

Smart DCC Ltd

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**Charging Statement for Service Charges**

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Regulatory Year ending 31 March ~~2016~~  
~~2017~~

Effective from 1 April ~~2015~~2016

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Issue ~~2.0~~ | ~~Final.1~~ | ~~Draft~~

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~~December 2015~~  
DCC Public

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**Contents**

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1. Introduction 3

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**Section A – Summary of Charges for RY ~~2015/16~~ 2016/17 6**

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2. Summary of Charges 5 6

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**Section B – Estimated Revenue 8 9**

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3. Estimated Allowed Revenue 8 9

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4. Estimated Fixed Revenue 8 9

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5. Estimated Elective Services Revenue 14 15

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**Section C – Fixed Charges 15 16**

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Formatted: Font: 10 pt

6. Charging Periods 15 16

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7. Charging Groups 15 16

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**Section D – Communications Hubs Charges and Explicit Charges 18 19**

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8. Communications Hubs 18 19

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~~9.~~  
~~9.~~ Charging Periods for Communications Hub Charges 20

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~~10.~~ Faults 19 21

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~~10.11.~~ Estimated Explicit Charges Revenue and Explicit Charges 20 21

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**Section E – Invoicing 21 23**

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~~11.12.~~ Invoicing and Credit Cover 21 23

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**Section F – Annexes 22 24**

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Annex 1: Timetable for ~~indicative~~ Indicative Charging Statement and indicative Budgets 22

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Annex 2: Fixed Charges – Assumptions 23 24

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Formatted: Font: 10 pt

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Annex 3: Estimated Explicit Charges Revenue and Explicit Charges –  
Supporting Information ~~24 25~~

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Annex 4: Worked Examples ~~28 30~~

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Annex 5: Acronyms ~~3335~~

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Annex 6: Glossary ~~3436~~

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**1 Introduction**

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~~1.1 4.1~~ This document is the Charging Statement for Service Charges (Charging Statement) for Smart DCC Ltd (DCC) for the Regulatory Year ending 31 March ~~2016/2017~~, (RY ~~2015/16~~~~2016/17~~). This Charging Statement ~~was~~~~will be~~ published on 1 April ~~2015~~~~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).

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~~1.2 4.2~~ The purpose of this document is to publish DCC Service Charges and to enable SEC Parties to estimate their annual Service Charges for RY ~~2015/16~~~~2016/17~~.

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~~1.3 4.3~~ 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'.

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~~1.4 RY 2015/16 is a critical year for DCC Service Charges. From April 2015;~~

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~~• Costs will increase significantly, as DCC is first obliged to make regular payments to at least one of the External Service Providers as they complete their contractual milestones~~

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~~• Under Section K3.2 and the definition outlined in Section K11.1, the Charging Methodology for Fixed Charges enters the User Integration Testing and Mass Rollout (UITMR) Period (which commences at the start of the month in which the DCC is first obliged to make regular payments to one or more of the External Service Providers).~~

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~~1.4 4.5~~ This Charging Statement is ~~primarily~~ prepared based on the best information and assumptions available as at the date of the submission of the Notice for this Charging Statement.

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~~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:-~~

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~~• DCC is obliged to make regular payments to our External Services Providers as they complete their contractual milestones due in RY 2016/17~~

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~~• Communications Hubs charges will start being applied as Communications Hubs are expected to be delivered from July 2016.~~

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~~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~~

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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 agreeing the costs which will relate to the SMIP Contingency Request (see above). DCC may need to revise the Charging Statement for RY 2016/17 should there be a material variation in expected costs.

- 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.

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1.6

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, ~~as far as is possible, that Service Charges do not need to change consistent with the obligation in LC36.~~ The high-level assumptions that DCC has made are outlined below:

#### DCC consultation on changes to the DCC plan and Implementation Milestones

- 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.

1.7

1.6

In November 2014, DCC consulted on changes to the DCC plan and Implementation Milestones. On 5 March 2015, the Secretary of State approved the proposed plan. For the purpose of this Charging Statement DCC has assumed that DCC live operations will begin no earlier than April 2016. The proposed changes to the DCC plan incorporate the anticipated impact of Great Britain Companion Specification (GBCS) version 0.8 and version 0.8.1.

#### SEC4 Consultation

1.8 In June 2014, the Department of Energy and Climate Change (DECC) consulted on the fourth stage of the Smart Energy Code (SEC4). Subsequently DECC's conclusion is being released in parts. The first part (SEC4a) was issued in November 2014, with further conclusions published in January 2015. DCC anticipates that the remaining parts will be issued in 2015.

1.9

1.6

DCC has reflected an estimate of cost for some of the anticipated SEC4 impact in this Charging Statement, however there are a number of items which DCC is currently working with External Service Providers to understand and agree any impact. DCC may consider amending the Service Charges should there be any material variation in costs.

#### Dual-band Communications Hubs

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~~1.10-8~~ On 16 March 2015, DCC received a direction from ~~DECC~~ 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~~ Internal Cost assumption relating to the introduction of this capability. We have

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### Centralised registration and next-day switching

~~1.11~~ DCC has 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.

