Data Communications Company

DP218 'Review of the SEC Charging Methodology'

Summary of responses to the Consultation on the SEC Charging Methodology

Date: 01/08/2025
Author: consultations@smartdcc.co.uk
Classification: DCC Public

Table of Contents

1. Executive Summary

Use of the smart metering network has evolved over time as the network has scaled, unlocking a range of use cases for the Data Communication's (DCC's) customers. The DCC has a Licence obligation to review its charging structure and changing patterns of use have led to growing calls from customers to review the approach taken.

In response, in 2024, DCC initiated a review of SEC Charging Methodology via a public consultation process. This work was supported by Frontier Economics, a specialist economic consultancy who provided expert support in helping drive an appropriate and balanced approach for a licenced, regulated monopoly.

The consultation process began with a Request for Information (RFI) published in June 2024 which sought views on a broad range of potential changes that could be made to DCC's charging arrangements. This was followed by a second and final stage consultation, published in December 2024, which built from insights gathered through the RFI process.

Over the course of both consultations, DCC received 59 responses from stakeholders (including responses from the Department for Energy Security and Net Zero, "DESNZ") as well as extensive input through stakeholder engagement events and webinars.

Responses to the RFI indicated broad support to progress further thinking on two potential changes to charging. These were consulted on as part of the second stage consultation, and addressed:

- Adjusting fixed charge weightings – assessing the adequacy of the weighting factors which underpin DCC's existing approach to charging core User customers (Energy Suppliers and Electricity Network Operators).
- Introducing a new charge for Other User customers – identifying a DCC use of network charge (a variable cost charge) that could apply to this customer group.

Building from the feedback received as part of the second stage consultation process, and in considering the DCC's obligations under its Licence and the Smart Energy Code (SEC), DCC has concluded that it will:

- Update its fixed charge weighting factors which determine the recovery of DCC fixed costs. This approach is consistent with DCC's existing Licence and SEC obligations and drives a principle of cost reflectivity in how DCC costs are managed.
- Pause the introduction of a variable charge for Other Users of the DCC network. This will allow DCC to account for any potential policy decisions on a Smart Meter Energy Data Repository ("SMEDR"). A SMEDR would likely have a direct impact on DCC's variable cost model assumptions, potentially reducing the costs associated with data retrieval for all DCC customers. A pause on this proposed change also allows DCC to account for wider feedback provided by DESNZ, including the need to consider the competitive impacts of introducing variable charging for just one category of DCC customer.

DCC welcomes all of the engagement it has received from customers and wider stakeholders to date and appreciates that the conclusions of this charging review represent change for some DCC customers. In line with the engagement approach to date, DCC will continue to work closely with customers impacted by the changes through a robust programme of customer engagement. DCC will seek customer input on how data will be collected to inform new weighted charges, alongside other implementation considerations such as implementation timings and alignment with DCC's existing Charging Statement timetable and review dates.

A summary of the responses received to this final consultation, including clarifications on points raised and next steps, is set out in the remaining sections of this document.

2. Introduction

2.1. Purpose of this document

1. The purpose of this document is to summarise responses to the DCC's consultation on proposals to change the way the DCC recovers the costs associated with operating the smart metering network. This document also offers clarifications to issues raised by consultation respondents where it is possible to do so.

2. The consultation represented the latest step in a public consultation exercise which has run over the course of 2024 to understand the impacts of changes to DCC's charging approach. All insights gathered during the consultation process will be shared with DCC's regulator, Ofgem, and sponsor Government Department, the Department for Energy Security and Net Zero (DESNZ), to support decision making around potential change.

2.2. Context

3. The DCC is required by its Licence to keep its charging policy under review. There are currently a range of drivers prompting a re-examination of DCC's Charging Methodology, including increasing divergence between use of the DCC Network and DCC's own charging objectives set out in Section C 'Governance' of the SEC, as well as industry demand for change.

4. Any change to DCC's charging methodology could impact all SEC Party categories. Potential changes to charging will also be of interest to prospective DCC Users as well as organisations who use a third-party provider to access DCC services. Therefore, the consultation was open to all organisations and individuals to respond.

