRS Internal and External Costs for each Regulatory Year as reported by the Licensee for the current Regulatory Year. The information on CRS Internal and External Costs in this part of the worksheet is drawn from Sheet 2 of this annex.
- 5.55.3. Part 3 requires the Licensee to report its economic and efficient CRS Internal and External Costs for each Regulatory Year as identified in the previous Regulatory Year.

Previous year regulatory reporting reconciliations and commentary of Fundamental Registration Service Providers and other CRS External Costs – Sheets 6a to 6f

PURPOSE: these worksheets intend to provide a detailed reconciliation of incurred and forecast Licensee CRS External costs in the current regulatory reporting year compared to estimates in the previous regulatory reporting year. They also require the Licensee to explain any variations.

5.56. Variation can be explained in the comment boxes provided. Sheets 6a to 6f each correspond to Sheets 4a to 4f respectively.

5.57. Each worksheet is split into three parts:

- 5.57.1. Part 1 calculates the difference, for each Regulatory Year, between CRS External Costs reported in Part 2 and Part 3 of the worksheet. This illustrates how incurred and forecast CRS External Costs for the current Regulatory Year have changed from what was reported by the Licensee for the previous Regulatory Year. This part also requires the Licensee to provide an associated explanation of any differences in reported CRS External Costs compared to economic and efficient incurred and forecast costs submitted by the Licensee and approved by the Authority at the previous Price Control review.
- 5.57.2. Part 2 gives the incurred and forecast economic and efficient CRS External Costs for each Regulatory Year reported by the Licensee for the current Regulatory Year. The information on CRS External Costs in this part of the worksheet is drawn from Sheets 4a to 4f of this annex.

5.57.3. Part 3 requires the Licensee to report its incurred and forecast economic and efficient CRS External Costs for each Regulatory Year as identified in the previous Regulatory Year.

Appendices

Index

Appendix	Name of Appendix	Page No.
1	Glossary	30

Appendix 1

A

Authority

The Gas and Electricity Markets Authority (GEMA).

C

Communications Service Provider (CSP)

Bodies awarded a contract to be a service provider of the DCC's communications services. Arqiva Limited and Telefónica UK Limited have been appointed to provide these services.

Centralised Registration Service Service Provider (CRSSP)

External Service Providers who provide services to the Licensee for the purposes of delivering the Centralised Registration Service, and who Ofgem agrees are to be considered CRSSPs.

D

Data Communications Company (DCC)

The company that manages the data and communications to and from domestic consumers' smart meters.

Data Services Provider (DSP)

Body awarded the contract to deliver systems integration, application management and IT hosting services to the DCC. CGI IT UK Limited has been appointed to provide these services.

Department for Business, Energy and Industrial Strategy (BEIS)

The UK government department responsible for business, industrial strategy, science, innovation, energy, and climate change.

O

Ofgem

Office of Gas and Electricity Markets

R

Regulatory Instructions and Guidance (RIGs)

Provide the basis on which the Licensee must report price control information as required under the Smart Meter Communication Licence.

S

Smart Energy Code (SEC)

The SEC is an industry code which is a multiparty agreement that defines the rights and obligations between the Data Communications Company (DCC), Suppliers, Network Operators and other users of the DCC's services. All parties must comply with the Code.

Smart Meter Communication Licence

The Smart Meter Communication Licences granted pursuant to Sections 7AB(2) and (4) of the Electricity Act 1989 and Sections 6(1A) and (1C) of the Gas Act 1986.

SMETS1 Service Provider

External service providers from whom SMETS1 Service Capability is procured by the Licensee.

Switching Programme

The Authority's programme to deliver the Centralise Registration Service, for the purpose of providing fast and reliable switching.