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### 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. 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.

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~~1.10~~ In this Charging Statement relating to the design, 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 and of the solution. We have not included Internal Costs relating to the operation of a centralised registration 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.

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### 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 next-day 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.

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### 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.

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### DCC Price Control

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~~1.12-13~~ This Charging Statement reflects the direction issued by the Authority on 27 February 2015 does not include any adjustments relating to remove Unacceptable Costs and the margin lost as a result of the value of IM5t-1 from the calculation of the Allowed Revenue for RY 2015/16. These directions were made as a result of the Authority's proposals to disallow costs and to adjust the Baseline Margin (as set out in its price control assessment for RY 2013/14 consultation for RY 2014/15, published on 25 November 2015. We will update this Charging Statement following the Authorities final determination.

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

~~1.13-14~~ A timetable for future publications of indicative Charging Statements and indicative budgets is available in Annex 1.

1.14-15 This document is available on the DCC website ([www.smartdcc.co.uk](http://www.smartdcc.co.uk)); ([www.smartdcc.co.uk](http://www.smartdcc.co.uk)).

1.15-16 Please email [finance@smartdcc.co.uk](mailto: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.

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**SECTION B – ESTIMATED REVENUE**

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**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 2015/162016/17, which is necessary for DCC to deliver Mandatory Business Services, ~~Elective Communication Services~~ and pay Pass-Through Costs.

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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~~other Enabling Services.

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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.

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3.4      Table 6 sets out DCC’s Estimated Allowed Revenue for RY 2015/162016/17, in total and split by its components.

Acronym	Name	RY <u>2015/16</u> <u>2016/17</u> (£m)
EFR <sub>t</sub>	Estimated Fixed Revenue	<u>114.7239.3</u>
EECR <sub>t</sub>	Estimated Explicit Charges Revenue	<u>1.35</u>
EESR <sub>t</sub>	Estimated Elective Services Revenue	<del>0.0</del>
EAR <sub>t</sub>	Estimated Allowed Revenue	<u>116.2240.8</u>

Table 6 – Estimated Allowed Revenue for RY 2015/162016/17

#### 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.

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Acronym	Name	RY <del>2015/16</del> <u>2016/17</u> (£m)
NFR <sub>t</sub>	National Fixed Revenue	<del>65.4</del> <u>109.7</u>
RFR <sub>Nt</sub>	Regional Fixed Revenue (North)	<del>39.6</del> <u>80.0</u>
RFR <sub>Ct</sub>	Regional Fixed Revenue (Central)	<del>9.7</del> <u>25.8</u>
RFR <sub>St</sub>	Regional Fixed Revenue (South)	<del>9.3</del> <u>23.4</u>
RCHR <sub>Nt</sub>	Regional Communications Hub Revenue (North)	<del>N#</del> <u>0.1</u>
RCHR <sub>Ct</sub>	Regional Communications Hub Revenue (Central)	<del>N#</del> <u>0.2</u>
RCHR <sub>St</sub>	Regional Communications Hub Revenue (South)	<del>N#</del> <u>0.1</u>
EFR <sub>t</sub>	Estimated Fixed Revenue	<del>144.7</del> <u>239.3</u>

Table 7 – Estimated Fixed Revenue for RY ~~2015/16~~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.

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4.3- Regional Communications Hub Revenue for the North, Central and South Regions are ~~all set to zero as detailed in Table 7.~~ This is based on ~~the assumption that~~ DCC live operations ~~starts~~starting no earlier than ~~April~~July 2016.

4.4- Estimated Fixed Revenue comprises:

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• Costs defined within LC35 (Definitions for the Price Control Conditions), summarised as:

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• 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

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• External Costs – the costs incurred by DCC in procuring Fundamental Service Capability, i.e. the costs of the ~~External Service Providers (Data Service Services Provider and the Communications Service Providers) 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

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• 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

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• Baseline Margin as defined in LC36 (Determination of the Licensee's Allowed Revenue)

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- 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 31%, which DCC derives from data published by the Office for National Statistics ([www.ons.gov.uk](http://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 20% in accordance with the provisions of the External ~~Service~~Services Provider contracts. DCC derived this rate from data published by the Office for National Statistics (~~www.ons.gov.uk~~)([www.ons.gov.uk](http://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.