5. The consultation represented the next stage of the SEC modification DP218, 'Review of the SEC Charging Methodology'[1] which industry initiated to examine reforms to DCC charging. It was issued in line with the established SEC process for industry code modifications. Production of the content was supported by Frontier Economics – a specialist economic consultancy with expertise in the energy sector and other regulated utilities. Frontier's work was focused on:

   - drawing on its expertise as a leading energy market consultancy to support the development of charging options informed by, but not limited to, precedents from other regulated sectors;
   - advising on regulatory considerations such as cost recovery and competition law;
   - analysing the impact of different charging models, including distributional impacts of any changes to approach (ongoing analysis which will be published at a later stage); and
   - helping DCC understand industry feedback on the different models proposed, providing independence of thought.

2.3. Previous engagement

6. DCC has worked closely with the Smart Energy Code Administrator and Secretariat (SECAS) to ensure industry remains updated on assessments of the current charging framework and network usage. This has resulted in several industry meetings being held to date in which DCC has presented findings and sought industry feedback as part of the DP218 process. An industry webinar was also held during this consultation response period to give respondents an

[1] DP218 'Review of the SEC Charging Methodology'

opportunity to ask any questions about the options or questions set out in the consultation, before responding.

2.4. Consultation scope and next steps

7. The second charging consultation followed on from the initial Request for Information consultation and sought views on two potential areas of change:

   - Adjusting Fixed Charge weightings – an assessment of the adequacy of the weighting factors which underpin DCC's existing approach to charging core Users (i.e. Energy Suppliers and Electricity Network Operators).
   - Introducing a new charge for Other Users – proposals to introduce a DCC use of network charge (a unit rate) that could apply to Other Users has been undertaken.

8. The remainder of this document summarises the responses received in relation to the above two proposals, provides clarifications to queries raised and outlines the next steps DCC will take to introduce charging reforms.

3. Analysis of responses

3.1. Summary of stakeholder responses

9. DCC received 25 written responses to this consultation:

- Six from Large Energy Suppliers.
- One from a Small Energy Supplier.
- Seven from Electricity Network Parties.
- Four from Other SEC Parties (DCC Users).
- Two from Other SEC Parties (non DCC Users).
- One from the Department for Energy Security and Net Zero.
- Four from organisations not in the categories above.[2]

10. DCC and Frontier Economics have analysed the feedback provided. This section sets out a summary of the responses received to this consultation and DCC's responses.

3.2. Updating Fixed Charges for Core Users

3.2.1. Question 1

11. DCC sought views on the rationale and scope for updating the weighting factors used to apply charges for core Users.

Q1	Do you agree (yes/no) with the rationale and scope for updating the weighting factors used to apply charges for core Users (Energy Suppliers and Electricity Network Operators)? Please provide your rationale.

Respondent views

12. There were 20 responses to this question.

13. All Supplier Parties agreed with the rationale and scope for updating the weighting factors used to apply charges for core Users. They noted that charges should reflect current usage volumes and that the current split does not reflect this. Some Suppliers highlighted that any increase to the DNO costs for the DCC will effectively be passed through to Suppliers through the Distribution Use of System (DUoS) charge and that in effect, Suppliers would continue to pay 100% of the charge. Whilst this wouldn't lead to a tangible reduction in what Suppliers recover from consumers, it would make DCC charging more proportional and reflective of current usage.

14. One Supplier noted that no change to the weighting factors for core Users may simplify charging. However, they acknowledged that this approach would not allow DCC to meet all its Licence Conditions. Referring to the increase in traffic seen from Other Users, one Supplier considered it is no longer appropriate that Other Users remain exempt from DCC charges. In the absence of a usage-based charge as proposed in this consultation, one Supplier considered that Other Users

[2] This category includes trade bodies and organisations who are clients of market intermediaries, where those market intermediaries are users of the DCC network. The categorisation follows SEC Party categorisation definitions.

should be included in the Charging Groups in scope for a share of Fixed charges.[3] Two Suppliers considered the frequency with which the weighting factors are reviewed, with one suggesting this should be carried out annually, and another suggesting it could be every two years.

