

The Data Communications  
Company

Email: [smartmetering@ofgem.gov.uk](mailto:smartmetering@ofgem.gov.uk)

Date: 01 July 2020

**Decision to modify and issue new Regulatory Instructions and Guidance<sup>1</sup> (RIGs) for the Data Communications Company (DCC) under Part B of Condition 33 of the Smart Meter Communications Licence<sup>2</sup>.**

We consulted Smart DCC Ltd, also known as the Data Communications Company (DCC), on changes to Annex 1 of the RIGs<sup>3</sup> to incorporate SMETS1 meters into the Operational Performance Regime (OPR) for regulatory years 2019/2020 and 2020/2021.

We are issuing a Direction to DCC, set out in Appendix 1, for the purpose of modifying and issuing the new Annex 1 RIGs. We are publishing the finalised new Annex 1 RIGs together with the reporting templates and updated guidance with this decision.

**Context**

The current OPR only assesses DCC performance for SMETS2 meters enrolled onto the DCC network. As an increasing number of SMETS1 meters are enrolled, it is important that OPR incentives cover both SMETS1 and SMETS2 meters to ensure DCC's performance is assessed against both meter types. DCC engaged with the Authority and the SEC Operations Sub-Group to assess how SMETS1 meters could be implemented into the Smart Metering system and subsequently into the current OPR framework. This in turn required changes to the guidance documents and Annex 1 of the RIGs which relates to Quality of Service Information.

---

<sup>1</sup> All terms used in this Notice shall have the meaning given to them under the Licence, unless expressly stated otherwise.

<sup>2</sup> The Smart Meter Communications 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://www.ofgem.gov.uk/licences-industry-codes-and-standards/licences/licence-conditions>.

<sup>3</sup> The Regulatory Instructions and Guidance were last published in July 2019 and are available from <https://www.ofgem.gov.uk/publications-and-updates/data-communications-company-dcc-regulatory-instructions-and-guidance-2019>

The RIGs provide the basis on which DCC, must report key price control information to us<sup>4</sup>. It is important to note that the RIGs do not prescribe exactly how and to what level DCC should justify every cost variation. It is DCC's responsibility to prove costs incurred are economic and efficient.

## **Proposed Changes**

We identified the following three measures as relevant for SMETS1 meters:

1. **Service User Measure 1 (SUM1)**
2. **Service Delivery Measure 2 (SDM2)**
3. **Service Delivery Measure 3 (SDM3)**

The measure SDM3 did not require changes, as DCC uses the same service provider for SMETS1 and SMETS2.

We therefore proposed changes only to the reporting template and methodology for measures SUM1 and SDM2.

## **Proposed Methodology**

We proposed a weighted average across SMETS1 and SMETS2 meters to ensure DCC's performance is incentivised proportionately across both meter types.

We proposed DCC to report SUM1 and SDM2 broken down by meter type. This data will be used to calculate a separate Reported Performance Level (RPL) for SMETS1 and SMETS2 meters. Finally, the overall RPL will be calculated as a weighted average of the SMETS1 and SMETS2 performance levels, weighted by the proportions of SMETS1 and SMETS2 meters enrolled onto the DCC network.

---

<sup>4</sup> The Office of the Gas and Electricity Markets Authority (Ofgem) supports the Gas and Electricity Markets Authority ('the Authority') in its day-to-day work. In this consultation letter, 'we', 'Ofgem' and 'Authority' are often used interchangeably.

For example, the RPL for SUM1 will be calculated as follows:

$$(RPL_{SUM1a} * S1) + (RPL_{SUM1b} * S2) = RPL_{SUM1}$$

Where:

$RPL_{SUM1a}$  = RPL SUM1 measure result for SMETS1

$RPL_{SUM1b}$  = RPL SUM1 measure result for SMETS2

S1 = % of meters that are SMETS1

S2 = % of meters that are SMETS2

$RPL_{SUM1}$  = weighted average result for SUM1

The same methodology will be applied to SDM2.

## **Consultation Response**

We sent a Notice with the proposed changes to DCC on 04 May 2020. DCC agreed with the proposed changes.

## **Next Steps**

DCC must report in accordance with the RIGs by 31 July 2020. We will review and assess the information over the summer, and aim to publish a consultation on the outcome of the ex post review in Autumn 2020. We will publish the decision in early 2021.

If you have any questions, contact [smartmetering@ofgem.gov.uk](mailto:smartmetering@ofgem.gov.uk).

Yours faithfully,

**Jacqui Russell**

**Head of Metering & Market Operations**

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

**01 July 2020**

## **Appendix 1: Direction to DCC**

**To: Smart DCC Limited**

**Direction issued by the Gas and Electricity Markets Authority pursuant to Licence Condition 33.7 of the Smart Meter Communication Licences granted pursuant to section 7AB(2) and (4) of the Gas Act 1986 and section 6(1A) and (1C) of the Electricity Act 1989 (the "Direction")**

### **WHEREAS**

1. Smart DCC Limited ("the Licensee") holds the Smart Meter Communication Licences granted pursuant to section 7AB(2) and (4) of the Gas Act 1986 and section 6(1A) and (1C) of the Electricity Act 1989 ("the Licence")
2. The Gas and Electricity Markets Authority ("the Authority") has the power pursuant to Condition 33.7 of the Licence to modify the Regulatory Instructions and Guidance ("RIGs") by giving the Licensee a direction for that purpose after complying with the requirements of Part B of Condition 33 of the Licence.
3. The Authority has complied with the requirements of Part B of Condition 33.
4. The Authority gave notice of its intention to modify the RIGs to the Licensee on 04 May 2020 and has considered all representations duly made in coming to its decision on how to modify the RIGs.

### **NOW THEREFORE**

5. The Authority hereby directs that the RIGs be modified as set out in the Schedule to this Direction<sup>5</sup>.
6. This Direction shall take effect on 01 July 2020
7. The following documents constitute notice pursuant to section 49A Electricity Act 1989 and section 38A Gas Act 1986:
  - a. This Direction;
  - b. Decision on modifications and issuing of new Regulatory Instructions and Guidance for the Data Communications Company (DCC), dated 01 July 2020; and
  - c. Notice of proposal to modify and issue new Regulatory Instructions and Guidance for the Data Communications Company under Part B of Condition 33 of the Smart Meter Communication Licence, dated 04 May 2020.

---

<sup>5</sup> The changes made to the reporting template and RIGs are listed on the Authority's website, and can be found at the address provided in Annex 1

Dated: 01 July 2020

**Jacqui Russell**

**Head of Metering & Market Operations**

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

## **Annex 1:**

On 01 July 2020 we published the new DCC Annex 1 RIGs on Ofgem's website. Available at: <https://www.ofgem.gov.uk/publications-and-updates/data-communications-company-dcc-regulatory-instructions-and-guidance-2020>