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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)	16,411.5
	Changes –baseline (3)	-1,830.9
	Changes –new scope (4)	15.8
Baseline Margin (54)		2,945
External Costs (65)	External-Service Provider procurement baselineProcurement Baseline	64,080.5
	Changes	8,3105.1
Pass-Through Costs	Authority (76)	Nil0.0
	SECCo Ltd (87)	4.5,2
Correction factor	Estimated – RY 2014/15 (9)2015/16 (8)	(2,16.4)
	Published –Actual - RY 2013/14 (10)2014/15 (9)	(6,42,73.1)
	Communications Hubs (11- RY 2015/16 (10)	0.0
Prudent estimate (1211)		9,513.1
Estimated Fixed Revenue for the Regulatory Year (EFR)		114,7239.3

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Table 8 – Estimated Fixed Revenue by category for RY ~~2015/16~~2016/17

~~4.9 Table 8 provides Estimated Fixed Revenue by category for RY 2015/16.~~

4.10- With reference to Table 8:

1.- Internal Costs for DCC for RY ~~2015/16~~2016/17 include resource costs that relate to:

- Engaging with SEC Panel, SEC Parties and other stakeholders
- Contract and performance managing External ~~Service~~Services Providers
- Applying the Charging Methodology and complying with the Price Control Conditions in the Licence
- Providing DCC Internal Systems, including the billing ~~system, business intelligence and management information systems~~
- Applying design governance
- Assuring test activities of External ~~Service~~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 ~~shared services~~ (e.g. Group Finance, Tax and Treasury and Group HR)
- All External ~~Service~~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](http://www.ofgem.gov.uk))

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- 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.

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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.

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3.- \_\_\_\_\_ Changes to the DCC licensing competition baseline ~~reflect~~ includes:

- ~~Cost~~ 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.

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4. ~~Changes in Internal Costs due to new scope include:~~

- ~~▲~~ Costs associated with changes to the ~~Integrated Solution Delivery Plan (ISDP) 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 0.8.42
- ~~▲~~ 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 ServiceServices 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

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~~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 ServiceServices Providers' charges and their performance against contractual milestones in accordance with Schedule 8.4 (Records and Audit Provisions) ~~of the External Services Provider contracts~~

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~~Provisions) of the External Service Provider contracts~~

- ~~▲~~ Operational costs associated with the evolving Communications Hubs financing arrangements

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- ~~▲~~ The extra level of resource required to manage the emerging complexities of the DCC programme
- ~~▲~~ ~~An allowance for costs~~ **Costs** associated with the early stages of introduction of dual-band Communications Hubs, the Switching Programme and Enrolment and Adoption of SMETS1 meters.

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~~5.4.~~ This is the Baseline Margin as set out in Appendix 1 to LC36 (Determination of the Licensee's Allowed Revenue). ~~Following publication of the Charging Statement for RY 2013/14 DCC identified, and brought to the attention of the Secretary of State and the Authority, a minor issue with the phasing of Baseline Margin between Regulatory Years. DECC acknowledged this issue in its response to the consultation on SEC Stage 3 (SEC3), published on 12 June 2014. The revised phasing was designated in the Licence on 31 July 2014. Under LC36.18 DCC can submit an application to the Authority proposing an adjustment to the current Baseline Margin. No adjustment to the current Baseline Margin has been reflected in this Charging Statement.~~

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~~6.~~  
5. The External Costs for RY ~~2015/16~~ 2016/17 are detailed in Table 9:

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Estimated External Baseline Costs by category	Total excluding VAT (£m)	
	External Service Provider procurement baseline	Changes
Set-up Costs (a)	<del>42.523.9</del> <u>42.523.9</u>	<del>24.2115.1</del> <u>24.2115.1</u>
Fixed <del>operational costs</del> <u>Operational Costs</u> (b)	<del>18.737.0</del> <u>18.737.0</u>	<del>(18.30.5)</del> <u>(18.30.5)</u>
Performance Incentives (c)	0.0	<del>8.1.7</del> <u>8.1.7</u>
Communications Hubs (d)	<del>2.819.6</del> <u>2.819.6</u>	<del>(19.1.6)</del> <u>(19.1.6)</u>
Impact Assessments/Projects (e)	0.0	<del>2.31.5</del> <u>2.31.5</u>
<del>DCC User Gateway</del> Catalogue <del>services</del> <u>Services</u> (f)	0.0	0.0
Estimated External Costs by category for the Regulatory Year	<del>64.080.5</del> <u>64.080.5</u>	<del>8.3105.1</del> <u>8.3105.1</u>

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Table 9 – Estimated External Costs by category for RY ~~2015/16~~ 2016/17

a) Set-up costs are payable to External ServiceServices Providers monthly in arrears through deferred set-up charges arising upon achievement of the relevant milestones under the terms of the External ServiceServices 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 ServiceServices Providers

• Costs associated with changes to the ISDP in relation to the timing of GBCS activities as consulted in April/May 2014

- The agreed costs relating to additional functionality and complexities identified within GBCS ~~version~~versions 0.7r6, 0.8 and 0.8.1
- Allowance An allowance for the impact of GBCS version 0.8 ~~and version 0.8.1, 2.~~ DCC is set to begin ~~started~~ commercial negotiations with External ServiceServices Providers in earlyDecember 2015. ~~The outcome of these~~These negotiations have not been concluded and may lead to significantan adjustment to the External ServiceServices Providers' cost profile in which case, DCC may consider revising Service Charges in the Charging Statement for RY ~~2015/16~~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.

External Service 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.

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

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Changes to fixed operational costs include:

- ~~Costs relating~~ 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 Systemsystem that are identified within the delivery pipeline of release plan for future years

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• ~~Extended coverage in the North Region~~

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- ~~Costs associated with other changes proposed~~ to the DCC plan.

