



Charging Statement for Service Charges

Regulatory Year ending 31 March 2017
Effective from 1 April 2016

Contents

1. Introduction	3
Section A – Summary of Charges for RY 2016/17	6
2. Summary of Charges	6
Section B – Estimated Revenue	9
3. Estimated Allowed Revenue	9
4. Estimated Fixed Revenue	9
5. Estimated Elective Services Revenue	16
Section C – Fixed Charges	17
6. Charging Periods	17
7. Charging Groups	17
Section D – Communications Hubs Charges and Explicit Charges	20
8. Communications Hubs	20
9. Charging Periods for Communications Hub Charges	21
10. Faults	22
11. Estimated Explicit Charges Revenue and Explicit Charges	22
Section E – Invoicing	24
12. Invoicing and Credit Cover	24
Section F – Annexes	25
Annex 1: Timetable for Indicative Charging Statement and Indicative Budgets	25
Annex 2: Fixed Charges – Assumptions	25
Annex 3: Estimated Explicit Charges Revenue and Explicit Charges – Supporting Information	26
Annex 4: Worked Examples	31
Annex 5: Acronyms	36
Annex 6: Glossary	37

1 Introduction

- 1.1 This document is the Charging Statement for Service Charges (Charging Statement) for Smart DCC Ltd (DCC) for the Regulatory Year ending 31 March 2017 (RY 2016/17). This Charging Statement will be published on 1 April 2016 in a form approved by the Gas and Electricity Markets Authority (the Authority) in accordance with Licence Condition (LC) 19.5 of the Smart Meter Communication Licence (the Licence).
- 1.2 The purpose of this document is to publish DCC Service Charges and to enable SEC Parties to estimate their annual Service Charges for RY 2016/17.
- 1.3 The algebraic approach to the calculation of Service Charges is set out in Section K (Charging Methodology) of the Smart Energy Code (SEC). Further details on the supporting commercial arrangements are set out in Section J (Charges) of the SEC. In this document all SEC references are in the form 'Section xx'.
- 1.4 This Charging Statement is prepared based on the best information and assumptions available as at the date of the submission of the Notice for this Charging Statement.
- 1.5 RY 2016/17 is a critical year for DCC Service Charges. From April 2016, costs will increase significantly due to contract milestones being achieved. Highlights include the following:-
- DCC is obliged to make regular payments to our External Services Providers as they complete their contractual milestones due in RY 2016/17
 - Communications Hubs charges will start being applied as Communications Hubs are expected to be delivered from July 2016.
- 1.6 On 6 November 2015, DCC submitted a request to use both schedule and functional contingency against the previous DCC plan that had been approved on 5 March 2015. The DCC aims to deliver Release 1.2 (DCC Live) by 20 July 2016 and Release 1.3 by 26 September 2016. DECC considers it prudent to maintain a further four weeks contingency for both releases and has indicated central planning assumptions of Release 1.2 being available on 17 August 2016 and Release 1.3 on 28 October 2016. Release 1.2 will provide the majority of functionality and Release 1.3 will provide the remaining functionality, including pre-payment services and some Network Operator functionality. On 18 December 2015, the Secretary of State issued a direction on the DCC plan, which broadly accepted the request. (<https://www.smartdcc.co.uk/implementation/programme>).
- DCC is currently in the process of negotiating the final cost impact of the SMIP Contingency Request (this is the revised DCC plan as approved in December 2015). DCC has made a provision in this Charging Statement for a proportion of the total estimated cost, which would increase the costs in RY 2016/17, in relation to the SMIP Contingency Request. All other activities reflect our expected cost estimate, and therefore do not include additional provisions. DCC may need to revise this Charging Statement during RY 2016/17 should there be a material variation in expected costs as a result of the final commercial outcome agreed with its Service Providers.
- 1.7 As with most complex programmes, the development of the DCC service involves a level of emergent change which gives rise to elements of uncertainty and risk. Consequently, actual costs may vary from those anticipated in the Charging Statement for this reason, we recover a prudent estimate of costs through charges. The intent of the

prudent estimate is to ensure:

- DCC remains cash positive and meets its financial commitments during each month
- as far as is possible, that Service Charges remain unchanged, consistent with the obligation in LC36.

Dual-band Communications Hubs

- 1.8 On 16 March 2015, DCC received a direction from the Secretary of State to undertake an impact assessment in relation to the introduction of dual-band Communications Hubs. DCC will consult on the physical dimensions of dual-band Communications Hubs pending the completion of our impact assessment in early 2016, we currently expect to introduce the dual-band Communications Hub by no earlier than the second half of 2017. As we are in the early stages of designing this service, DCC has included an Internal Cost assumption relating to the introduction of this capability. We have not currently included External Costs relating to the delivery of the dual-band Communications Hub and we do not expect there to be any External Cost impact on charges for RY 2016/17.

Enrolment and Adoption of SMETS1 Meters

- 1.9 On 24 March 2015 DCC received a direction from the Secretary of State to commence the Initial Enrolment Project Feasibility Report (IEPFR) for the Enrolment and Adoption of SMETS1 meters in accordance with Section N of the SEC. DCC has assembled a project team who have been developing the IEPFR. In line with our published timetable for completing the IEPFR, we will consult on the draft IEPFR in 2016 before submitting it to the Secretary of State, who will then direct DCC to implement one or more options.

- 1.10 In this Charging Statement DCC has included

Internal Costs which relate primarily to the finalisation of the IEPFR, we have also included some Internal Costs relating to the development of the Initial Enrolment Code Amendments and preparatory work for the implementation of the solution. We have not included Internal Costs relating to the operation of a SMETS1 smart meter communication service. No External Costs relating to the implementation and operation of a SMETS1 smart meter communication service have been included in this Charging Statement. We will begin to include External Costs once we have received a direction from the Secretary of State to deliver one or more options.

Centralised registration and faster reliable switching

- 1.11 During RY 2016/17 we will work with Ofgem and industry through the Blueprint phase with the aim of agreeing a design for switching arrangements and the Centralised Registration Service. Although the requirements for DCC's input into the programme are still evolving, we are already mobilising a project to support Ofgem. We have not included External Costs in this Charging Statement relating to the design, implementation and operation of a Centralised Registration Service. Ofgem concluded on its consultation on "Moving to faster reliable switching" on 10 February 2015. DCC anticipates subsequent confirmation of arrangements for DCC to recover any cost it incurs in the execution of the programme.

SEC Modification Process

- 1.12 SEC Modification Process is set out in Section D of the SEC. Parties are able to propose amendments to the SEC through this process. Under the SEC, DCC is required to support this process, including the provision of impact assessments for proposed modifications to the code. We anticipate that the SEC Modification Process

will come in to effect by March 2016. A cost provision for impact assessments is included in this Charging Statement.

DCC Price Control

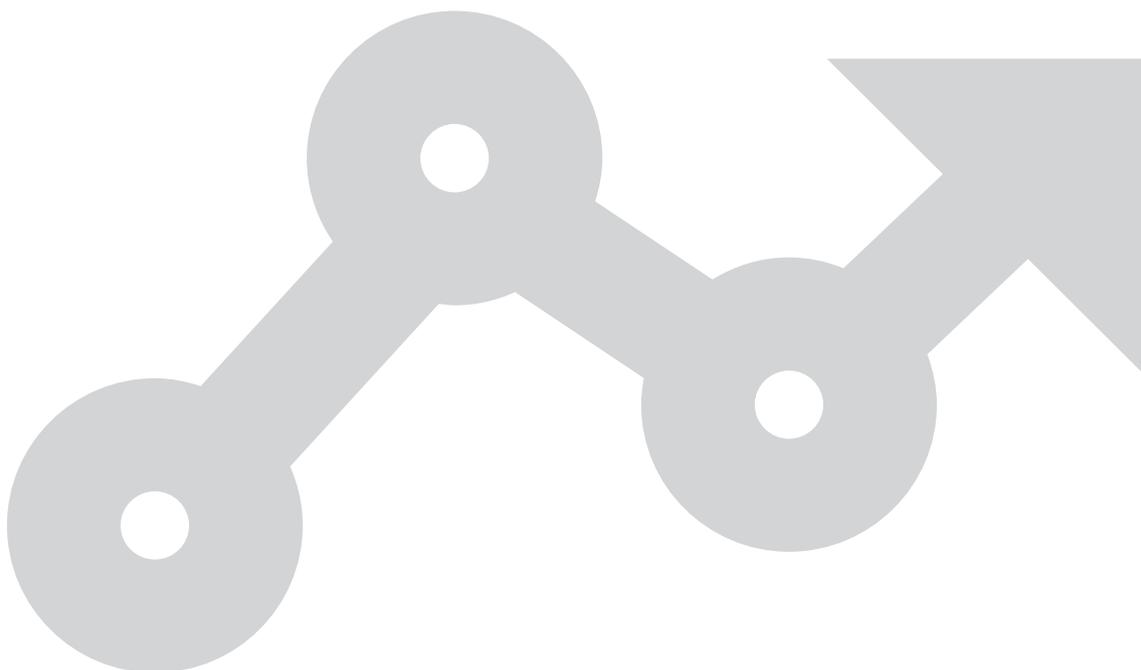
1.13 This Charging Statement reflects the direction issued by the Authority on 25 February 2016 to disallow £0.409m and to increase the Baseline Margin by £0.361m (£0.350 in 2014/15 prices) from the calculation of the Allowed Revenue for RY 2016/17. These directions were made as a result of the Authority's price control assessment for RY 2014/15.

Other information

1.14 A timetable for future publications of indicative Charging Statements and indicative budgets is available in Annex 1.

1.15 This document is available on the DCC website (www.smartdcc.co.uk).

1.16 Please email finance@smartdcc.co.uk, if you have any questions relating to this document or if you would like to provide feedback on how this document might be improved for future updates.



SECTION A – SUMMARY OF CHARGES FOR RY 2016/17

2 Summary of Charges

- 2.1 In accordance with the Charging Methodology, this section sets out the charges applicable in RY 2016/17. Explanation of these charges is available under each of the respective charging sections later in this Charging Statement.
- Mandated Smart Metering Systems for Domestic Premises; and
 - Smart Metering Systems for Designated Premises.

Fixed Charges

The monthly Fixed Charges are expressed to three decimal places and exclude VAT.

- 2.2 The Fixed Charges in Table 1 are applicable to the number of:

Charging Groups	Name	Monthly Fixed Charge (£ / meter)			
		Domestic Premises	Non-Domestic Premises Regions (r)		
			All Regions (RDFC _{grt})	North (RNFC _{grt})	Central (RNFC _{grt})
g1	Import Electricity Suppliers	£0.409	£0.616	£0.304	£0.321
g2	Export Electricity Suppliers	£0.067	£0.101	£0.050	£0.053
g3	Gas Suppliers	£0.309	£0.465	£0.230	£0.243
g4	Electricity Distributors	£0.050	£0.076	£0.038	£0.040
g5	Gas Transporters	£0.000	£0.000	£0.000	£0.000

Table 1 – Monthly Fixed Charges by Charging Group applicable in RY 2016/17

Fixed CH Charges

- 2.3 The monthly Fixed Communications Hubs (CH) Charges in Table 2 are applicable to the number of:
- Smart Metering Systems for Domestic Premises; and
 - Smart Metering Systems for Designated Premises
- 2.4 The monthly Fixed CH Charges are expressed to three decimal places and exclude VAT.
- This is based on the assumption that DCC live operations start no earlier than July 2016.

Charging Groups	Name	Fixed CH Charges (£ / meter)			
		Domestic Premises	Non-Domestic Premises Regions (r)		
		All Regions (DCHC _{gr})	North (NCHC _{gr})	Central (NCHC _{gr})	South (NCHC _{gr})
g1	Import Electricity Suppliers	0.386	0.279	0.423	0.544
g2	Export Electricity Suppliers	0.063	0.046	0.069	0.089
g3	Gas Suppliers	0.292	0.211	0.319	0.411

Table 2 – Monthly Fixed CH Charges by Charging Group applicable in RY 2016/17

Explicit Charges

10 (Estimated Explicit Charges Revenue and Explicit Charges).