15. All Electricity Network Operators challenged the rationale and scope for updating the weighting factors. They considered that insufficient evidence had been provided to support the reported increase in network traffic by Electricity Network Operators. One Electricity Network Operator stated that the underlying analysis of network usage was flawed, noting they had not been asked to contribute to the forecast Service Request volumes. One Electricity Network Operator recommended DCC work collaboratively with Network Operators on their Network Operator forecasting and asked for sight of the evidence underpinning DCC's proposals to re-weight Fixed Charges. Electricity Network Operators also highlighted that the scope of the review had diverged from the original problem statement considered by the Smart Energy Code Company (SECCo) Board which focused on increased Other User usage. Two Electricity Network Operators questioned the timing of the review given the ongoing proposals for establishing data repositories. They referenced work on the SMEDR and its potential to minimise traffic through DCC Systems. Therefore, they considered work on re-weighting Fixed Charges should be paused until the work on data repositories reaches a conclusion.

16. One Other SEC Party and two non-categorised organisations agreed with the rationale and scope for updating the weighting factors, noting that the weighting factors should reflect the actual usage of DCC's network. Two Other Users, an Other SEC Party and a non-categorised organisation disagreed with the rationale and scope for updating the weighting factors used to calculate charges for core Users. They all noted that costs are ultimately recovered from consumers via Suppliers and therefore, any changes to weighting factors would have limited impact. One organisation challenged the entire principle of weighting factors, suggesting that Suppliers should pay all DCC Charges as they are the only party with a defined and guaranteed way to recover these costs directly from consumers.

3.2.2. Question 2

17. DCC sought comments and insights on the re-weighting of Fixed Charges and the impact on how Energy Suppliers and Electricity Network Operators use the DCC network.

Q2	Would re-weighting Fixed Charges impact how Energy Suppliers and Electricity Network Operators use the DCC network? If so, do you have any suggestions on how else DCC could continue to support efficient use of the DCC network? Please provide your rationale and include evidence to support this where possible.

Respondent views

18. There were 20 responses to this question.

19. Six of the seven Suppliers that responded did not agree that the re-weighting of Fixed Charges would have any impact on use of the DCC network. They considered that core Users have inelastic demand for usage of DCC's system and data and that there is little incentive for these Users to reduce traffic. One Supplier suggested that Users be incentivised to use Scheduled Reads, allowing DCC a 24-hour service level agreement (SLA) to spread out traffic over a period whilst maintaining the priority on core activities. Whilst they didn't consider the proposals would impact core User usage, one Supplier noted other potential benefits, such as increased scrutiny of

[3] DCC considered in the previous RFI the possibility of applying fixed charges to OUs. DESNZ disagreed with recovering fixed costs from Other Users given the scale of DCC's fixed costs and DCC noted there was no reasonable metric on which this could be achieved.

DCC Fixed costs by Electricity Network Operators and costs associated with SEC Modifications. One Supplier agreed the proposals would impact DCC network usage by incentivising core Users to reduce Service Reference Variant (SRV) volumes.

20. Electricity Network Operators provided various views on the impacts on network usage. Three Network Operators agreed that re-weighting charges would impact how Suppliers and Electricity Network Operators use the DCC network. One noted it could result in the re-distribution of core User costs with a three-to-four-fold increase in Network Operator fixed charges. They raised a concern that these changes could disincentivise Users from innovative use of the network. This was based on the following perceived exclusions and limitations of the proposed solution which they requested DCC address before taking the proposals further:

- The solution is not fully cost reflective of the service Users receive;
- It does not include modelling for disincentives; and
- analysis of the price cap model does not capture the impact on non-domestic consumers so the impact on consumer charges is not clear.