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c) As a result of revised ~~ISDP~~ DCC Plan and in line with External Service Services Provider contracts, an allowance for performance incentives payments relating to RY 2014/15 have has been adjusted to RY 2015/16. DCC make included in this Charging Statement. DCC makes these payments when External Service 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.

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d) Communications Hubs costs consist of ~~ana monthly~~ asset charge payable to External Service Services Providers over a 10-year period following each successful delivery of a Communications Hub and a monthly maintenance charge payable to External Service Services Providers following each successful commissioning of a Communications Hub.

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- ~~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~~ financing arrangements outlined in the DECC consultation on SEC Stage 2 (SEC2).

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- ~~Based on the assumptions that DCC live operations will be no earlier than April/July 2016, the majority of the Communications Hub volumes in RY 2015/16 will now occur in RY 2016/17/2017/18, consequently fewer/lower costs associated with Communications Hubs will materialize in RY 2016/17. materialise in RY 2015/16.~~

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e) DCC has estimated the cost associated with an anticipated level of Impact Assessments and Projects that are ~~necessary~~ 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 ServiceServices Provider contracts.

f) DCC may procure items from the DCC User Gateway Cataloguecatalogue services set out in the External ServiceServices Provider contracts. Costs relating to items in the DCC User Gateway Cataloguecatalogue services that will benefit all SEC Parties will be included within Fixed Charge, e.g. testing software licences to support the end-to-end-to-end testing for a given number of concurrent SEC Parties.

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7-6. The Authority has confirmed to DCC that its annual fee for RY 2015/162016/17 is nil.

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8-7. 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 signaled 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)

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9-8. The estimated correction factor is defined in LC36 (Determination of the icensee'slicensee'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 2014/152015/16 is the difference between the costs that DCC currently estimates it will incur in RY 2014/152015/16 and the Service Charges included in the Charging Statement for RY 2014/152015/16. This figure is negative as the estimated Service Charge is set to exceed the cost in this Regulatory Year. Further detail on this was made available in DCC's finance update at end of January 2015. This value was adjusted by £0.4m to reflect the direction issued by the Authority on 27 February 2015 to remove Unacceptable Costs and the margin lost as a result of the value of IM5t-1. These directions were made as a result of the Authority's price control assessment for RY 2013/14.

9. The DCC reported the correction factor as deferred revenue in its Statement of Financial Position for RY 2013/14 in its Regulatory Accounts, published on 30 July 2014. This figure is 'negative' as the Service Charges were greater than the costs incurred during the Regulatory Year. Correction correction factor for RY 2014/15 was £4.8m, of which £2.1m was included in the Charging Statement for RY 2015/16. The remaining balance of £2.7m is included in this Charging Statement.

10. The correction factor for Communications Hubs in RY 2015/16 is expected to be nil as this charge will be applicable post Marchfrom 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.

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12-11. 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 ~~2015/16~~2016/17, the prudent estimate represents ~~four weeks~~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 ~~2016/17~~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.

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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.

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5.3- \_\_\_ As DCC has not entered into any Bilateral Agreements and does not anticipate orders for this service in RY ~~2015/16~~2016/17, Elective Services Revenue for RY ~~2015/16~~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:

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- - \_\_\_ Prior to the UITMR period for Mandated Smart Metering Systems (MSMS) for Domestic Premises – this period ~~ends~~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).

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#### During UITMR

6.2- \_\_\_ UITMR ~~commences from~~commenced on 1 April 2015 as DCC starts its regular payments to at least one of its External ~~Service~~Services Providers. In accordance ~~to~~with section K3.2 of the Charging Methodology, the approach to setting Fixed Charges in this Charging Statement ~~moves into~~is in the second of the three phases. DCC will invoice SEC Parties based on the number of:

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- Domestic meters; whether or not enrolled in DCC;

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- Non-Domestic smart meters enrolled in DCC.

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).

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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.

#### 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.

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#### 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.

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7.2- Tables 10, 11 and 12 ~~shows~~ 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 nondomestic 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 ~~2014~~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~~ 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 ~~November 2014~~December 2015.

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- ~~Table 11~~ 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 ~~4 April~~July 2016 for the purpose of this Charging Statement, ~~therefore currently the volumes are set to zero.~~

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Charging Statement RY 2015/2016

~~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).~~

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Charging Group	Name	Estimated Size of Charging Group (REDSMS <sub>grt</sub> )				Charging Group Weighting Factor (α <sub>grt</sub> )
		Total All Regions	Region (r)			
			North	Central	South	
g1	Import Electricity Suppliers	27,816,4432 8,077,171	8,623,097984, 695	10,570,248669 ,325	8,623,09742 3,151	0.49
g2	Export Electricity Suppliers	-	-	-	-	0.08
g3	Gas Suppliers	22,616,2127 64,922	7,011,026284, 775	8,594,161650, 670	7,011,0266, 829,477	0.37
g4	Electricity Distributors	28,019,0832 26,463	8,685,9169.03 2,468	10,647,252726 ,056	8,685,91646 7,939	0.06
g5	Gas Transporters	22,766,4079 28,282	7,057,586337, 050	8,651,235712, 747	7,057,5866, 878,485	0.00