2.5 The Explicit Charges in Tables 3, 4 and 5 are applicable where a party procures a specific DCC service as set out in section K7.5 of the Charging Methodology. Further detail on these Explicit Charges is available in section

2.6 Table 3 sets out the set Explicit Charges applicable for DCC services procured by parties in RY 2016/17.

Set Explicit Charge			
SEC Reference	Service	Charges excluding VAT	Unit
K7.5(j)	Communications identified in the DCC User Interface Services Schedule 'Service Requests'	£0.00	Per Service Request
K7.5(l)	CH Stock level charge	£0.45	Per Communications Hub per month
K7.5(n)	CH auxiliary equipment: RF mesh aerial	£4.00	Per aerial
K7.5(n)	CH auxiliary equipment: Cellular aerial	£4.00	Per aerial
K7.5(p)	CH returned not redeployed	£50.00	Per Communications Hub
K7.5(r)	Test comms hubs	£60.83	Per Communications Hub (subject to a minimum order of 10 units)

Table 3 – Set Explicit Charges applicable in RY 2016/17

2.7 Table 4 below sets out the indicative Explicit Charges. These charges rely on a number of variables which are only known at the point at

which a party applies for a particular service. At the point of application, DCC will provide parties with a no obligation quote.

Indicative Explicit Charge			
SEC Reference	Service	Charges excluding VAT	Unit
K7.5(a)	User Security Assessments		
K7.5(a)	Follow-up Security Assessments		
K7.5(a)	User Security Assessment Reports		Contact SECAS at secas@gemserv.com
K7.5(b)	Full Privacy Assessments		
K7.5(b)	Privacy Assessment Reports		
K7.5(c)	DCC Gateway LV Connection – connection charge	£2,000 – £4,000	Per connection
K7.5(c)	DCC Gateway LV Connection – annual charge	£600 – £1,000	Per annum for a 3-year contract (a 1-year option is also available)
K7.5(d)	DCC Gateway HV Connection – connection charge	£3,000 – £15,000	Per connection
K7.5(d)	DCC Gateway HV Connection – annual charge	£4,000 – £32,000	Per annum for a 3-year contract (a 1-year option is also available)
K7.5(e)	Gateway equipment relocation	£759	Per consultant, per day
K7.5(f)	Elective service evaluations	£750 – £1,500	Per consultant, per day
K7.5(g)	Parse and Correlate support	£280 – £1,300	Per consultant, per day
K7.5(h)	SM WAN for testing - connection charge	£10,140	Per each SM WAN provided for testing in CSP North
K7.5(h)	SM WAN for testing - connection charge	£2,024 - £2,277	Per each SM WAN provided for testing in CSP South and Central
K7.5(h)	SM WAN for testing – monthly charge	£2,548	Per each SM WAN for testing in CSP North per month (subject to a minimum of 6 months)
K7.5(h)	SM WAN for testing – monthly charge	£1,012	Per each SM WAN for testing in CSP South and Central per month (subject to a minimum of 6 months)
K7.5(i)	Additional testing support	£700 – £1,350	Per consultant, per day
K7.5(k)	CH non-standard delivery	£100	Per delivery
K7.5(o)	CH returned and redeployed	£9.10	Per Communications Hub
K7.5(q)	CH wrong returns location	£1.35 – £2.50	Per Communications Hub (subject to minimum volumes)
K7.5(s)	Additional CH Order Management System accounts	£200 - £400	Annual licence fee per additional user account per region

Table 4 – Indicative Explicit Charges applicable in RY 2016/17

2.8 Table 5 below lists the DCC services which parties will be able to procure in the future when available. This Charging Statement may be updated during RY 2016/17 to reflect the introduction of

SEC Reference	Service	Charge
		(£, excluding VAT)
K7.5(m)	CH variant charge	Charging Statement will be revised once services are more defined and/or scheduled to be made available

Table 5 – Explicit Charges yet to be determined

SECTION B – ESTIMATED REVENUE

3 Estimated Allowed Revenue

3.1 In accordance with section K2 of the Charging Methodology, this section sets out DCC's Estimated Allowed Revenue for RY 2016/17, which is necessary for DCC to deliver Mandatory Business Services, and pay Pass-Through Costs.

3.2 The applicable Mandatory Business Services provided by DCC are:

- Core Communication Services provided to or from a Smart Metering System that relate solely to the Supply of Energy (or its use)
- Enabling Services that include the Enrolment Service, Communications Hubs Service and other Enabling Services.

3.3 Pass-Through Costs include the total annual fee paid by DCC to the Authority and payments made by DCC to SECCo Ltd for purposes associated with the governance and administration of the SEC.

3.4 Table 6 sets out DCC's Estimated Allowed Revenue for RY 2016/17, in total and split by its components.

Acronym	Name	RY 2016/17 (£m)
EFR _t	Estimated Fixed Revenue	239.3
EECR _t	Estimated Explicit Charges Revenue	1.5
EESR _t	Estimated Elective Services Revenue	0.0
EAR _t	Estimated Allowed Revenue	240.8

Table 6 – Estimated Allowed Revenue for RY 2016/17

4 Estimated Fixed Revenue

4.1 Table 7 sets out the Estimated Fixed Revenue split by its components in accordance with section K3.8 of the Charging Methodology.

Acronym	Name	RY 2016/17 (£m)
NFR _t	National Fixed Revenue	109.7
RFR _{Nt}	Regional Fixed Revenue (North)	80.0
RFR _{Ct}	Regional Fixed Revenue (Central)	25.8
RFR _{St}	Regional Fixed Revenue (South)	23.4
RCHR _{Nt}	Regional Communications Hub Revenue (North)	0.1
RCHR _{Ct}	Regional Communications Hub Revenue (Central)	0.2
RCHR _{St}	Regional Communications Hub Revenue (South)	0.1
EFR _t	Estimated Fixed Revenue	239.3

Table 7 – Estimated Fixed Revenue for RY 2016/17

4.2 National Fixed Revenue and Regional Fixed Revenue for the North, Central and South

Regions are used to calculate the Fixed Charges in Table 1.

- 4.3 Regional Communications Hub Revenue for the North, Central and South Regions are as detailed in Table 7. This is based on DCC live operations starting no earlier than July 2016.
- 4.4 Estimated Fixed Revenue comprises:
- Costs defined within LC35 (Definitions for the Price Control Conditions), summarised as:
 - Internal Costs – the sum of costs incurred by DCC for the purposes of the provision of Mandatory Business Services under or pursuant to the SEC, excluding those costs defined as External Costs or Pass-Through Costs
 - External Costs – the costs incurred by DCC in procuring Fundamental Service Capability, i.e. the costs of the Data Services Provider and the Communications Services Providers. In future years this will also include costs of Energy Supplier Contracts as defined in LC16, however DCC does not envisage any of these contracts will be adopted in RY 2016/17
 - Pass-Through Costs – the sum of the total annual fee paid by DCC to the Authority and the amount paid to SECCo Ltd for purposes associated with the governance and administration of the SEC (including the cost of the SEC Panel and the Code Administrator and Secretariat). DCC passes on the costs incurred by the Authority and SECCo Ltd to SEC Parties and recovers the costs directly
 - Baseline Margin as defined in LC36 (Determination of the Licensee’s Allowed Revenue)
 - Prudent estimate:
 - In accordance with Part B of LC36 (Determination of the Licensee’s Allowed Revenue), DCC may make adjustments to avoid the potential need for charges to be amended in the course of the year (except in response to a reasonably unlikely event)
 - In accordance with LC27 (Indebtedness and transfers of funds), which places restrictions on the Licensee’s ability to incur debt, the prudent estimate ensures that DCC can manage cash flow and remain cash positive.
- 4.5 The estimates for Internal Costs include an allowance for indexation using a forecast Retail Prices Index (RPI) of 1%, which DCC derives from data published by the Office for National Statistics (www.ons.gov.uk). Baseline Margin also includes an allowance for indexation using RPI as defined in LC36.8.
- 4.6 External Costs include an allowance for indexation using a forecast of Consumer Price Index (CPI) of 0% in accordance with the provisions of the External Services Provider contracts. DCC derived this rate from data published by the Office for National Statistics (www.ons.gov.uk).
- 4.7 Pass-Through Costs include an allowance for indexation at the rates provided by the Authority and SECCo Ltd (as applicable).
- 4.8 The correction factor does not include any allowance for indexation, as the numbers stated are in current values.

4.9 Table 8 sets out Estimated Fixed Revenue by category for RY 2016/17.

Estimated Fixed Revenue by category		Total excl VAT (£m)
Internal Costs (1)	DCC licensing competition baseline (2)	11.5
	Changes (3)	30.9
Baseline Margin (4)		2.5
External Costs (5)	Service Provider Procurement Baseline	80.5
	Changes	105.1
Pass-Through Costs	Authority (6)	0.0
	SECCo Ltd (7)	5.2
Correction factor	Estimated - RY 2015/16 (8)	(6.4)
	Actual - RY 2014/15 (9)	(3.1)
	Communications Hubs - RY 2015/16 (10)	0.0
Prudent estimate (11)		131
Estimated Fixed Revenue for the Regulatory Year (EFR)		239.3

Table 8 – Estimated Fixed Revenue by category for RY 2016/17

4.10 With reference to Table 8:

1. Internal Costs for DCC for RY 2016/17 include resource costs that relate to:

- Engaging with SEC Panel, SEC Parties and other stakeholders
- Contract and performance managing External Services Providers
- Applying the Charging Methodology and complying with the Price Control Conditions in the Licence
- Providing DCC Internal Systems, including the billing, business intelligence and management information systems
- Applying design governance
- Assuring test activities of External Services Providers
- Planning, coordinating and assuring testing

- Providing a Smart Metering Key Infrastructure (SMKI) Services and Parse and Correlate Software
- Providing service management including first line Service Desk
- Managing changes to the SMETS2 programme
- Managing new initiatives
- Programme managing DCC deliverables
- Audit and test assurance services.

Internal Costs also include non-resource costs. Examples of non-resource costs include:

- Accommodation
- Travel
- Recruitment

- Legal fees
- Consulting fees
- Information technology services and services procured through Capita plc (e.g. Group Finance, Tax and Treasury and Group HR)
- All External Services Provider cost that is not related to the Fundamental Service Capability.

These costs are described in the Regulatory Instructions and Guidance (RIGs), published by the Authority on its website (www.ofgem.gov.uk)

At the time of preparing this Charging Statement, DCC derived a prudent estimate of its internal cost based on a forecast of the level of activities expected to take place during RY 2016/17 in order to meet its deliverables. DCC made no specific allowance for contingency in internal costs.

2. DCC licensing competition baseline is the estimated Internal Costs submitted by Capita plc to DECC during the DCC licensing competition prior to the grant of the Licence.
3. Changes to the DCC licensing competition baseline includes:
 - The total movement (upward and downward) of estimated Internal Costs as a result of changes to the requirements, volumes, risk, complexity or timescales in the DCC licensing competition baseline
 - Costs associated with changes to the DCC plan in relation to the timing of the release of Great Britain Companion Specification (GBCS) version 0.7r6, 0.8, 0.8.1 and 0.8.2

- The costs of setting up and operating the SMKI Service and Parse and Correlate Software
- The costs of additional resource to oversee the planning, coordinating and assuring testing, following assessments by DCC of the requirements to verify and to validate External Services Providers and Testing Participant test preparation
- Refinement of the service management framework through design workshops leading to an increase in scope of the design, integration and technical requirements of the DCC service management system
- Requirements for DCC to provide financial stability and financial security in accordance with LC26 (Financial stability and financial security), which was subject to finalisation following the grant of the Licence
- Auditing the accuracy of External Services Providers' charges and their performance against contractual milestones in accordance with Schedule 8.4 (Records and Audit Provisions) of the External Services Provider contracts
- Operational costs associated with the evolving Communications Hubs financing arrangements
- The extra level of resource required to manage the emerging complexities of the DCC programme
- Costs associated with the early stages of introduction of dual-band Communications Hubs, the Switching Programme and Enrolment and Adoption of SMETS1 meters.