21. Another Electricity Network Operator noted the proposals would have a material impact on Electricity Network Operators and in turn, a negative effect on the network, if they were forced to find a way of scheduling their reads to reduce their usage, adding that some traffic cannot be scheduled or moved. An Electricity Network Operator requested DCC release the data which demonstrates how they have amended their usage in line with DCC's guidance. Referring to Net Zero targets, they highlighted that any trials to identify new and innovative ways of using Smart Metering Data would need to be re-evaluated. This was due to any cost savings of such initiatives being negated by the increased network usage costs.

22. Section 2.3.2 of the consultation set out how DCC had aligned the proposals for the re-weighting of Fixed Charges with guiding principles. Referring to these principals, one Electricity Network Operator disagreed with DCC considering limitations at this point in the roll out. They noted it was inappropriate to be introducing constraints instead of investigating what the DCC could do to drive its own improvements and efficiencies.

23. One Electricity Network Operator noted its RIIO[4]-ED1[5] submission to Ofgem where it presented the benefits that could be delivered to consumers and to the Government's Net Zero targets from the use of anonymised smart metering data. They highlighted that an increase to the weighting factor applied to Fixed Charges would impact their ability to deliver the forecasted benefits, given the proposed increase from 6% to potentially 22%.

24. One Electricity Operator believed there to be opportunities to maximise efficiency to mitigate the requirement for re-weighting of Fixed Charges, and suggested a SMEDR could aid with this.

25. One Electricity Network Operator advised that inadequate information had been provided to allow it to provide a substantive response. However, they noted the following in relation to the impact on DNO cost recovery processes:

- Use of System Charges are published 15 months before they take effect, thus increasing short-term cash flow risk to DNOs;
- This may increase costs to consumers through the application of standard time value of money adjustments e.g. if too little money is recovered based on a lower cost forecast (i.e. actual costs where higher) that is then recovered in later years; and

[4] Revenue = Incentives + Innovation + Outputs (RIIO)
[5] RIIO-ED1: The price control review for the Electricity Distribution Network Operators that ran from 1 April 2015 to 31 March 2023.

- The increased amounts probably, and by default, will be reflected in consumers' standing charges with around 40% typically allocated to domestic consumers and the remaining 60% being allocated to non-domestic consumers.

26. Two Other SEC Parties and two non-categorised organisations did not believe the proposals would impact how Suppliers and Electricity Network Operators use the DCC network. They considered that given costs are ultimately passed through to consumers, there is little incentive applied through the weightings to seek savings or increase efficiency. One Electricity Network Operator considered that the increase in charges for Electricity Network Operators could discourage their use of the DCC network and lead to reliance on less efficient alternatives. They added that Suppliers may have less incentive to optimise their network use.

27. One non-categorised organisation agreed that re-weighting charges would likely influence User behaviour. They suggested that high charges for Electricity Network Operators may encourage them to optimise their data requests or invest in alternative solutions. However, they also acknowledged that Suppliers, who would see cost reductions, may have fewer incentives to improve efficiency. To further encourage efficient network use, the respondent suggested the following also be considered:

- Introduction of differential pricing for scheduled versus real-time data retrieval to smooth out demand peaks.
- Establishment of industry-wide best practices for minimising unnecessary data requests.
- Improved forecasting and analytics to align pricing signals with network congestion levels.

3.2.3. Question 3

28. DCC sought views on the distributional impact that re-weighting of Fixed Charges would have for end consumers.

Q3	Do you agree (yes/no) with the assessment of the distributional impact for end consumers of re-weighting Fixed Charges? Please explain your rationale and include evidence to support this where possible.

Respondent views

29. There were 21 responses to this question.

30. One Supplier considered a £2.12 reduction per customer per year in the overall impact on an average dual fuel consumer's gas and electricity bills appeared reasonable. Another Supplier noted a reduction in DCC charges to Suppliers would be offset by DUoS charges.

31. Three Suppliers agreed with the distributional impacts for consumers as a result of re-weighting Fixed Charges. One added that non-domestic charges will be impacted by this re-weighting due to the process of DUoS charging, although it is unclear how big the impact would be.