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

Charging Group	Name	Estimated Size of Charging Group (RENSMS <sub>grt</sub> )				Charging Group Weighting Factor (α <sub>grt</sub> )
		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 <sub>grt</sub> )				Charging Group Weighting Factor (α <sub>grt</sub> )
		Total All Regions	Region (r)			
			North	Central	South	
g1	Import Electricity Suppliers	27,816,4432 8,077,171	8,623,097984, 695	10,570,248669 ,325	8,623,09742 3,151	0.49
g2	Export Electricity Suppliers	-	-	-	-	0.08
g3	Gas Suppliers	22,616,2127 64,922	7,011,026284, 775	8,594,161650, 670	7,011,0266, 829,477	0.37
g4	Electricity Distributors	28,019,0832 26,463	8,685,9169.03 2,468	10,647,252726 ,056	8,685,91646 7,939	0.06
g5	Gas Transporters	22,766,4079 28,282	7,057,586337, 050	8,651,235712, 747	7,057,5866, 878,485	0.00

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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).

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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. ~~The new Licence condition came into effect on 14 January 2015.~~

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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).

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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 ~~Service~~ 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 ~~2015~~2016. The monthly Fixed Charges are set for:

- Domestic Premises; and
- Non-Domestic Premises which are further split by North, Central and South Regions.

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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.

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**Estimated Communications Hub Revenue**

8.3 ~~For the purposes of~~ The estimated Communications Hub Revenue in this Charging Statement only 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

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 April 2016 which means the initial delivery date for Communications Hubs will be March/July 2016. Therefore estimated Communications Hub Revenue is set to zero in RY 2015/16.~~

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8.4.6 ~~DCC will only start to recover Communications Hub Revenue one month after the initial delivery date i.e. in April 2016 (RY 2016/17), 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 will be based on the volumes forecast which are due to be submitted to DCC in quarter three RY 2015/16.~~

**Types of Communications Hubs Charges**

8.5-7 ~~In accordance with the Charging Methodology, DCC will recover estimated Regional Communications Hub Revenue using a Fixed CH Charge. As discussed above this charge will not be applicable in RY 2015/16 Regional Communications Hub Revenue is set out in Table 7.~~

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8.6-8 ~~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 in March from July 2016 (initial delivery date).~~

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**Fixed CH Charge**

8.7-9 Consistent with the Third Relevant Policy Objective, Fixed CH Charges will differ between Domestic and Non-Domestic Premises.

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8.8-10 A SEC Party will be invoiced for these charges based on the number of:

- Domestic Smart Metering Systems; and
- Non-domestic Smart Metering Systems.

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#### Charging Groups for Fixed CH Charges

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~~8.9 Fixed CH Charges apply to Import Electricity, Export Electricity and Gas Suppliers.~~

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8.10-8.11 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 4314.

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8.11-12 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 ( $\alpha_{gt}$ )
g1	Import Suppliers	0.52
g2	Export Suppliers	0.09
g3	Gas Suppliers	0.39

Table ~~43~~14 – Charging Group for Fixed CH Charge

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~~8.12~~ The CH Charging Group Weighting Factors will be refreshed in line with any subsequent updates to the Charging Group Weighting Factors.

~~8.138.14~~ The CH Charging Group Weighting Factors apply equally across all three Regions regardless of Domestic or Non-Domestic Premises.

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#### Stock level charge

~~8.44-15~~ 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.

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~~8.45-16~~ 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.

~~8.46-17~~ The stock level charge for RY ~~2015/16~~2016/17 is set out in Table 3 in section A (Summary of Charges).

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### 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**

**910.1** 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.

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**SEC Party fault**

**910.2** 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:

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• 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.

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• 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.

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**910.3** The applicable charges for these two items in RY ~~2015/16~~2016/17 are set out in Table 3 and 4 in section A (Summary of Charges).

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## DCC faults

~~910~~.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 ~~concluded~~~~designated~~ by DECC in ~~early 2015~~~~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.

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## ~~4011~~ Estimated Explicit Charges Revenue and Explicit Charges

~~4011~~.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.

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~~4011~~.2- \_\_\_\_\_ DCC estimates that EECRt (Estimated Explicit Charges Revenue) will be £1.~~5m~~~~4m~~ for RY ~~2015/16~~~~2016/17~~. The assumptions made in relation to EECRt are set out in Annex 3. Actual revenue recovered in RY ~~2015/16~~~~2016/17~~ will be determined by the actual volume of services procured by parties.

~~4011~~.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).

~~4011~~.4- \_\_\_\_\_ All Set Explicit Charges set out in Table 3 in section A (Summary of Charges) reflect all costs related to provisioning those services.

~~4011~~.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

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~~4011~~.6- \_\_\_\_\_ Current Explicit Charging Metrics are set out in Section K7.5, which refers to Sections F, G, H and I, ~~much~~~~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~~~~texts~~ in the SEC and its subsidiary documents come into effect.