4. This is the Baseline Margin as set out in Appendix 1 to LC36 (Determination of the Licensee's Allowed Revenue). Under LC36.18 DCC can submit an application to the Authority proposing an adjustment to the current Baseline Margin. This value reflects an increase in the Baseline

Margin value for RY2016/17 of £0.361m (£0.350 in 2014/15 prices) as determined by the Authority on 25 February 2016.

5. The External Costs for RY 2016/17 are detailed in Table 9:

Estimated External Baseline Costs by category	Total excluding VAT (£m)	
	External Services Provider procurement baseline	Changes
Set-up Costs (a)	23.9	115.1
Fixed Operational Costs (b)	37.0	(0.5)
Performance Incentives (c)	0.0	8.1
Communications Hubs (d)	19.6	(19.1)
Impact Assessments/Projects (e)	0.0	1.5
Catalogue Services (f)	0.0	0.0
Estimated External Costs by category for the Regulatory Year	80.5	105.1

Table 9 – Estimated External Costs by category for RY 2016/17

a) Set-up costs are payable to External Services Providers monthly in arrears through deferred set-up charges arising upon achievement of the relevant milestones under the terms of the External Services Provider contracts. These milestones are described within the master milestone table and coverage Table in Schedule 6.1 of the contracts. The redacted versions of the contracts are available on the DCC website. These tables outline the name, description and date of milestones within each phase of the ISDP:

- Pre-integration phase (mobilisation, design, build and testing)
- System integration phase (pre-test activities and testing)
- User integration phase (pre-test activities and testing)
- Mass rollout and live operation.

Changes to Set-up Costs include:

- Refinement of the service management framework through design workshops leading to increased scope and requirements for External Services Providers
- The agreed costs relating to additional functionality and complexities identified within GBCS versions 0.7r6, 0.8 and 0.8.1
- An allowance for the impact of GBCS version 0.8.2. DCC started commercial negotiations with External Services Providers in December 2015. These negotiations have not been concluded and may lead to an adjustment to the External Services Providers' cost profile in which case, DCC may consider revising Service Charges in the Charging Statement for RY 2016/17

- Costs related to changes resulting from changes to the SEC
- DCC has estimated the costs of future Change Requests that are necessary to deliver and enhance Mandatory Business Services. DCC manages Change Requests where applicable in accordance with transitional governance arrangements and the External Services Provider contracts

At the time of preparing this Charging Statement, DCC derived a prudent estimate of each category of external costs it expects to incur following the planned achievements of Service Providers contractual milestones and assessment of changes that are necessary to the contract during RY2016/17. For RY2016/17 we have made a specific allowance for a likely increase in external costs for the change associated with SMIP Contingency Request. DCC is currently in the process of agreeing the costs for this change with its Service Providers and we anticipate this being finalised during RY2016/17.

- b) Fixed operational costs consist of fixed monthly charges payable to External Services Providers for the provision of Services from the commencement of DCC live operations to the end of the External Services Provider contracts.

Changes to fixed operational costs include:

- Costs emerging as a result of resetting the commencement date of live operations
- Costs related to the impact of GBCS versions 0.7R6, 0.8 and 0.8.1, and estimated costs related to 0.8.2
- Extended coverage in the North region

- Costs related to the increased scope of the service management system that are identified within the delivery pipeline of release plan for future years
- Costs associated with other changes to the DCC plan.

- c) As a result of revised DCC Plan and in line with External Services Provider contracts, an allowance for performance incentives has been included in this Charging Statement. DCC makes these payments when External Services Providers meet their respective performance milestones, otherwise the Estimated Fixed Revenue will be returned to SEC Parties as part of the correction factor in the subsequent Regulatory Year.

- d) Communications Hubs costs consist of a monthly asset charge payable to External Services Providers following each successful delivery of a Communications Hub and a monthly maintenance charge payable to External Services Providers following each successful commissioning of a Communications Hub.

- Changes to Communications Hub costs consist of a mandatory three month contingency fund for Communications Hub Finance Charges, in accordance with the financing arrangements outlined in Section K3.16 of the SEC

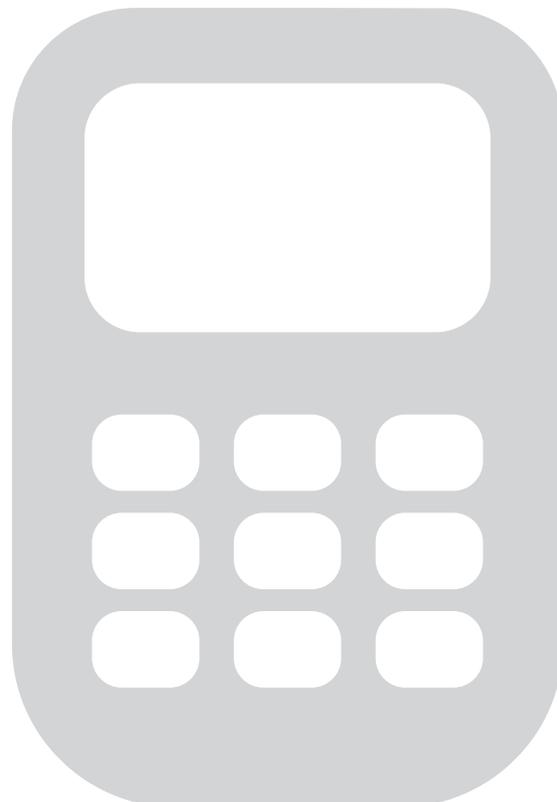
- Based on the assumptions that DCC live operations will be no earlier than July 2016, the majority of the Communications Hub volumes will now occur in RY 2017/18, consequently lower costs associated with Communications Hubs will materialise in RY 2016/17.

- e) DCC has estimated the cost associated with an anticipated level of Impact

- Assessments and Projects that are necessary to deliver Mandatory Business Services in addition to changes managed through the transitional governance arrangement, this includes any future changes raised through the modification process. DCC manages Impact Assessments and Projects as applicable in accordance with Transitional Governance arrangements and the External Services Provider contracts.
- f) DCC may procure items from the catalogue services set out in the External Services Provider contracts. Costs relating to items in the catalogue services that will benefit all SEC Parties will be included within Fixed Charge, e.g. testing software licences to support the end-to-end testing for a given number of concurrent SEC Parties.
6. The Authority has confirmed to DCC that its annual fee for RY 2016/17 is nil.
7. The Pass-Through Cost relating to SECCo Ltd includes activities that are transferring from DECC to the SEC Panel. The increase in the SECCo costs is driven by establishment of all governance entities and activities signalled within the code including the Modification Proposal paths in RY 2016/17. The budget includes a prudent provision to reflect an increase in potential additional services which will be delivered as projects at the Panel's discretion. Full details are consulted on with SEC Parties and can be found on the SEC website (www.smartenergycodecompany.co.uk)
8. The estimated correction factor is defined in LC36 (Determination of the Licensee's Allowed Revenue) and provides a mechanism for DCC to return the difference between Allowed Revenue and Regulated Revenue to SEC Parties with respect to the prior Regulatory Year. The estimated correction factor for RY 2015/16 is the difference between the costs that DCC currently estimates it will incur in RY 2015/16 and the Service Charges included in the Charging Statement for RY 2015/16. This figure is negative as the estimated Service Charge is set to exceed the cost in this Regulatory Year.
9. The correction factor for RY 2014/15 was £4.8m, of which £2.1m was included in the Charging Statement for RY 2015/16. This value was increased by £0.409m to reflect the Authority's direction on 25 February 2016 to disallow costs relating to RY2014/15. The final balance of £3.1m is included in this Charging Statement.
10. The correction factor for Communications Hubs in RY 2015/16 is nil as this charge will be applicable from July 2016. On its application correction factor for Communications Hubs will only be payable to those SEC Parties who fall into the three Communications Hubs Charging Groups.
11. In accordance with the Charging Methodology, DCC must divide Estimated Fixed Revenue by the number of months in the Regulatory Year and invoice accordingly. While this approach provides certainty of charges to SEC Parties, it will not provide DCC with sufficient operating liquidity to ensure that it can meet its financial commitments in months when cash outflows are likely to exceed cash inflows. In RY 2016/17, the prudent estimate represents three weeks operating liquidity to ensure DCC remains cash positive and meet its financial commitments during each month. DCC will return any surplus in prudent estimate to SEC Parties by way of the correction factor in RY 2017/18.

5 Estimated Elective Services Revenue

- 5.1 Elective Charges are payable in respect of Elective Communication Services, which include:
- Services to or from a Smart Metering System that relate solely to the Supply of Energy (or its use), and
 - Services that are provided by DCC pursuant to a Bilateral Agreement.
- 5.2 In accordance with Section H7 (Elective Communication Services) of the SEC, these services require a preliminary assessment, Detailed Evaluation (if necessary) and formal offer from DCC to enter into a Bilateral Agreement with a party.
- 5.3 As DCC has not entered into any Bilateral Agreements and does not anticipate orders for this service in RY 2016/17, Elective Services Revenue for RY 2016/17 is nil.



SECTION C – FIXED CHARGES

6 Charging Periods

- 6.1 In accordance with section K3.2 of the Charging Methodology, Fixed Charges are payable:
- Non-Domestic smart meters enrolled in DCC.
 - Prior to the UITMR period for Mandated Smart Metering Systems (MSMS) for Domestic Premises – this period ended on 31 March 2015
 - During the UITMR period for MSMS for Domestic Premises and Enrolled Smart Metering Systems (ESMS) for Designated Premises, and
 - After the UITMR period for ESMS (whether for Domestic Premises or Designated Premises).
- 6.3 Domestic meters and domestic smart meters will be invoiced at the same monthly Fixed Charge (£ / meter). For example, a SEC Party with 100 electricity domestic meters will be invoiced the same amount as a SEC Party with 75 electricity domestic meters and 25 electricity domestic smart meters (i.e. 100 meters and smart meters in total).
- 6.4 Non-domestic smart meters enrolled in DCC will be invoiced at different Fixed Charges for the North, Central and South Regions. For example, a SEC Party with 100 non-domestic smart meters in the North Region will be invoiced at a different rate compared to a SEC Party with 100 non-domestic smart meters in the South Region.

During UITMR

- 6.2 UITMR commenced on 1 April 2015 as DCC starts its regular payments to at least one of its External Services Providers. In accordance with section K3.2 of the Charging Methodology, the approach to setting Fixed Charges in this Charging Statement is in the second of the three phases. DCC will invoice SEC Parties based on the number of:
- Domestic meters, whether or not enrolled in DCC;

After UITMR

- 6.5 After the conclusion of mass rollout, DCC will invoice SEC Parties based on the number of domestic smart meters enrolled in DCC and non-domestic smart meters enrolled in DCC. There will no longer be a charge for meters that are not enrolled in DCC.

7 Charging Groups

- 7.1 Fixed Charges payable in respect of Smart Metering Systems will be payable by SEC Parties who fall into the Charging Groups set out in Tables 10, 11 and 12.
- 7.2 Tables 10, 11 and 12 shows the volume assumptions made by DCC in relation to each Charging Group. These assumptions are used in conjunction with National Fixed Revenue and Regional Fixed Revenue, from Table 7, to determine the monthly Fixed Charge per meter. Assumptions related to each Charging Group for domestic and non-domestic volumes are available in Annex 2.
- 7.3 The size of the Charging Groups has been estimated based on the data provided by the Registration Data Providers as at 15 November 2015. This is the most recent and complete data available to the DCC at the

time of preparing this Charging Statement.

Tables 10, 11 and 12 are defined below.