32. One Supplier disagreed with the assessment of the distributional impact for end consumers of re-weighting Fixed Charges. They noted it is within each Supplier's gift to decide how to recover any costs. They added that although retail organisations must control their charges to consumers and do what is best for them, it does not mean all costs are borne by consumers. However, for DUoS charges, they considered this cannot be controlled as it was an intrinsic element of the Standing Charges that are spread across all consumers, whether enrolled in the DCC System or not.

33. Six of the seven Electricity Network Operator respondents disagreed with the assessment of the distributional impact for end consumers of re-weighting Fixed Charges. They noted that as DCC costs are a pass-through cost item, re-weighting the Fixed Charges to increase network charges

may expose non-domestic consumers to greater costs. Therefore, charging them is not reflective of where the cost is being incurred. Three respondents highlighted that DCC's assessment only considers the impact on domestic consumers, but that any increases in costs are borne by all consumers, not just those benefitting from smart meters, as these are passed through via DUoS charges.

34. Two non-categorised organisations and an Other SEC Party agreed with DCC's assessment. One respondent added that the shift in costs from Suppliers to Electricity Network Operators must not simply be passed to consumers via other pricing mechanisms, such as DUoS charges.

35. Four respondents from the Other User, Other SEC Party and non-categorised organisations did not agree with DCC's assessment. They considered the proposals could have unintended consequences by resulting in higher costs for non-domestic consumers, especially those who are not subject to the price cap. This redistribution may not be equally distributed across consumer segments, with smaller businesses and non-domestic customers potentially facing higher costs. They added that as Suppliers pass DCC charges to end consumers, the increased costs for Electricity Network Operators may not be fully offset by the reductions in other areas. They considered that this would likely lead to increased costs for certain consumer segments, particularly those outside the price cap model. Finally, they highlighted that Electricity Network Operators recover their costs directly from Suppliers. Therefore, the increased DCC charges that Electricity Network Operators would face could lead to higher costs for Suppliers, which may ultimately be passed on to the end customer. One respondent also noted that increasing DCC charges to Network Operators could increase DUoS charges for consumers that do not have DCC-enrolled SMETS meters.

3.2.4. Clarifications on issues raised by respondents

36. In this section, DCC provides clarifications on some key themes raised by respondents in relation to the proposal to update Fixed Charges for core Users.

Evolving scope of DP218

37. A number of Electricity Network Operator respondents noted that the scope of the charging review had significantly diverged from the original intent of DP218, which was initially focused on the impact of Other Users on DCC's network.

38. While DCC acknowledges that the increase in network traffic by Other Users was a key driver behind DP218, DCC's intention was to carry out a holistic review of the SEC Charging Methodology. DCC did this taking into account all DCC User and DCC obligations, particularly in the wider context of DCC's Licence renewal and transition to an ex-ante regulatory framework.[6]

Using weighting factors to determine Fixed Charges

39. As noted previously, other parties consider that all of DCC's costs are ultimately recovered from consumers via Suppliers, meaning that any changes to weighting factors would have minimal impact. One organisation further questioned the fundamental rationale behind the use of weighting factors altogether.

40. DCC's Licence requires that its core Mandatory Business be funded through charges on Users, a principle that will continue under DCC's future regulatory framework.[7] Specifically, the Charging Methodology with weighting factors is outlined in SEC Section K3.13. This clause sets out the

[6] See DP218 'Review of the SEC Charging Methodology', Request for Information (RFI) (April 2024), section 1.3.
[7] See Ofgem's decision, DCC Review: Phase 1 (August 2023), page 36.

formula for determining the weighting factors,[8] ensuring they are aligned with usage coming from each Charging Group.

41. Further, DCC's view is that although charges are ultimately recovered from consumers, updating these charges periodically to ensure that they reflect network usage will send better cost signals and create incentives for different user groups to take into account the impact of their network usage.[9]

Weighting factors calibration

42. A number of Electricity Network Operators felt that the evidence provided was insufficient to justify the expected increase in network traffic by Electricity Network Operators. This expected increase led to a higher weighting factor underpinning the Fixed Charge they paid in the illustrative example presented in the consultation document.

