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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 transparently before being submitted to the Authority for approval. This may include DCC carrying out its own consultation where proposed amendments are material.

Ahead of this decision letter, DCC submitted two versions of the charging statement: an initial submission on 20 December 2019, which was then updated following Ofgem comments and resubmitted on 25 March 2020.

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.

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

DCC submission of Charging Statement

On 25 March 2020 DCC submitted to us an updated statement for service charges that will take effect from 01 April 2020 for the Regulatory Year (RY) 2020/21.

Compared to the RY 2019/20 statement in place, the key changes to the form of the statement DCC proposed included:

- Updates to reflect estimated costs/revenue for RY 2020/21
 - 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
- Changes to 'Set' Explicit Charges for RY2020/21 (Table 4)
 - Updated to reflect indexation, updated prices in service provider contracts and/or latest CH volume forecasts for RY2020/21
 - Updated to include test communication hub prices which are now finalised in contracts and so have been moved from Table 5
- Changes to Indicative Explicit Charges applicable in RY2020/21 (Table 5)
 - Updated to reflect indexation, updated prices in service provider contracts and/or latest CH volume forecasts for RY2020/21
 - Now includes new Wired DB ITCH for Meter Manufacturers indicative charge.
 - No longer includes test communication hub prices which are now finalised in contracts and so have been moved to Table 4.
- Changes to Total Smart Metering Systems forecast for start of RY2020/21 (Table 11)
 - Updated to reflect a forecast of SMS volume for the start of RY2020/21
- Changes to Forecast CH and ESMS volume in RY2020/21 (Table 12)
 - Updated to reflect updated forecast volumes

- Changes to Section 17 - Invoicing
 - Updated to include the minimum monthly charge value

- Changes to Section 18 – Credit Cover
 - Updated to include the credit cover threshold value

- Changes to Appendix D – Worked examples
 - Revised worked examples to reflect changes to charges

The statement was in the form that DCC expected to use for the regulatory year starting on 1 April 2020.

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 2020/21 in respect of the relevant services.

On 20 December 2019 DCC published a draft statement, which had removed the reference to the 'Baseline' costs from the LABP in tables 9 and 10, as outlined in the Notice submitted to us on 20 December 2019.⁴ However, we viewed that removing this reference may reduce transparency as customers could benefit from having a frame of reference for the variation in DCC's costs from previous year's forecasts. Following discussion with DCC, DCC agreed to keep the reference to the Baseline from the LABP for the RY 2020/21 statement. Should DCC consider removing this reference in future, we expect DCC to explore alternatives which may be suitable in order to maintain transparency for its customers.

Following the submission of the updated statement on 25 March 2020, we consider that the statement provides both sufficient detail and clarity to allow service users to make a reasonable estimate of the service charges they will be liable to pay DCC.

⁴ <https://www.smartdcc.co.uk/media/3483/notice-letter-to-ofgem-charging-statement-ry2021-issue-01.pdf>

Authority's decision

We have considered whether the proposed changes contained in the statement submitted by DCC on 25 March 2020 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