- Table 10 – Domestic meters: is an estimate of the aggregated number of Mandated Smart Metering Systems in each Region (REDSMS). The regional split is based on mix provided in the volumes forecast submitted to DCC by SEC Parties in December 2015.
- Table 11 – Non-domestic meters: is an estimate of the aggregated number of Smart Metering Systems in Non-Domestic Premises enrolled in DCC in each Region (RENSMS). There are currently no Smart Metering Systems for Non-Domestic premises enrolled in DCC until after DCC live operations which is assumed as no earlier than July 2016 for the purpose of this Charging Statement.

Charging Group	Name	Estimated Size of Charging Group (REDSMS _{gr})				Charging Group Weighting Factor (α_{gr})
		Total All Regions	Region (r)			
			North	Central	South	
g1	Import Electricity Suppliers	28,077,171	8,984,695	10,669,325	8,423,151	0.49
g2	Export Electricity Suppliers	-	-	-	-	0.08
g3	Gas Suppliers	22,764,922	7,284,775	8,650,670	6,829,477	0.37
g4	Electricity Distributors	28,226,463	9,032,468	10,726,056	8,467,939	0.06
g5	Gas Transporters	22,928,282	7,337,050	8,712,747	6,878,485	0.00

Table 10 – Domestic (REDMS): Mandated Smart Metering Systems

Charging Group	Name	Estimated Size of Charging Group (RENSMS _{gr})				Charging Group Weighting Factor (α_{gr})
		Total All Regions	Region (r)			
			North	Central	South	
g1	Import Electricity Suppliers	-	-	-	-	0.49
g2	Export Electricity Suppliers	-	-	-	-	0.08
g3	Gas Suppliers	-	-	-	-	0.37
g4	Electricity Distributors	-	-	-	-	0.06
g5	Gas Transporters	-	-	-	-	0.00

Table 11 – Non-Domestic (RENSMS): Smart Metering Systems enrolled in DCC

Charging Group	Name	Estimated Size of Charging Group (RESMS _{gr})				Charging Group Weighting Factor (α_{gr})
		Total All Regions	Region (r)			
			North	Central	South	
g1	Import Electricity Suppliers	28,077,171	8,984,695	10,669,325	8,423,151	0.49
g2	Export Electricity Suppliers	-	-	-	-	0.08
g3	Gas Suppliers	22,764,922	7,284,775	8,650,670	6,829,477	0.37
g4	Electricity Distributors	28,226,463	9,032,468	10,726,056	8,467,939	0.06
g5	Gas Transporters	22,928,282	7,337,050	8,712,747	6,878,485	0.00

Table 12 – Total Smart Metering Systems (RESMS)

- Table 12 – Total Smart Metering Systems (RESMS): Total of Mandated Smart Metering Systems for Domestic Premises (REDSMS) and Smart Metering Systems in Non-Domestic Premises enrolled in DCC (RENSMS).
- 7.4 In accordance with the First Relevant Policy Objective, Fixed Charges in respect of Mandated Smart Metering Systems for Domestic Premises will be the same in the North, Central and South Regions (also referred to as the ‘postage stamp’ principle). However, charges for Smart Metering Systems in Non-Domestic Premises enrolled in DCC differ by a Region which is consistent with the Third Relevant Policy Objective.
- 7.5 The Charging Group Weighting Factors specify the ratio of costs to be incurred in respect of each Smart Metering System (without regard to the number of Smart Metering Systems). These weighting factors are based on an estimate of the demand for DCC Services within each Charging Group in accordance with the Charging Methodology. This estimate is derived from:
 - Forecast of Smart Metering Systems roll out volumes
 - Service Request cost assumptions; and
 - Forecast of Service Request volumes for RY 2021/22 (until data on usage becomes available).
- 7.6 The Charging Group Weighting Factors apply equally across all three Regions regardless of whether a premises is Domestic or Non-Domestic.
- 7.7 DCC has derived these Charging Group Weighting Factors using aggregated demand and rollout profiles provided by energy suppliers and network operators to DECC at the bid stage combined with the contracted variable costs of External Services Providers.
- 7.8 Table 1 (Summary of Charges) shows the monthly Fixed Charge applicable to each Smart Metering System within each Charging Group from 1 April 2016. The monthly Fixed Charges are set for:
 - Domestic Premises; and
 - Non-Domestic Premises which are further split by North, Central and South Regions.
- 7.9 The formula for calculating the monthly Fixed Charges is set out in the Charging Methodology under the following Sections:
 - K5.4 – Determining Fixed Charges for Non-Domestic Premises; and
 - K5.5 – Determining the Fixed Charges for Domestic Premises.

SECTION D – COMMUNICATIONS HUBS CHARGES AND EXPLICIT CHARGES

8 Communications Hubs

- 8.1 Charges in relation to Communications Hub Services are payable by a SEC Party from the point a Communications Hub order has been delivered and accepted by that Party.
- 8.2 A SEC Party has five days from the point of receiving a delivery to either accept or reject it. A delivery will be deemed as accepted through either SEC Party acceptance or on the expiry of the five days if no action is taken. Subsequently a SEC Party may choose return the Communications Hubs which may be subject to an Explicit Charge, see section 10 on Estimated Explicit Charges Revenue and Explicit Charges.
- 8.3 The estimated Communications Hub Revenue in this Charging Statement is based on aggregated volumes from the quarterly volumes forecast submitted by relevant SEC Parties to DCC in December 2015, see Table 13. The actual volume of Communications Hubs delivered and accepted during the course of a Regulatory Year and the cumulative base volumes of Smart Metering Systems will determine the total recoverable revenue.
- 8.4 The monthly charges associated with Communications Hub Services in a Charging Period will be determined by a combination of:
- Volume of accepted deliveries of Communications Hubs (including those of which DCC are yet to be notified of its installation); and
 - Volume of Smart Metering Systems.
- 8.5 For the purpose of this Charging Statement it is assumed that DCC live operations will be no earlier than July 2016.
- 8.6 DCC will only start to recover Communications Hub Revenue from the Initial Delivery Date once the first delivery of Communications Hubs has been accepted by a SEC Party. DCC will inform SEC Parties should there be any changes to this date which will affect the commencement of Charges for Communications Hub Revenue.

Estimated Communications Hub Revenue

8.3 The estimated Communications Hub Revenue in this Charging Statement is based on aggregated volumes from the quarterly volumes forecast submitted by relevant SEC Parties to DCC in December 2015, see Table 13. The actual volume of Communications Hubs delivered and accepted during the course of a Regulatory Year and the cumulative base volumes of Smart Metering Systems will determine the total recoverable revenue.

Forecast Volumes	Units
Communication Hubs	433,159
Smart Metering Systems	612,541

Table 13 – Forecast volumes for Communications Hubs and Smart Metering Systems in RY 2016/17

Types of Communications Hubs Charges

- 8.7 In accordance with the Charging Methodology, DCC will recover estimated Regional Communications Hub Revenue using a Fixed CH Charge. Regional Communications Hub Revenue is set out in Table 7.
- 8.8 In accordance with section K7.5 of the Charging Methodology, DCC will recover Estimated Explicit Charges Revenue associated with Communications Hubs using a stock level charge. This charge will apply to any Communications Hubs delivered from July 2016 (initial delivery date).

Fixed CH Charge

- 8.9 Consistent with the Third Relevant Policy Objective, Fixed CH Charges will differ between Domestic and Non Domestic Premises.
- 8.10 A SEC Party will be invoiced for these charges based on the number of:
- Domestic Smart Metering Systems; and
 - Non-domestic Smart Metering Systems.

Charging Groups for Fixed CH Charges

- 8.11 Following the installation of a Communications Hub a Fixed CH Charge is only payable by SEC Parties who fall into either one or more of the Charging Groups for Communications Hubs as per Table 14.
- 8.12 The CH Charging Group Weighting Factors specify the ratio of costs to be incurred in respect to each Smart Metering System. In accordance with section K3.13 of the Charging Methodology, DCC derives these ratios based on the relative proportion of their Charging Group Weighting Factors.
- 8.13 The CH Charging Group Weighting Factors will be refreshed in line with any subsequent updates to the Charging Group Weighting Factors.

Charging Group	Name	CH Charging Group Weighting Factor (α_{sc})
g1	Import Suppliers	0.52
g2	Export Suppliers	0.09
g3	Gas Suppliers	0.39

Table 14 – Charging Group for Fixed CH Charge

- 8.14 The CH Charging Group Weighting Factors apply equally across all three Regions regardless of Domestic or Non-Domestic Premises.

Stock level charge

- 8.15 Stock level charge is a blended average charge set at the start of each Regulatory Year. The charge is based on the number of Communications Hubs held in stock by a SEC Party at the end of the Charging Period.
- 8.16 Prior to installation of a Communications Hub, it is not possible to determine whether it is to be installed in a Domestic or Non-Domestic Premises. Therefore consistent with the First Relevant Policy Objective a single stock level charge will apply across all three Regions.
- 8.17 The stock level charge for RY 2016/17 is set out in Table 3 in section A (Summary of Charges).

9 Charging Periods for Communications Hub Charges

During and after UITMR

- 9.1 Charges associated with Communications Hub Services is payable a month in arrears from the month of delivery.
- 9.2 Domestic Smart Metering Systems will be invoiced at the same Fixed CH Charge across all Regions. For example, an Import Supplier with 200 electricity Smart Metering Systems in a Domestic Premises in the South Region will pay the same Fixed CH Charge as an Import Supplier with 200 electricity Smart Metering Systems in a Domestic Premises in the North Region.
- 9.3 Non-domestic Smart Metering Systems will be invoiced based on different Fixed CH Charges across the three Regions. The non-domestic Fixed CH Charges differs

from the Fixed CH Charges for a domestic Smart Metering System. For example, an Import Supplier with 100 electricity Smart Metering Systems in Non-Domestic Premises

in the South Region will pay a different Fixed CH Charge to an Import Supplier with 100 electricity Smart Metering Systems in Non-Domestic Premises in the North Region.

10 Faults

10.1 This section explains the Charges payable where a Communications Hub is found to have a fault. The responsibility of that fault could either lie with a SEC Party or DCC and will be determined in accordance with Section F9.6.

SEC Party fault

10.2 Where a SEC Party is deemed to be responsible for a Communications Hub fault, one of two charges will apply. These are set out below:

- **CH returned not redeployed** (Section K7.5(p)): A blended average charge set at the start of each Regulatory Year to recover the remaining cost associated with a Communications Hub.
- **CH returned and redeployed** (Section K7.5(o)): A blended average charge set

at the start of each Regulatory Year to recover the cost associated with reconditioning a Communications Hub where appropriate prior to its deployment.

10.3 The applicable charges for these two items in RY 2016/17 are set out in Table 3 and 4 in section A (Summary of Charges).

DCC faults

10.4 DCC is not obliged to set out the compensation, in relation to DCC faults in the Charging Statement as it is envisaged it will be captured in Section F9 (to be designated by DECC in 2016). However, DCC will consider including this in a future Charging Statement as this information may be helpful to stakeholders in understanding the cost impact of both a SEC Party fault and a DCC fault.

11 Estimated Explicit Charges Revenue and Explicit Charges

11.1 In accordance with section K7.5 of the Charging Methodology, Explicit Charges are payable in respect of Explicit Charging Metrics, which represent those Core Communication Services and Enabling Services that are to be charged for separately from Fixed Charges. They recover the costs associated with a range of specific services and are generally driven by volume. The cost of those services would only arise where it is specifically ordered or required by a Party (or a non-SEC party where a bilateral agreement is in place), and would be recovered from that party.

11.2 DCC estimates that $EECR_t$ (Estimated Explicit Charges Revenue) will be £1.5m for RY 2016/17. The assumptions made in relation to $EECR_t$ are set out in Annex 3. Actual revenue recovered in RY 2016/17 will be determined by the actual volume of services procured by parties.

11.3 Annex 3 sets out supporting information for each of the Explicit Charges (explained below). It sets out the factors that will influence the level of each of the indicative Explicit Charges in Table 4 in section A (Summary of Charges).

11.4 All Set Explicit Charges set out in Table 3 in section A (Summary of Charges) reflect all costs related to provisioning those services.