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## Categories of Explicit Charges

~~4011~~.7- \_\_\_\_\_ Explicit Charges largely fall into one of three categories. They are:

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\_\_\_\_\_ • 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).

~~40~~

~~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.

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~~40~~~~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.

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### Services available in the future

~~11.10-10~~ At a certain time in the future, SEC Parties will also be able to:

- ~~• request a Detailed Evaluation in respect of Elective Communications Services;~~
- ~~• request additional testing support; and~~
- order variant Communications Hubs.

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~~40.11-11~~ DCC will recover the cost of ~~these services~~this service via an Explicit ~~Charges~~Charge in accordance with ~~Sections K7.5(f) and Section K7.5(m) respectively.~~ DCC will update ~~these charges~~this charge in the Charging Statement when ~~these services are~~this service is scheduled to be made available. ~~DCC and~~ anticipates that this will be no earlier than April ~~2016~~2017.

## SECTION E – INVOICING

### ~~44~~12 Invoicing and Credit Cover

~~44~~12.1- This Charging Statement covers 12 Charging Periods, consistent with the indicative invoicing timetable available on the DCC website.

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~~44~~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.

~~44~~12.3- All charges outlined in this Charging Statement are shown excluding VAT.

~~44~~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.

~~44~~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.

~~44~~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.

4412.7-\_\_\_\_\_ 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.

4412.8-\_\_\_\_\_ 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.

4412.9-\_\_\_\_\_ 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.

4412.10-\_\_\_\_\_ 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.

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**SECTION F – ANNEXES**

**Annex 1: Timetable for ~~indicative~~ Indicative Charging Statement and ~~indicative budgets~~ Indicative Budgets**

~~4213.1-~~ 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).

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Month	Indicative Charging Statement	Indicative Budgets	
<del>April 2015/2016</del>	RY <del>2016/17</del> 2017/18	RY <del>2017/18</del> 2018/19	RY <del>2018/19</del> 2019/20
<del>July 2015/2016</del>	RY <del>2016/17</del> 2017/18	RY <del>2017/18</del> 2018/19	RY <del>2018/19</del> 2019/20
<del>October 2015/2016</del>	RY <del>2016/17</del> 2017/18	RY <del>2017/18</del> 2018/19	RY <del>2018/19</del> 2019/20
<del>January 2016/2017</del>	RY <del>2016/17</del> 2017/18	RY <del>2017/18</del> 2018/19	RY <del>2018/19</del> 2019/20

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Table ~~4415~~ – Timetable for indicative Charging Statement and indicative budgets

**Annex 2: Fixed Charge – Assumptions**

**Volume Assumptions for Fixed Charges**

~~4314.1-~~ 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.

~~4314.2-~~ 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.

~~4314.3-~~ 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~~ non-domestic smart meters enrolled in DCC until after DCC live operations. However a Fixed Charge for ~~Non-Domestic~~ non-domestic meters ~~features is included~~ in this statement indicative Charging Statement and will become applicable only when a SEC Party has enrolled ~~in DCC a smart meter~~ in DCC a smart meter ~~for a Designated Premises with DCC.~~

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**Annex 3: Estimated Explicit Charges Revenue and Explicit Charges – supporting information**  
**Supporting Information**

4415.1- \_\_\_\_\_ This annex sets out further detail in relation to:

- \_\_\_\_\_ • Explicit Charges (including cost drivers for indicative Explicit Charges); and
- \_\_\_\_\_ • Explanation of how the EECRt has been estimated.

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4415.2- \_\_\_\_\_ 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.

**Estimated Explicit Charges Revenue (EECRt)**

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4415.3- \_\_\_\_\_ In estimating the EECRt, DCC has made a number of assumptions in relation to the forecast volume and prices of certain service in RY 2015/16. Many of those forecasts are set at zero, this is due to a variety of reasons, including:

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- \_\_\_\_\_ 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 services, whether it will ~~now not~~ be ordered in RY 2015/16, due to changes in milestones 2016/17.
- \_\_\_\_\_ Due to uncertainty in costs DCC has not included any revenue assumptions in relation to Security and Privacy Assessments.

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**Set Explicit Charges**

4415.4- \_\_\_\_\_ The values for following types of charges are set out in section A (Summary of Charges).

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4415.5- \_\_\_\_\_ 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).

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**4415.6-** 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).

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**4415.7-** 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.

**4415.8-** 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).

**4415.9-** 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~~ Total cost of Service Requests is approximately 0.2% of total External Costs
- ~~Less cost~~ It would be less costly and ~~complexity~~ complex for the billing system to recover ~~this cost~~ through Fixed Charges;
- ~~Simpler invoices~~ Invoices would be simpler with less reconciliation activity for SEC Parties; and
- ~~Greater~~ There would be greater cost certainty in advance of each Regulatory Year.

