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Date: 30 March 2021

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 Licence<sup>1</sup>**

This letter sets out the Authority's<sup>2</sup> 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 consultation<sup>3</sup>, 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.

DCC submitted a draft of the charging statement on 23 December 2020, which was then updated following Ofgem comments and resubmitted on 26 March 2021.

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<sup>1</sup> 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>

<sup>2</sup> 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.

<sup>3</sup>[https://www.ofgem.gov.uk/system/files/docs/2017/01/consultation\\_letter\\_on\\_dcc\\_charging\\_statement\\_17\\_18\\_final.pdf](https://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 26 March 2021 DCC submitted to us an updated statement for service charges that is proposed to take effect from 01 April 2021 for the Regulatory Year (RY) 2021/2022.

Compared to the RY 2020/21 statement in place, the key changes to the form of the statement proposed by DCC include:

- Updates to reflect estimated costs/revenue for RY 2021/22
  - 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 RY2021/22 (Table 4)
  - Updated to reflect indexation, updated prices in service provider contracts and/or latest Comms Hub (CH) volume forecasts for RY2021/22
  - Updated to include a set Wired DB ITCH for Meter Manufacturers price, as the costs are now finalised and so have been moved from Table 5
  
- Changes to Indicative Explicit Charges applicable in RY2021/22 (Table 5)
  - Updated to reflect indexation, updated prices in service provider contracts and/or latest CH volume forecasts for RY2021/22
  - No longer includes Wired DB ITCH for Meter Manufacturers pricing, which has been moved to Table 4
  
- Changes to Total Smart Metering Systems forecast for start of RY2021/22 (Table 11)
  - Updated to reflect a forecast of domestic meter volume for the start of RY2021/22
  - Updated to include a forecast of non-domestic meter volume for the start of RY2021/22, in the COMR period
  - Both sets of volume forecasts were determined using the historic monthly rate of increase of meters up to and including November 2020

- Changes to Forecast CH and ESMS volume in RY2020/21 (Table 12)
  - Updated to reflect updated CH and Enrolled Smart Meter (ESMS) volume forecasts for RY2021/22
  
- 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 submitted in the form that DCC expects to use for the regulatory year starting on 1 April 2021.

### **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 2021/22 in respect of the relevant services.

Following the submission of the updated statement on 26 March 2021, 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. For example, DCC has improved cost forecast transparency for some categories and included a new column for estimated meter volumes for non-domestic premises. We encourage DCC to continue to explore how greater clarity can be provided through better forecasts and breakdown of high-level costs into further categories.

## **Authority's decision**

We have considered whether the proposed changes contained in the statement submitted by DCC on 26 March 2021 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**