11.5 DCC will make available to parties an operation manual in sufficient time for when each of these services become available to order. That manual will set out the approach for ordering services.

Legal provisions for ordering services attracting an Explicit Charge

11.6 Current Explicit Charging Metrics are set out in Section K7.5, which refers to Sections F, G, H and I, some of which is yet to come into effect (see Section X2.1). Therefore the Explicit Charges listed in this Charging Statement will only become effective at the point at which all corresponding legal text in the SEC and its subsidiary documents come into effect.

Categories of Explicit Charges

11.7 Explicit Charges largely fall into one of three categories. They are:

- Set Explicit Charges (set out in Table 3 in section A);
- Indicative Explicit Charges (set out in Table 4 in section A); and
- Explicit Charges yet to be determined (set out in Table 5 in section A).

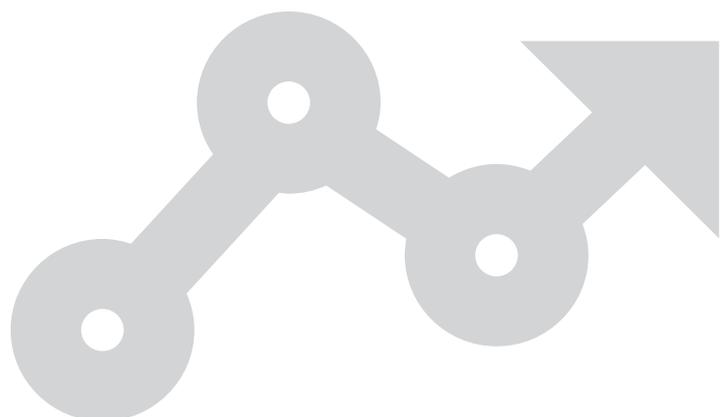
11.8 Some Explicit Charges can only be indicative as they will rely on a number of variables which are only known at the point at which a party applies for a particular service. For the purpose of enabling parties to estimate the level of Explicit Charges, DCC has set out indicative Explicit Charges in Table 4 in section A. The likely cost drivers for these services are explained in Annex 3.

11.9 All Security and Privacy Assessments will be procured by the SEC Panel; these costs will be notified to DCC and will be treated as Recoverable Costs in accordance with Section C8.2.

Services available in the future

11.10 At a certain time in the future, SEC Parties will also be able to order variant Communications Hubs.

11.11 DCC will recover the cost of this service via an Explicit Charge in accordance with Section K7.5(m). DCC will update this charge in the Charging Statement when this service is scheduled to be made available and anticipates that this will be no earlier than April 2017.



SECTION E – INVOICING

12 Invoicing and Credit Cover

- 12.1 This Charging Statement covers 12 Charging Periods, consistent with the indicative invoicing timetable available on the DCC website.
- 12.2 A Charging Period for the purpose of invoicing is based on a view of volume taken on the 15th day of the calendar month and it will apply across all the different types of charges mentioned in this Charging Statement.
- 12.3 All charges outlined in this Charging Statement are shown excluding VAT.
- 12.4 Payment is due to DCC on the later of five working days following receipt of the invoice and eight working days following the end of the month to which the invoice relates, in accordance with Section J1.5.
- 12.5 Consistent with these timescales, DCC issues invoices to SEC Parties via email on or about the third working day of each month following the charging month. Should there be an unforeseen delay; DCC will advise SEC Parties of the revised invoicing date via email.
- 12.6 Parties that accede to the SEC during a Regulatory Year will receive their first invoice on or about the third working day of the following month, based on registration data as at the 15th day of the calendar month.
- 12.7 Explicit Charges for services which were fulfilled and any confirmed charges or credits associated with Communications Hubs faults during a Charging Period will feature in the next invoice issued after the end of that Charging Period.
- 12.8 DCC will issue a principal invoice accompanied by a supplementary schedule detailing the invoice amount by specific services. This invoice amount will be paid into the DCC account.
- 12.9 In addition to the principal invoice a secondary invoice will be issued to Parties who have Communications Hubs held in stock at the end of a Charging Period and or Smart Metering Systems. This invoice will contain a proportion of the total charges associated with Communications Hub Services and will be paid into a separate account. For the avoidance of the doubt the sole purpose of the secondary invoice is to split the total amount payable in a Charging Period in respect to Communications Hubs. This is not a double or an incremental charge.
- 12.10 In accordance with section J3, each SEC Party is required to provide credit cover. For the purpose of calculating the Credit Cover Requirement, DCC considers the Charges inclusive of VAT as outlined in Section J3.3.



SECTION F – ANNEXES

Annex 1: Timetable for Indicative Charging Statement and Indicative Budgets

13.1 In the first five working days of the months set out in Table 14, DCC will publish an indicative Charging Statement and working model for the next Regulatory Year along with indicative budgets for the second and third Regulatory Years thereafter. These documents are available on the DCC website (www.smartdcc.co.uk).

Month	Indicative Charging Statement	Indicative Budgets	
April 2016	RY 2017/18	RY 2018/19	RY 2019/20
July 2016	RY 2017/18	RY 2018/19	RY 2019/20
October 2016	RY 2017/18	RY 2018/19	RY 2019/20
January 2017	RY 2017/18	RY 2018/19	RY 2019/20

Table 15 – Timetable for indicative Charging Statement and indicative budgets

Annex 2: Fixed Charge – Assumptions

Volume Assumptions for Fixed Charges

14.1 This section sets out the current assumptions used for the estimated volumes for each of the Charging Groups for both Domestic Mandated Smart Metering Systems and Non-Domestic Smart Metering Systems in Tables 10 and 11.

14.2 Assumptions for Domestic Mandated Smart Metering System Volumes:

- Import Suppliers (g1) – meters that have a domestic profile class 1 and 2 associated with the Metering Point Administration Number (MPAN) and an identifiable chargeable Import Electricity Supplier
 - Export Suppliers (g2) – these meters are currently included in Import Electricity Suppliers in accordance with Section X2.6 (a) of the SEC
- Gas Suppliers (g3) – meters that have a domestic market sector code associated with the Meter Point Reference Number (MPRN) and an identifiable chargeable Gas Supplier
- Electricity Distributors (g4) – meters that have a domestic profile class 1 and 2 associated with the MPAN
- Gas Transporters (g5) – meters that have a domestic market sector code associated with the MPRN.
- There are more meters in g4 than g1 as Electricity Distributors (g4) include all meters regardless of whether the respective Electricity Suppliers (g1) have acceded to the SEC. Similarly, there are more meters in g5 than g3 as Gas Transporters (g5) include all meters regardless of whether the respective Gas Suppliers (g3) have acceded to the SEC.

14.3 Assumptions for non-domestic Smart Metering Systems volumes:

- The volume estimates for each of the charging groups will be set to zero as there will be no non-domestic smart meters enrolled in DCC until after DCC

live operations. However a Fixed Charge for non-domestic meters is included in this Charging Statement and will become applicable only when a SEC Party has enrolled smart meters for a Designated Premises with DCC.

Annex 3: Estimated Explicit Charges Revenue and Explicit Charges – Supporting Information

15.1 This annex sets out further detail in relation to:

- Explicit Charges (including cost drivers for indicative Explicit Charges); and
- Explanation of how the $EECR_t$ has been estimated.

services, whether it will be ordered in RY 2016/17

- Due to uncertainty in costs DCC has not included any revenue assumptions in relation to Security and Privacy Assessments.

15.2 In describing each of the Explicit Charges we have provided SEC references to Section K only. We have not provided onward references since these are subject to change through the ongoing development and introduction of new SEC content.

Set Explicit Charges

15.4 The values for following types of charges are set out in section A (Summary of Charges).

15.5 CH stock level charge: where DCC has delivered a Communications Hub to a Party but it is not installed at the end of the Charging Period, a monthly stock level charge will apply. DCC will recover the cost of this service via an Explicit Charge in accordance with Section K7.5(l).

15.6 CH returned not redeployed: A Party may return, or notify as lost or destroyed, Communications Hubs for a reason which is a CH User Responsibility – those Communications Hubs will not be reconditioned for redeployment. DCC will recover the cost of this service via an Explicit Charge in accordance with Section K7.5(p).

15.7 Test comms hubs: Parties may order Communications Hubs for testing purposes. DCC will recover the cost of this asset via an Explicit Charge in accordance with section K7.5(r) of the SEC.

Estimated Explicit Charges Revenue ($EECR_t$)

15.3 In estimating the $EECR_t$ DCC has made a number of assumptions in relation to the forecast volume and prices of certain service in RY 2016/17. Many of those forecasts are set at zero, this is due to a variety of reasons, including:

- A number of services will not be available to order for the entire Regulatory Year, as these will rely on certain sections of the SEC becoming effective on a date which is yet to be determined. Due to this uncertainty, DCC has considered it appropriate to assume that there will be no orders for these services
- Due to the changes to the DCC plan there is little certainty around a number of

15.8 CH auxiliary equipment: Parties may order additional Communications Hub Auxiliary Equipment, which includes additional aerials. This is over and above the aerials that will form part of a Communications Hubs order for premises that requires it as part of a standard installation. DCC will recover the cost of additional aerials via an Explicit Charge in accordance with Section K7.5(n).

15.9 Communications services 'Service Requests':

Under K7.5(j) of the SEC, DCC may recover the costs of communications services available via the DCC User Interface Services Schedule via an Explicit Charge. DCC will recover this cost via the Fixed Charge, hence the value of the Explicit Charge has been set to zero, pursuant to Section K7.6(e). DCC consulted on this approach in May 2014. The rationale for this approach is that it is more economic and efficient to recover Service Request costs via Fixed Charges because:

- Total cost of Service Requests is approximately 0.2% of total External Costs
- It would be less costly and complex for the billing system to recover this cost through Fixed Charges;
- Invoices would be simpler with less reconciliation activity for SEC Parties; and
- There would be greater cost certainty in advance of each Regulatory Year.

Indicative Explicit Charges

15.10 DCC Gateway Connections: There are two types of applicable charges in relation to DCC Gateway Connections; the connection Charge and the annual Charge. The cost drivers for each are set out below.

15.11 The connection charge recovers the cost of installing the DCC Gateway Connection and will be payable to DCC following

installation. The charge will be dependent on the individual connection request (made pursuant to Section H15 and Appendix G: DCC Gateway Connection Code of Connection, of the SEC). The variables that will influence the level of this charge include:

- Physical distance from the premises of the DCC Gateway Connection to the local exchange;
- Configuration of the premises of the DCC Systems i.e. whether there are existing connections that can be used, or whether new lines will be required;
- Type of connection determined e.g. Ethernet, FTTC (Fibre to the Cabinet), ADSL (Asymmetric Digital Subscriber Line) and/or copper;
- The amount of further work required, as determined by a physical site inspection; and
- The bandwidth requested by the party.

15.12 The annual charge recovers the annual rental cost associated with the connection and will be payable to DCC at the start of each contractual year. The charge will be dependent on the individual connection request (made pursuant to Section H15 and Appendix G: DCC Gateway Connection Code of Connection, of the SEC). The variables that will influence the level of this charge will be:

- The length of the contract i.e. 1-year or 3-year;
- Type of connection determined e.g. Ethernet, FTTC, ADSL and/or copper; and
- The bandwidth requested by the party.

15.13 The indicative Explicit Charges for DCC Gateway Connections are set out in section A of this Charging Statement. These indicative

prices are based on a sample 'spread' of locations. The exact cost of a selected option will be made available on application (pursuant to Sections H15.8(c) and H15.9(b) of the SEC). DCC considers that the majority of DCC Gateway Connections ordered would fall within the indicative price bands set out in section A.

15.14 The DCC Connection Ordering Guidance and associated forms are available on the DCC website, which set out the process for ordering DCC Gateway Connections.

15.15 Gateway equipment relocation: Parties may make a request to alter the location of its DCC Gateway Equipment within the party's premises. Following a formal request from the party to DCC to relocate equipment, DCC shall confirm the Explicit Charge payable in accordance with K7.5(e) of the SEC. The variables that will influence the level of this charge will be:

- The level of expertise required to carry out the relocation; and
- The number of days of effort required to carry out relocation.