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**Indicative Explicit Charges**

**4415.10** 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.

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**4415.11** 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~~ Physical distance from the premises of the DCC Gateway Connection to the local exchange;

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- 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; **Formatted: Bulleted + Level: 1 + Aligned at: 1.27 cm + Indent at: 1.9 cm**
- Type of connection determined e.g. Ethernet, FTTC (Fibre to the Cabinet), ADSL (Asymmetric Digital Subscriber Line) and/or copper; **Formatted: Indent: Left: 1.9 cm**
- The amount of further work required, as determined by a physical site inspection; **Formatted: Bulleted + Level: 1 + Aligned at: 1.27 cm + Indent at: 1.9 cm** **Formatted: Indent: Left: 1.9 cm**
- The bandwidth requested by the party. **Formatted: Bulleted + Level: 1 + Aligned at: 1.27 cm + Indent at: 1.9 cm**
- 44.15.12 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: **Formatted: Indent: Left: 1.9 cm**
- The length of the contract i.e. 1-year or 3-year **Formatted: Bulleted + Level: 1 + Aligned at: 1.27 cm + Indent at: 1.9 cm**
- Type of connection determined e.g. Ethernet, FTTC, ADSL and/or copper; **Formatted: Bulleted + Level: 1 + Aligned at: 1.27 cm + Indent at: 1.9 cm**
- The bandwidth requested by the party. **Formatted: Indent: Left: 1.9 cm**
- 44.15.13 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. **Formatted: Bulleted + Level: 1 + Aligned at: 1.27 cm + Indent at: 1.9 cm** **Formatted: Indent: Left: 0 cm, Hanging: 1.27 cm**
- 15.14.14 The DCC Connection Ordering Guidance and associated forms are available on the DCC website, which set out the process for ordering DCC Gateway Connections. **Formatted: Indent: Left: 0 cm, Hanging: 1.27 cm**
- 44.15.15 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: **Formatted: Indent: Left: 0 cm, Hanging: 1.27 cm**
- The level of expertise required to carry out the relocation; **Formatted: Bulleted + Level: 1 + Aligned at: 1.27 cm + Indent at: 1.9 cm** **Formatted: Indent: Left: 1.9 cm**
- The number of days of effort required to carry out relocation.
- 44.15.16 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. **Formatted: Bulleted + Level: 1 + Aligned at: 1.27 cm + Indent at: 1.9 cm** **Formatted: Indent: Left: 0 cm, Hanging: 1.27 cm**

4415.17 \_\_\_\_\_ These charges are designed to pass through the expenditure from ~~the Panel~~ 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~~ secas@gemserv.com.

4415.18- \_\_\_\_\_ 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.

4415.19- \_\_\_\_\_ 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, ~~where. In this scenario,~~ DCC would provide an 'SM WAN for testing' ~~in exchange for the payment, subject to DCC, of~~ an Explicit Charge (see Section H14.31 and K7.5(h) of the SEC).

4415.20- \_\_\_\_\_ 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 ~~that charge~~ 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).

4415.21- \_\_\_\_\_ 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 ~~where applicable~~. 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). ~~A nano base station is a piece of equipment that is required to generate a CSP North test WAN at a test participant's site. The nano base station produces a long range radio WAN.)~~
- ~~\_\_\_\_\_~~ \_\_\_\_\_ 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).

4415.22 \_\_\_\_\_ The monthly charge recovers the costs of remote assistance to diagnose faults with equipment supplied, rectifying faults, ongoing

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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.

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4415.23- In some very limited cases a ~~customised~~customized 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.

4415.24- 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:

- The value of additional logistics; and
- The cost of storage and transport.

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15.25 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.

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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.

15.26 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

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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 value of additional logistics~~

~~• The cost of storage and transport.~~

~~14.25 CH wrong returns location: Where Parties return a Communications Hub to the wrong location (for example, to the wrong External Service Provider), DCC will recover the cost of this via an Explicit Charge in accordance with 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.~~

~~14.26-15.27 CH returned and redeployed: Parties may return Communications Hubs for a reason which is a CH User responsibility—these. These Communications Hubs will/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 of 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.~~

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**

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~~44.27-15.30~~ Parties may also be liable to pay for any expenses incurred by DCC which arise for activities not directly mentioned in Section K ~~for example, these. 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**

~~4516.1-~~ 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

~~4516.2~~ Worked examples 2 and 3 include Mandated Smart Meters and Smart Meters enrolled in DCC. ~~Although DCC does not anticipate any Smart Meters enrolled in DCC in RY 2015/16, it has been included in these examples~~ to illustrate how an invoice amount will be calculated.

**Example 1: Single fuel supplier**

~~4516.3~~ This example illustrates how charges will be calculated each month for a fictional SEC ~~party~~ Party Get Smart Electricity Ltd (GSE). GSE is:

•  An Import Supplier only

- ~~45 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

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4516.4 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.

16.5 Tables 15a and 15b shows an example 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 and Explicit Charges.

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4516.6 In this example, GSE will pay a total amount of ~~£905,904.53~~ £1,932,543.68. DCC will email two invoices to GSE; principal ~~Invoice £904,284.53~~ invoice £1,932,543.68 and secondary ~~Invoice £1,620.00~~ invoice £35,865 both including VAT. The total amount will be supported by a supplementary schedule detailing charges for each SEC Party.

