



Making a positive difference  
for energy consumers

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cc. Smart DCC Ltd

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Date: 31 January 2019

Dear Company Secretary

**Smart Meter Communication Licence<sup>1</sup> (“the Licence”)  
Consent to reduce the notice period for proposing an amendment to the Service  
Charges in respect to price control determinations for Regulatory Year  
2017/18.<sup>2</sup>**

Conditions 19.9 and 19.10 of the Licence prohibits Smart DCC Ltd (“the Licensee”) from amending its Service Charges unless it has given Notice in the specified manner to the Gas and Electricity Markets Authority (“the Authority”). That Notice must be given not less than three months before the date when the Licensee proposes to amend its Service Charges<sup>3</sup>, except where the Authority otherwise consents.<sup>4</sup>

On 21 December 2018, the Licensee submitted Notice to the Authority of DCC’s Service Charges for the Regulatory Year ending 31 March 2020.

Under Licence Condition 36.4 the Licensee, in setting Service Charges for its Mandatory Business Services, must take all reasonable steps to secure that, in Regulatory Year t, its Regulated Revenue does not exceed a prudent estimate of its Allowed Revenue for that Regulatory Year. Under part G of licence condition 36, DCC is subject to a ‘Report and Direct’ penalty interest rate regime for any over-recovery from users beyond 110% of Allowed Revenue.<sup>5</sup>

On 31 January 2019, the Authority made a decision under Part B of Licence Condition 37 to exclude certain costs from any future calculations of the Licensee’s Allowed Revenue. The Authority determined an adjustment to the Baseline Margin Values specified in

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<sup>1</sup> The Smart Meter Communications Licences granted to the Licensee pursuant to Section 7AB(2) and (4) of the Electricity Act 1989 and Sections 6(1A) and (1C) of the Gas Act 1986 (such licences together referred to as ‘the Licence’).

<sup>2</sup> All terms used in this Notice shall have the meaning given to them under the Licence, unless expressly stated otherwise.

<sup>3</sup> Defined under Licence Condition 1.4 of the Licence

<sup>4</sup> Pursuant to condition 19.10 of the Licence

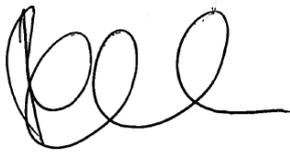
<sup>5</sup> [https://www.ofgem.gov.uk/system/files/docs/2016/05/decision\\_to\\_modify\\_smart\\_meter\\_communication\\_licence\\_for\\_dcc\\_penalty\\_interest\\_rate\\_web\\_version.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/05/decision_to_modify_smart_meter_communication_licence_for_dcc_penalty_interest_rate_web_version.pdf)

Licence Condition 36 Appendix 1, which has the effect of increasing the total sum by £2.012 million for RY 2019/20. The Authority also determined an adjustment to the External Contract Gain Share term in accordance with Licence Condition 39, which has the effect of increasing Allowed Revenue by total of £13.204 million over RY 2019/20-2024/25.

The Authority also distributed the BM adjustment of £6.769 million for the years 2016/17, 2017/18 and 2018/19 set out in Annex A of the notice published on 21 February 2018<sup>6</sup> across the years 2018/19, 2019/20 and 2020/21. This is to ensure that BMA awarded for multiple years is not recovered by DCC in a single year and would require DCC to return any over-recovery for the year 2018/19.

In accordance with Licence Condition 19.10 the Authority hereby consents to the Licensee giving less than three months' notice in respect of proposing an amendment to Service Charges for the Regulatory Year ending 31 March 2020 to reflect our determinations under the price control for Regulatory Year 2017/18.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rob Salter-Church', written in a cursive style.