15.16 Security and Privacy Assessments: Parties are to pay Explicit Charges in respect of User Security Assessments, Follow-up Security Assessments, User Security Assessment Reports, Full Privacy Assessments and/or Privacy Assessment Reports. The Panel will procure these services and DCC will recover the incurred expenditure on behalf of the Panel via an Explicit Charge in accordance with K7.5 (a) and (b) of the SEC.

15.17 These charges are designed to pass through the expenditure from SECCo Ltd to DCC which then recovers it from Parties. These costs are treated as Recoverable Costs in accordance with section C8.2 of the SEC. For more information in relation to these Explicit Charges please contact SECAS at secas@gemserv.com.

15.18 P&C support: Parties may request further assistance in relation to its use of Parse and Correlate Software. DCC will recover the cost of this via an Explicit Charge in accordance with section K7.5(g) of the SEC. The value of that charge will be confirmed after all relevant information has been provided to DCC in relation to the request. The variables that will influence the level of this charge will be:

- The level of expertise required to provide the requested software support; and
- The number of days of effort required to provide the requested software support.

15.19 SM WAN for testing: Testing Participants will be able to begin Device and User System Testing at the start of the End-to-End Testing stage. CSP Test Labs will be made available to all Testing Participants at no additional cost, at the point of use, to carry out this testing (see Section H14 of the SEC). Alternatively, Testing Participants may carry out this testing in a location of their choice. In this scenario, DCC would provide an 'SM WAN for testing' subject to an Explicit Charge (see Section H14.31 and K7.5(h) of the SEC).

15.20 There are two types of applicable charges in relation to the provision of the SM WAN for testing; the connection charge and the monthly charge. The value of these charges will be confirmed after all relevant information has been provided to DCC in relation to the request (made pursuant to the Enduring Testing Approach Document and the guide for Testing Participants, both of which are available on the DCC website).

15.21 The connection charge recovers the costs of a site survey, installation of equipment required to establish a WAN, installation of five Communications Hubs for testing and the eventual removal of equipment required to establish a WAN. The variables that will influence the level of the connection charge are:

- Which CSP is providing the SM WAN for testing as they will use different technology to set up the SM WAN for testing (e.g. the cost of connecting into an existing network will be lower than that for installing a nano base station)
- For SM WAN solutions using an existing network, the signal quality at the location chosen by the Testing Participant (e.g. if signal quality is poor, booster equipment may be required which may attract additional cost).
- The value of additional logistics; and
- The cost of storage and transport.

1525 Additional Testing Support: Testing Participants may request, pursuant to Section H14.33, reasonable additional support to that Testing Participant in understanding the DCC Total System and the results of such Testing Participant's Device and User System Tests.

The explicit charge would vary according to the skillset required. Skillsets available range from analyst level to senior management level. We anticipate that the charge would be within the range set out in Table 4 of this Charging Statement.

A test analyst is more likely to be required for tasks involving simple test execution, test scripting and generating basic reports. A senior test manager is more likely to be required for tasks involving the management of a test design, execution of end-to-end complex script and reporting for a medium to large project.

1522 The monthly charge recovers the costs of remote assistance to diagnose faults with equipment supplied, rectifying faults, ongoing configuration management of the equipment supplied and management and implementation of firmware and hardware upgrades associated with the equipment supplied. The variables that will influence the level of the monthly charge are:

- Which CSP is providing the SM WAN for testing as they will provide support specific to the technology used
- The length of time that the Testing Participant will require the SM WAN for testing.

1523 In some very limited cases a customised solution may be required where, following a site visit, it becomes apparent that the standard solutions for signal boosting technology may not be effective. DCC does not, however, anticipate this being required.

1524 CH non-standard delivery: Parties may specify non-standard instructions for the delivery of Communications Hub Orders. DCC will recover the cost of this service via an Explicit Charge in accordance with Section K7.5(k) of the SEC. The value of that charge will be confirmed after all relevant information has been provided to DCC in relation to the request. The variables that will influence the level of this charge will be:

1526 CH wrong returns location: Where Parties return a Communications Hub to the wrong location (for example, to the wrong External Services Provider), DCC will recover the cost of this via an Explicit Charge in accordance with Section K7.5(q) of the SEC. The value of that charge will be confirmed after all relevant information has been provided to DCC in relation to the request. The variables that will influence the level of this charge will be:

- Quantity of Communications Hubs to be redelivered; and
- Location to which order must be redelivered.

1527 CH returned and redeployed: Parties may return Communications Hubs for a reason which is a CH User responsibility. These Communications Hubs may be

reconditioned for redeployment. DCC will recover the cost of this service via an Explicit Charge in accordance with Section K7.5(o) of the SEC. The value of that charge will be confirmed after all relevant information has been provided to DCC in relation to the request. The key variable that will influence the level of this charge will be the average asset life across Communications Hubs at varying stages of asset life.

15.28 Additional CH Order Management System Accounts: Parties may request additional accounts to access the CH Order Management System. The cost of the additional user accounts will be recovered via an Explicit Charge.

15.29 Elective service evaluations: Parties may request a Detailed Evaluation in respect of potential Elective Communication Services pursuant to Section H7.8. The cost associated with this service will be recovered via an Explicit Charge.

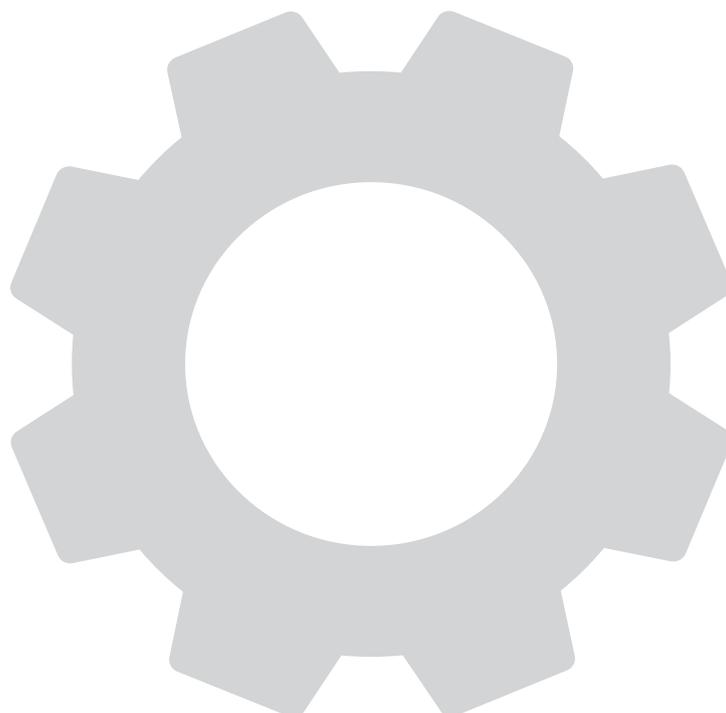
The explicit charge would vary according to the skillset required. Skillsets available range

from analyst level to senior technical expert level. We anticipate that the charge would be within the range set out in Table 4 of this Charging Statement.

An analyst is more likely to be required for an initial assessment and basic review of an elective Service Request from SEC Parties. A senior technical expert is more likely to be required for in-depth technical input, designing of an end-to-end process and understanding the wider impact on the current system and process.

Other costs

15.30 Parties may also be liable to pay for any expenses incurred by DCC which arise for activities not directly mentioned in Section K. These may include any expenses incurred as a result of the cancellation of an order for any of the services listed in section A of this indicative Charging Statement. DCC shall notify the Party of any expenses incurred and any compensation due from the Party to DCC pursuant to the relevant section of the SEC.



Annex 4: Worked Examples

16.1 The following three worked examples use the charges set out in the following tables:

- Monthly Fixed Charge in Table 1
- Monthly Fixed CH Charge in Table 2
- Stock level charge in Table 3
- Auxiliary aerials charge in Table 3

16.2 Worked examples 2 and 3 include Mandated Smart Meters and Smart Meters enrolled in DCC to illustrate how an invoice amount will be calculated.

Example 1: Single fuel supplier

16.3 This example illustrates how charges will be calculated each month for a fictional SEC Party Get Smart Electricity Ltd (GSE). GSE is:

- An Import Supplier only.

16.4 At the end of the charging period which is the 15th day of the month GSE has:

- 3,642,724 domestic Smart Metering Systems;
- 3,242,724 Mandated Meters which are not smart meters; and

- 400,000 smart meters enrolled in DCC
- 100,000 non-domestic smart meters enrolled in DCC;
- 70,000 smart meters in the North Region; and
- 30,000 smart meters in the South Region
- 20,000 Communications Hubs in stock at the end of the charging period
- 100 Auxiliary cellular mesh aerials were accepted in the charging period.

16.5 Tables 16a and 16b show examples of how total payable amounts appearing on the principal and secondary invoices at the end of a Charging Period will be calculated for Fixed Charges, Fixed CH Charges and Explicit Charges.

16.6 In this example, GSE will pay a total amount of £2,090,728.94. DCC will email two invoices to GSE; principal invoice £2,054,863.94 and secondary invoice £35,865 both including VAT. The total amount will be supported by a supplementary schedule detailing charges for each SEC Party.



Fixed Charge for Mandated Smart Meters and Smart Metering Systems

Charging Group	Name	Premises Type	Region (r)	Actual Size of Charging Group (ADSMS _{pgmt} & ANSMS _{pgmt})	Monthly Fixed Charge (£ / meter) (RDFC _{grt} & RNFC _{grt})	Total Monthly Fixed Charge
g1	Import Electricity Suppliers	Domestic	All	3,642,724	£0.409	£1,489,874.12
g1	Import Electricity Suppliers	Non Domestic	North	70,000	£0.616	£43,120.00
g1	Import Electricity Suppliers	Non Domestic	South	30,000	£0.321	£9,630.00
Total Monthly Fixed Charge						£1,542,624.12

Fixed Communications Hub Charge for Smart Metering Systems

Charging Group	Name	Premises Type	Region	Actual Size of Charging Group (ACHS _{pgmt})	Monthly Comms Hub Charge (£/meter) (CHC _{grt})	Total Monthly Comms Hub Charge
g1	Import Electricity Suppliers	Domestic	All	400,000	£0.386	£154,400.00
g1	Import Electricity Suppliers	Non Domestic	North	70,000	£0.279	£19,530.00
g1	Import Electricity Suppliers	Non Domestic	South	30,000	£0.544	£16,320.00
Total Monthly Communications Hub Charge						£190,250.00

Explicit Charges

Charge Name	Charge type	Basis of Charge	Units	Explicit Charge (£ / unit)	Explicit Charge (£)
Communications Hubs Stock Charge	Explicit Charge	Per Hub	20,000	£0.450	£9,000.00
Auxiliary cellular mesh aerials	Explicit Charge	Per Unit	100	£4.000	£400.00
Total Monthly Explicit Charge					£9,400.00
Total Charges Excluding VAT					£1,742,274.12
Less Secondary Invoice (15%)					(£29,887.50)
Net Total Excluding VAT					£1,712,386.62
VAT @ 20%					£342,477.32
Total Charges Including VAT					£2,054,863.94

Table 16a – Principal invoice

Charge Name	Explicit Charge (£)
Proportion of Communication Hub Charges (15% x £199,250)	£29,887.50
VAT @ 20%	£5,977.50
Total Charges Including VAT	£35,865.00

Table 16b – Secondary invoice

Example 2: Dual fuel supplier

16.7 This example illustrates how charges will be calculated each month for a fictional SEC Party, Get Smart Dual Fuel Ltd (GSDF). GSDF is:

- An Import Supplier, and
- A Gas Supplier

16.8 At the end of the charging period which is the 15th day of the month GSDF has:

- 3,642,724 domestic Smart Metering Systems;
- Electricity 1,848,353 mandated meters which are not smart meters and 228,000 smart meters enrolled in DCC
- Gas 1,394,371 mandated meters which are not smart meters and 172,000 Smart Meters enrolled in DCC
- 100,000 non-domestic smart meters enrolled in DCC
- Electricity 57,000 smart meters Enrolled in DCC

- 39,900 smart meters in the North Region

- 17,100 smart meters in the South Region

- Gas 43,000 smart meters Enrolled with DCC

- 30,100 smart meters in the North Region

- 12,900 smart meters in the South Region

- 20,000 Communications Hubs in stock at the end of the Charging period

- 100 Auxiliary cellular mesh aerials were accepted in the Charging Period

16.9 Tables 17a and 17b show examples of how total payable amounts appearing on the principal and secondary invoices at the end of a Charging Period will be calculated for Fixed Charges, Fixed CH Charges and Explicit Charges.