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Fixed Charge for Mandated Smart Meters and Smart Metering Systems

Charging Group	Name	Premises Type	Region (r)	Actual Size of Charging Group (ADSM <sub>pgmt</sub> & ANSMS <sub>pgmt</sub> )	Monthly Fixed Charge (£ / meter) (RDFC <sub>gr</sub> & RNFC <sub>grt</sub> )	Total Monthly Fixed Charge
g1	Import <u>Electricity Suppliers</u>	Domestic	All	3,642,724	£0. <del>498382</del>	<del>£720,808.171.3</del> <u>91,520.57</u>
g1	Import <u>Electricity Suppliers</u>	Non Domestic	North	70,000	£0. <del>283573</del>	<del>£19,793.9240.1</del> <u>10.00</u>
g1	Import <u>Electricity Suppliers</u>	Non Domestic	South	30,000	£0. <del>464302</del>	<del>£4,918.369.060</del> <u>.00</u>
Total Monthly Fixed Charge						<del>£745,520.441.4</del> <u>40,690.57</u>

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Fixed Communications Hub Charge for Smart Metering Systems

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

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					<del>£754,920.441.6</del> <u>40,340.57</u>
Less Secondary Invoice (15%)					<del>(£1,350.0029.8</del> <u>87.50</u> )
Net Total Excluding VAT					<del>£753,570.441.6</del> <u>10,453.07</u>
VAT @ 20%					<del>£150,714.0932</del> <u>2,090.61</u>
Total Charges Including VAT					<del>£904,284.531.9</del> <u>32,543.68</u>

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| Table ~~45a~~16a – Principal invoice

Charge Name	Explicit Charge (£)
Proportion of Communication Hub Charges (15% x £9,000,175.610)	£1,350,029,887.50
VAT @ 20%	£270,005,977.50
Total Charges Including VAT	£1,620,035,865.00

Table 45b16b – Secondary invoice

**Example 2: Dual fuel supplier**

4516.7 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

4516.8 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

4516.9 Tables 46a17a and 46b shows an example 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.

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4516.10 In this example, GSDF will pay a total amount of ~~£811,695.09~~ £1,763,482.76. DCC will email two invoices to GSDF; principal Invoice ~~£810,075.09~~ £1,731,205.25 and secondary Invoice ~~£1,620.00~~ £32,277.52 both including VAT. The total amount will be supported by a supplementary schedule detailing charges for each SEC Party.

Charging Statement RY 2015/2016

**Fixed Charge for Mandated Smart Meters and Smart Metering Systems**

Charging Groups	Name	Premises Type	Region (r)	Actual Size of Charging Group (ADSMS <sub>pgmt</sub> & ANSMS <sub>pgmt</sub> )	Monthly Fixed Charge (£ / meter) (RDFC <sub>gr</sub> & RNFC <sub>gr</sub> )	Total Monthly Fixed Charge
g1	Import Electricity Suppliers	Domestic	All	2,076,353	£0.198382	£410,860.6579 3,166.85
g3	Gas Suppliers	Domestic	All	1,566,371	£0.149289	£234,042.0045 2,681.22
g1	Import Electricity Suppliers	Non Domestic	North	39,900	£0.283573	£11,282.5322,8 62.70
g3	Gas Suppliers	Non Domestic	North	30,100	£0.214433	£6,426.9613,03 3.30
g1	Import Electricity Suppliers	Non Domestic	South	17,100	£0.164302	£2,803.475,164 .20
g3	Gas Suppliers	Non Domestic	South	12,900	£0.124228	£1,596.962,941 .20
Total Monthly Fixed Charge						£667,012.571, 289,849.47

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**Fixed Communications Hub Charge for Smart Metering Systems**

Charging Groups	Name	Premises Type	Region (r)	Actual Size of Charging Group (ADSMS <sub>pgmt</sub> & ANSMS <sub>pgmt</sub> )	Monthly Fixed Charge (£ / meter) (RDFC <sub>gr</sub> & RNFC <sub>gr</sub> )	Total Monthly Fixed 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					£676,412.571,46

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Charging Statement RY 2015/2016

g4	Electricity Distributors	Non Domestic	North	39,900	£0.035071	£1,381,532.8 32.90
g4	Electricity Distributors	Non Domestic	South	17,100	£0.020037	£343,28632. 70
				Total Fixed Charge		£52,034.281 01.054.19
				Total Charges Excluding VAT		£52,034.281 01.054.19
				VAT @ 20%		£10,406.862 0.210.84
				Total Charges Including VAT		£62,441.141 21.265.03

Table 17 — Principal invoice

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







Charging Statement RY 2015/2016

		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.
Enduring Testing Approach Document	SEC A1.1	Means the SEC Subsidiary Document set out in Appendix [TBC], which is originally to be developed pursuant to Section T6 of the SEC (Development of Enduring Testing Documents).
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).

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Charging Statement RY 2015/2016

		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

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