**Rob Salter-Church**

**Director, Retail Systems Transformation**

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

**31 January 2019**

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<sup>6</sup> The Notice is available at:  
[https://www.ofgem.gov.uk/system/files/docs/2018/02/notice\\_of\\_price\\_control\\_decisions\\_determinations\\_and\\_directions\\_ry1617.pdf](https://www.ofgem.gov.uk/system/files/docs/2018/02/notice_of_price_control_decisions_determinations_and_directions_ry1617.pdf)

**Consent given by the Gas and Electricity Markets Authority ( the "Authority") pursuant to Licence Condition 19 (Charging Statement for Service Charges) of the Smart Meter Communication Licences granted pursuant to Sections 7AB(2) and (4) of the Gas Act 1986 and Sections 6(1A) and (1C) of the Electricity Act 1989 to Smart DCC Ltd ("the Licence").**

Whereas:

1. Smart DCC Ltd<sup>7</sup> (the "Licensee") is the holder of the Licence.
2. Under Condition 19.10 of the Licence, the Licensee may only amend its Service Charges in respect of any Agreement for Services if it does so in accordance with condition 19.9, except if the Authority otherwise consents.
3. Under Condition 19.9 of the Licence, the Licensee must give the Authority a Notice of its proposals to amend its Service Charges in respect of any Agreement for Services not less than three months before the date on which the Licensee proposes to make the amendments.
4. On 21 December 2018 the Licensee published its Services Charges for Regulatory Year 2019/20. These will be in effect between April 2019 and March 2020.
5. On 31 January 2019 the Authority gave its price control decision in relation to Regulatory Year 2017/18 (the "2017/18 price control"). This found that:
  - £1.016 million of Internal Costs and £0.291 million of Centralised Registration Service Internal Costs were not economically and efficiently incurred (the "Unacceptable Costs");
  - the proposed Relevant Adjustment to the Baseline Margin Values specified in Licence Condition 36 Appendix 1 shall be amended such that those Values are adjusted by increasing the total sum of £2.012 million for RY 2019/20, (the "Baseline Margin Adjustment"); and
  - the proposed Relevant adjustment to the External Contract Gain Share term in accordance with Licence Condition 39, which has the effect of increasing Allowed Revenue by total of £13.204 million over RY 2019/20-2024/25.
6. As a consequence of the 31 January 2019 price control decision the Authority directed the Licensee to:
  - exclude the Unacceptable Costs from the calculation of its Allowed Revenue under Licence Condition 36. This affects the value of the Allowed Revenue for Regulatory Year 2017/18, which in turn affects the calculation of Allowed Revenue for subsequent Regulatory Years;
  - reflect the Baseline Margin Adjustment in the calculation of Allowed Revenue in Regulatory Year 2019/20; and
  - reflect the proportion of the External Contract Gain Share adjustment in the calculation of Allowed Revenue in Regulatory Year 2019/20.

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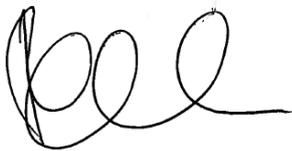
<sup>7</sup> Registered as a Company in England and Wales under Company Number 08641679.

7. The Authority notes that the Licensee has not been able to adjust its Services Charges for Regulatory Year 2018/19 to reflect these price control decisions of the Authority. The Authority therefore considers that consent should be given to the Licensee to amend the Services Charges in Regulatory Year 2019/20 to reflect these decisions.
8. As part of the 31 January 2019 price control decision, the Authority also distributed the BM adjustment of £6.769 million for the years 2016/17, 2017/18 and 2018/19 set out in Annex A of the notice published on 21 February 2018 across the years 2018/19, 2019/20 and 2020/21 and would require DCC to return any over-recovery for the year 2018/19.

**Now** the Authority consents as follows:

9. Pursuant to Licence Condition 19.10 of the Licence, the Licensee may give less than three months' Notice of proposed amendments to the Service Charges to reflect the outcome of the Authority's decisions in respect of the 2019/20 price control.
10. This document also constitutes a notice under section 38A of the Gas Act 1986 and section 49A Electricity Act 1989 of the reasons for the decision of the Authority to give this consent pursuant to the Condition.

Dated: 31 January 2019

A handwritten signature in black ink, appearing to read 'Rob Salter-Church', written in a cursive style.

Rob Salter-Church

Director, Retail Systems Transformation  
Duly authorised on behalf of the Gas and Electricity Markets Authority