16.10 In this example, GSDF will pay a total amount of £1,872,186.27. DCC will email two invoices to GSDF; principal Invoice £1,839,908.75 and secondary Invoice £32,277.52 both including VAT. The total amount will be supported by a supplementary schedule detailing charges for each SEC Party.



Fixed Charge for Mandated Smart Meters and Smart Metering Systems

Charging Group	Name	Premises Type	Region (r)	Actual Size of Charging Group (ADSMS _{pgmt} & ANSMS _{pgmt})	Monthly Fixed Charge (£ / meter) (RDFC _{gr} & RNFC _{gr})	Total Monthly Fixed Charge
g1	Import Electricity Suppliers	Domestic	All	2,076,353	£0.409	£849,228.38
g3	Gas Suppliers	Domestic	All	1,566,371	£0.309	£484,008.64
g1	Import Electricity Suppliers	Non-Domestic	North	39,900	£0.616	£24,578.40
g3	Gas Suppliers	Non-Domestic	North	30,100	£0.465	£13,996.50
g1	Import Electricity Suppliers	Non Domestic	South	17,100	£0.321	£5,489.10
g3	Gas Suppliers	Non Domestic	South	12,900	£0.243	£3,134.70
Total Monthly Fixed Charge						£1,380,435.72

Fixed Communications Hub Charge for Smart Metering Systems

Charging Group	Name	Premises Type	Region	Actual Size of Charging Group (ACHS _{pgmt})	Monthly Comms Hub Charge (£ / meter) (CHC _{gr})	Total Monthly Comms Hub Charge
g1	Import Electricity Suppliers	Domestic	All	228,000	£0.386	£88,008.00
g3	Gas Suppliers	Domestic	All	172,000	£0.292	£50,224.00
g1	Import Electricity Suppliers	Non-Domestic	North	39,900	£0.279	£11,132.10
g3	Gas Suppliers	Non-Domestic	North	30,100	£0.211	£6,351.10
g1	Import Electricity Suppliers	Non Domestic	South	17,100	£0.544	£9,302.40
g3	Gas Suppliers	Non Domestic	South	12,900	£0.411	£5,301.90
Total Monthly Communications Hub Charge						£170,319.50

Explicit Charges

Charge Name	Charge type	Basis of Charge	Units	Explicit Charge (£ / unit)	Explicit Charge (£)
Communications Hubs Stock Charge	Explicit Charge	Per Hub	20,000	£0.450	£9,000.00
Auxiliary cellular mesh aerials	Explicit Charge	Per Unit	100	£4.000	£400.00
Total Monthly Explicit Charge					£9,400.00
Total Charges Excluding VAT					£1,560,155.22
Less Secondary Invoice (15%)					(£26,897.93)
Net Total Excluding VAT					£1,533,257.29
VAT @ 20%					£306,651.46
Total Charges Including VAT					£1,839,908.75

Table 17a – Principal invoice

Charge Name	Explicit Charge (£)
Proportion of Communication Hub Charges (15% x £179,319.50)	£26,897.93
VAT @ 20%	£5,379.59
Total Charges Including VAT	£32,277.52

Table 17b – Secondary Invoice

Example 3: Electricity Distributor

16.11 This example illustrates how charges will be calculated each month for a fictional SEC Party, Get Smart Electricity Distribution Ltd (GSED). GSED is:

- An Electricity Distributor only

16.12 At the end of the charging period which is the 15th day of the month GSE has:

- 2,076,353 domestic Smart Metering Systems;
- 57,000 non-domestic smart meters enrolled in DCC;

- 39,900 smart meters in the North Region
- 17,100 smart meters in the South Region

16.13 Table 18 shows an example of how a principal invoice amount will be calculated for Fixed Charges and Explicit Charges.

16.14 In this example, DCC will email a principal invoice to GSED for £129,040.86 including VAT. This invoice will be supported by a supplementary schedule detailing charges for each SEC Party. Charges associated with Communications Hubs are not applicable to GSED.

Charging Group	Name	Premises Type	Region (r)	Actual Size of Charging Group (ADCH _{pgmt} & ANCH _{pgmt})	Monthly Fixed CH Charge (£ / meter) (DCHC _{gr} & NCHC _{gr})	Total Monthly Fixed Charge
g4	Electricity Distributors	Domestic	All	2,076,353	£0.050	£103,817.65
g4	Electricity Distributors	Non Domestic	North	39,900	£0.076	£3,032.40
g4	Electricity Distributors	Non Domestic	South	17,100	£0.040	£684.00
Total Fixed Charge						£107,534.05
Total Charges Excluding VAT						£107,534.05
VAT @ 20%						£21,506.81
Total Charges Including VAT						£129,040.86

Table 18 – Fixed Charge for Mandated Smart Meters and Smart Metering Systems

Annex 5: Acronyms

Acronyms	Definition
CH	Communications Hubs
CPI	Consumer Price Index
DCC	Smart DCC Ltd
DECC	Department of Energy and Climate Change
ESMS	Enrolled Smart Metering Systems
GBCS	Great Britain Companion Specification
g1	Import Suppliers (Charging Group g1)
g2	Export Suppliers (Charging Group g2)
g3	Gas Suppliers (Charging Group g3)
g4	Electricity Distributors (Charging Group g4)
g5	Gas Transporters (Charging Group g5)
HV	High-Volume
IEPFR	Initial Enrolment Project Feasibility Report
IHD	In Home Display
IMF	Implementation Managers Forum
ISDP	Integrated Solution Delivery Plan
LC	Licence Condition
LV	Low-Volume
MPAN	Metering Point Administration Number
MPRN	Meter Point Reference Number
MRA	Master Registration Agreement
MSMS	Mandated Smart Metering Systems
PKI	Public Key Infrastructure
RDP	Registration Data Provider
RIGs	Regulatory Instructions and Guidance
RPI	Retail Prices Index
RY	Regulatory Year
SEC	Smart Energy Code
SEC4	New Smart Energy Code content (Stage 4)
SMKI	Smart Metering Key Infrastructure
SM WAN	Smart Metering Wide Area Network
UITMR	User Integration Testing and Mass Rollout
UNC	Uniform Network Code
XML	Extensible Markup Language

Table 18 – Acronyms

Annex 6: Glossary

Defined Terms	References	Definition
Adoption	SEC N1.1	Means, in respect of a Communications Contract, to novate (with or without amendment) some or all of the Supplier Party's rights and obligations under the contract (to the extent arising after the date of novation) to the DCC; and "Adopt", "Adopting" and "Adopted" shall be interpreted accordingly.
Allowed Revenue	LC 36.8	Allowed Revenue is the total amount of revenue determined on an accruals basis in relation to each Regulatory Year, in accordance with the Principal Formula outlined in the Licence.
Authority	SEC A1.1	Means the Gas and Electricity Markets Authority as established under Section 1 of the Utilities Act 2000.
Baseline Margin	LC 35.5	Means in relation to each Regulatory Year an amount of additional revenue, over and above the sum of the Licensee's Internal Costs and External Costs, that the Secretary of State has agreed shall be included (subject to the operation of the Baseline Margin Performance Adjustment) in the Licensee's Allowed Revenue, and is determined in accordance with the provisions of Part C of Condition 36.
Bilateral Agreement	SEC A1.1	Means an agreement entered into pursuant to Section H7 of the SEC (Elective Communication Services) between the DCC and a User.
Change Request	DSP/CSP contracts	Means a written request for a Contract Change which shall be substantially in the form of Appendix 1 to Schedule 8.2 of the DSP/CSP contract.
CH Batch Fault	SEC A1.1	Has the meaning given to that expression in Section F9.20 of the SEC (Liquidated Damages for CH Batch Faults).
CH Type Fault	SEC A1.1	Has the meaning given to that expression in Section F9.16 (Liquidated Damages for CH Type Faults).
CH Charging Group	SEC K11.1	Has the meaning given to that expression in Section K3.9.
CH Charging Group Weighting Factors	SEC K11.1	Has the meaning given to that expression in Section K3.13 of the SEC.
CH Order Management System	SEC A1.1	Means that part of the CH Ordering System described as the 'Order Management System' in the CH Handover Support Materials.
CH User Responsibility	SEC A1.1	Has the meaning given to that expression in Section F9.6 of the SEC (Categories of Responsibility).
Charging Groups	SEC K11.1	Has the meaning given to that expression in Section K3.9 of the SEC.
Charging Group Weighting Factors	SEC K3.10	Charging Group Weighting Factors are designed to reflect the relative proportion of fixed costs attributable to Import Electricity Suppliers (g1), Export Electricity Suppliers (g2), Gas Suppliers (g3), Electricity Distributors (g4) and Gas Transporters (g5).
Charging Methodology	SECK	Charging Statements are prepared in accordance with the Charging Methodology, which provides the mechanism for determining Fixed Charges (before, during and after UITMR), Explicit Charges and Elective Charges.
Charging Period	SEC K11.1	Means, in respect of each month (the 'current month'), the period from the start of the 16th day of the previous month to the end of the 15th day of the current month.
Charging Statement	SEC A1.1	Means, from time to time, the statement prepared by DCC pursuant to Condition 19 of the DCC Licence that is in force at that time (i.e. this document).
Communications Hubs	SEC A1.1	Means a Communications Hub Function together with a Gas Proxy Function.
Communications Hub Finance Charges	SEC A1.1	Means, in respect of each Communications Hub Finance Facility, the DCC's charge to recover the applicable Communications Hub Finance Costs (being a subset of the Communications Hub Charges), in an amount each month determined by the DCC at the time it produces an Invoice for that month (having regard to the requirements of Condition 36.5 of the DCC Licence).
Communications Hub Service	LC 17 (E)	The Communications Hub Service is provided by DCC for the purpose of enabling Energy Suppliers to comply with their duties in respect of the installation of Smart Metering Systems at the premises of Energy Consumers.

Core Communication Services	LC 17 (B)	Core Communication Services relate solely to the Supply of Energy (or its use) under the Principal Energy Legislation.
DCC Gateway Connection	N/A	For each Party other than the DCC, the physical infrastructure by which a connection is (or is to be) made between the premises of that Party and the DCC Systems for the purposes of the DCC Services.
DCC Gateway	SEC H3	The DCC User Gateway is the interface designed to allow communications to be sent between SEC Parties and DCC.
DCC Internal Systems	SEC A1.1	Means those aspects of the DCC Total System for which the specification or design is not set out in this Code.
DCC User Gateway Catalogue	DSP/CSP contracts	Has the meaning given in Schedule 6.3 (Development Process) of the DSP/CSP contracts.
DCC User Interface Services Schedule	SEC A1.1	Means the SEC Subsidiary Document identified as the 'DCC User Gateway Interface Specification' set out in Appendix [F].
Designated Premises	SEC A1.1	Means Non-Domestic Premises defined as Designated Premises within the meaning given to that expression in the Electricity Supply Licences or the Gas Supply Licences.
Detailed Evaluation	SEC A1.1	Has the meaning given to that expression in Section H7.7 of the SEC (Detailed Evaluation of Elective Communication Services).
Domestic Premises	SEC A1.1	Means premises at which a Supply of Energy is or will be taken wholly or mainly for domestic purposes, which is to be interpreted in accordance with Condition 6 of the relevant Energy Supply Licence.
Elective Communication Services	LC 17 (C)	Elective Communication Services are communication services (other than Core Communication Services) that relate solely to the Supply of Energy (or its use) under the Principal Energy Legislation.
Electricity Distributors	SEC A1.1	Means, for a Smart Metering System or a Device, the holder of the Electricity Distribution Licence for the network to which the relevant premises are connected.
Enabling Services	LC 1.4	Enabling Services form part of the Mandatory Business of DCC and fulfil an enabling role with respect to the provision of Core Communication Services and Elective Communication Services. Enabling Services consist of (a) the Enrolment Service, (b) the Communications Hub Service, and (c) Other Enabling Services.
Enrolment	SEC A1.1	Means, in respect of a Smart Metering System, the act of enrolling that Smart Metering System in accordance with the Enrolment Service (and the words "Enrol" and "Enrolled" will be interpreted accordingly). Enrolment of a Smart Metering System ends on its Withdrawal.
Enrolment Service	LC 17 (D)	The Enrolment Service is operated by DCC for the purpose of enrolling a Smart Metering System into the Smart Metering Inventory under the SEC.
Estimated Allowed Revenue	SEC K11.1	Has the meaning given to that expression in Section K2.1 of the SEC.
Estimated Elective Service Revenue	SEC K11.1	Has the meaning given to that expression in Section K2.3 of the SEC.
Estimated Explicit Charges Revenue	SEC K11.1	Has the meaning given to that expression in Section K2.5 of the SEC.
Estimated Fixed Revenue	SEC K11.1	Has the meaning given to that expression in Section K2.6 of the SEC.
Elective Charges	SEC K11.1	Means the Charges payable in respect of Elective Communication Services.
Elective Communications Services	SEC A1.1	Means the provision of communication services that are (or are to be) defined in a Bilateral Agreement (rather than the DCC User Interface Services Schedule) in a manner that involves communication via the SM WAN (provided that such services must relate solely to the Supply of Energy or its use).
Explicit Charges	SEC K11.1	Means the Charges calculated in accordance with Section K7 of the SEC, and payable in respect of the Explicit Charging Metrics.
Explicit Charging Metrics	SEC K11.1	Has the meaning given to that expression in Section K7 of the SEC.

Export Supplier	SEC A1.1	Means, for a Smart Metering System or a Device and any period of or point in time, the Supplier Party Registered during that period of or at that point in time in respect of the Export MPAN relating to that Smart Metering System or Device (but excluding Smart Metering Systems or Devices for which there is no related Import MPAN, in which circumstance such Registered Supplier Party is deemed to be the Import Supplier in accordance with the definition thereof).
Extensible Markup Language	TBC – SEC Subsidiary Document	Extensible Markup Language defines a set of rules for encoding documents in a format that is both human-readable and machine-readable. The design goals of the language emphasise simplicity, generality, and usability over the Internet.
External Costs	LC 35.5	Means in relation to each Regulatory Year the actual amount of the costs that were economically and efficiently incurred by the Licensee in procuring Fundamental Service Capability during that period.
External Services Provider	LC 1.4	Means any person from whom Relevant Service Capability is procured by the Licensee (including a person from whom such capability is being procured by virtue of paragraph 6 of Condition 16 of the Licence) for the purpose of enabling the provision of Mandatory Business Services under or pursuant to the Smart Energy Code.
First Relevant Policy Objective	LC 18.15	As set out in Condition 18.15 of the Licence.
Fixed Charges	SEC A1.1	Has the meaning given to that expression in the Charging Methodology in Section K of the SEC.
Fixed CH Charge	SEC K	As set out in Section K3 of the SEC.
Follow-up Security Assessment	SEC A1.1	Has the meaning given to that expression in Section G8.17 of the SEC (Categories of Security Assurance Assessment).
Full User Security Assessment	SEC A1.1	Has the meaning given to that expression in Section G8.14 of the SEC (Categories of Security Assurance Assessment).
Fundamental Service Capability	LC 1.4	Has the meaning given to that term in Part J of Condition 16 (Procurement of Relevant Service Capability), as amplified by reference to the particulars set out in Schedule 1 to the Licence (Details of Fundamental Service Capability).
Gas Supplier	SEC A1.1	Means, for a Smart Metering System or a Device and any period of or point in time, the Supplier Party Registered during that period of or at that point in time in respect of the MPRN relating to that Smart Metering System or Device.
Gas Transporter	SEC A1.1	Means, for a Smart Metering System or a Device, the holder of the Gas Transporter Licence for the network to which the relevant premises are connected.
Great Britain Companion Specification	LC 1.4	The Great Britain Companion Specification is the final part of the Smart Metering Equipment Technical Specification that defines the technical details of electricity and gas meters, In Home Displays (IHD) and Communications Hubs. It defines the details of the technical protocol used for these devices to communicate with each other. It is a fundamental and critical part of the smart metering ecosystem with many aspects of the DCC Service dependant on its quality and completeness.
Impact Assessment	DSP/CSP contracts	Means a detailed impact assessment of a Change Request substantially in the form of Appendix 3 to Schedule 8.2 and as further described in paragraph 7 of Part F of Schedule 8.2 of the DCC Service Provider contracts.
Implementation Milestones	LC Schedule 3	Has the meaning that is given to it in Schedule 3 (The Implementation Performance Regime) of the Licence.
Import Supplier	SEC A1.1	Means, for a Smart Metering System or a Device and any period of or point in time: (a) the Supplier Party Registered during that period of or at that point in time in respect of the Import MPAN relating to that Smart Metering System or Device; or (b) where there is no related Import MPAN for that Smart Metering System or Device, the Supplier Party Registered during that period of or at that point in time in respect of the Export MPAN relating to that Smart Metering System or Device.

Internal Costs	LC 35.5	Means in relation to each Regulatory Year the sum of the costs (excluding External Costs and Pass-Through Costs) that were economically and efficiently incurred by the Licensee for the purposes of the provision of Mandatory Business Services under or pursuant to the SEC (and may include costs incurred in respect of the governance and administration of the SEC that are not included in Pass-Through Costs).
Mandated Smart Metering Systems	SEC K11.1	Means, from time to time, each MPAN or MPRN associated with a Domestic Premises (regardless of whether or not a Smart Metering System has been installed or Enrolled), but excluding: (a) those MPANs and MPRNs associated with premises in respect of which the DCC is exempted from the requirement to Enrol Smart Metering Systems in accordance with the Statement of Service Exemptions; and (b) those MPANs that do not have the status of "traded" (as identified in the MRA) and those MPRNs that do not have a status that indicates that gas is off-taken at the supply point (as identified in the UNC).
Mandatory Business Services	LC1.4	Mandatory Business Services comprise the Mandatory Business operated or provided by DCC, namely (a) Core Communication Services, (b) Elective Communication Services, and (c) Enabling Services.
National Fixed Revenue	SEC K3.7	Is the revenue that should be recovered on a uniform basis across all the Regions.
Notice	LC 1.4	Means prior notice given directly to a person in Writing (and includes a notification).
Other Enabling Service	SEC A1.1	Means the Services other than the Enrolment Services, the Communications Hub Services and the Communication Services.
Party	SEC A1.1	Means, from time to time, a person that has agreed to be bound by the SEC (either pursuant to the Framework Agreement or an Accession Agreement), and (without prejudice to Section M8.14 (Consequences of Ceasing to be a Party)) that has not at that time ceased to be so bound in accordance with Section M8 (but excluding SECCO).
Pass-Through Costs	LC 35.5	Means in relation to each Regulatory Year the sum of the amounts that are specified as Pass-Through Costs in paragraph 8 of Condition 36.
Parse and Correlate Software	SEC H11	Parse and Correlate Software ensures that the Extensible Markup Language commands sent to Smart Meter devices from SEC Party systems have the same meaning as the corresponding command in the Service Request format used by Smart Meter devices.
Price Control Condition	LC 1.4	Means a condition the purpose of which, whether on its own or in combination with any other Price Control Condition, is to limit or control the charges of, or the revenue of, the Licensee (and the Conditions contained in Chapter 9 are the Price Control Conditions of the Licence).
Privacy Assessments	SEC A1.1	Means a Full Privacy Assessment, Random Sample Privacy Assessment or User Privacy Self-Assessment.
Privacy Assessment Report	SEC A1.1	Has the meaning given to that expression in Section I2.17 of the SEC (The Privacy Assessment Report).
Project	CSP/DSP contracts	As set out in Schedule 8.8 to the DSP/CSP contracts.
Public Key Infrastructure	N/A	A Public Key Infrastructure is the set of hardware, software, people, policies and procedures needed to create, manage, distribute, use, store, and revoke digital certificates.
Recoverable Cost	SEC A1.1	Has the meaning given to that expression in Section C8.2 of the SEC (SEC Costs and Expenses).
Region	SEC A1.1	Means each of the geographical regions of Great Britain that are subject to different DCC Service Provider Contracts, the exact boundaries of which will be as published by the DCC (or the Panel on behalf of the DCC) from time to time.
Regional Communications Hub Revenue	SEC K11.1	Has the meaning given to that expression in Section K3.8 of the SEC.

Registration Data Provider	SEC A1.1	Means, in respect of each Network Party, the person nominated as such in writing to the DCC from time to time by that Network Party, on the basis that more than one Party may specify the same Registration Data Provider, and that the Network Party shall be deemed to have so nominated itself in the absence of any other nomination.
Regional Fixed Revenue	SEC K11.1	Has the meaning given to that expression in Section K3.8 of the SEC.
Regulated Revenue	LC 35.5	Regulated Revenue is the actual revenue measured on an accruals basis in relation to each Regulatory Year received by DCC based on Service Charges levied in the Charging Statement.
Regulatory Instructions and Guidance	LC 1.4	Means the document of that name issued by the Authority under Condition 33 (Regulatory Instructions and Guidance) for purposes relating to the obligations of the Licensee under Condition 31 (Reporting of Quality of Service Information) and Condition 32 (Reporting of Price Control Information).
Regulatory Year	LC 1.4	A Regulatory Year is a period of 12 months beginning 1st April in any calendar year and ending 31st March of the next calendar year.
Relevant Service Capability	LC 1.4	Means capability procured (or provided from within the Licensee's own resources) in accordance with Condition 16 of the Licence (Procurement of Relevant Service Capability) for the purposes of securing the provision of Mandatory Business Services under or pursuant to the Smart Energy Code.
Second Relevant Objective	LC 18.16	As set out in Condition 18.16 of the Licence.
User Security Assessment	SEC A1.1	Means either a Full User Security Assessment or a Verification User Security Assessment.
Service Charges	SEC J1.1	Service Charges are determined in accordance with the Charging Statement applicable from time to time.
Service Desk	SEC A1.1	Has the meaning given to that expression in Section H8.19 of the SEC (Service Desk).
Service Requests	DCC User Gateway Services Schedule	A Service Request is a request for one of the 'messages' listed in the DCC User Gateway Service Schedule (or, in the case of Elective Communication Services, provided for in the relevant Bilateral Agreement).
Smart Metering Key Infrastructure	SEC L	A Smart Metering Key Infrastructure is the equivalent of a Public Key Infrastructure hierarchy for an end-to-end Smart Metering System.
Smart Metering System	LC 1.4	A Smart Metering System is installed at premises for the purposes of the Supply of Energy and as a minimum (a) consists of the apparatus identified in, (b) has the functional capability specified by and (c) complies with the other requirements of the Smart Metering Equipment Technical Specification that is applicable at the date of installation.
Testing Participant	SEC A1.1	Means, in respect of each Testing Service, the persons (whether or not they are Parties) who are entitled to undertake such tests, as described in Section H14 (Testing Services), together with any other persons identified as such in Section T (Testing During Transition).
Third Relevant Policy Objective	LC 18.17	As set out in Condition 18.17 of the Licence.
Unacceptable Costs	LC 37.8(a)	Means any External Costs or Internal Costs that the Authority considers were not economically and efficiently incurred in the relevant Regulatory Year.

Table 19 – Glossary