43. As stated in the consultation document, the weighting factors used in this initial analysis were indicative and intended to inform the methodology for updating them.[10] In response to these concerns, DCC provided further clarifications to Electricity Network Operators through engagement in the first quarter of 2025. DCC remains committed to ongoing collaboration with the Network Operator (and Energy Supplier) community to ensure transparency around the data that will be used to update the weighting factors.

Achieving smart meter benefits

44. The majority of Electricity Network Operators expressed concerns that a significant increase in their Fixed Charges could affect how they use the network and limit their ability to realise the expected benefits of smart meters.[11] Additionally, they faced uncertainty over whether DCC's Fixed Charges would continue to be treated as a pass-through cost in the upcoming RIIO-ED3 price control period, starting in 2028.

45. DCC remains committed to working with DESNZ and Ofgem to ensure that its charges support the business case for smart meters and to review how DCC's costs are recovered through end-consumers' bills (alongside electricity network costs and energy supply costs).

Distributional impact analysis

46. A number of respondents considered that the distributional analysis based on the price cap model did not provide a comprehensive assessment of potential distributional impacts, given the complex interlinkages with other charging models and industry practices used to determine energy charges. A particular concern was the lack of evidence on the impact for non-domestic consumers, as well as the potential effects on the standing charge, which is currently under review by Ofgem.[12]

[8] Smart Energy Code, K3.13: "For Fixed Charges, the "Charging Group Weighting Factors" to apply to each Charging Group in respect of each Regulatory Year are to be determined by the DCC in accordance with Section K3.12, and set out in the Charging Statement for that Regulatory Year. The DCC shall make such determination based on its estimate of the demand of persons within each Charging Group for each of the Services other than the Elective Communication Services. Prior to the start of the UITMR Period7, such estimates of demand will be based on assumptions for the Regulatory Year starting on 1st April 2021. Once data on usage becomes available the estimates will be determined as the average of the previous two full Regulatory Years of actual data plus the DCC's forecasts for the two Regulatory Years ahead"

[9] See DP218 'Review of the DCC Charging Methodology', Consultation on proposed changes to DCC charges (December 2024), section 2.3.2.

[10] See DP218 'Review of DCC's Charging Methodology', Consultation on proposed changes to DCC charges (December 2024), paragraphs 31-32.

[11] DESNZ identified and quantified six network benefits that could be realised using smart metering data (including alerts) in their 2019 Smart Meter Roll Out Cost Benefit Analysis. These include: better informed decisions regarding network reinforcement, reduced cost to serve new connections, earlier fault notification, faster restoration of supply, reduction in operational costs to fix faults, reduction in calls to fault and emergency lines.

[12] See Ofgem's consultation on introducing a zero standing charge energy price cap variant (February 2025)

47. DCC and Frontier Economics recognised these limitations in the consultation document,[13] specifically that the impact analysis relied on publicly available models (in particular Ofgem's price cap model and Electricity Network Operators' Common Distribution Charging Methodology (CDCM) models). Also, whilst the price cap applies to most domestic consumers on Standard Variable Tariffs (approximately 27 million customers as of July 2024), for other domestic consumers (subject to fixed or other bespoke tariffs), and for non-domestic consumers, Suppliers set tariffs on a commercial basis. For these consumers, it is therefore not possible to determine the impact of a reweighting on tariffs.

48. However, DCC did note that it did not expect to see a material distributional impact for these consumers. This is considering that Suppliers would ultimately pass through the same set of DCC costs to end consumers, regardless of whether these are initially allocated to Electricity Network Operators or Suppliers. Therefore, DCC would not expect commercial decisions on tariff offerings to be materially changed.

49. DCC also recognises that how its charges flow through to end-consumer bills depends not only on how the publicly available models work but also on broader commercial practices adopted by Suppliers. DCC views this analysis as an initial step toward further industry discussions to prevent distortions or unintended consequences in how its charges are applied.

3.3. Introducing charges for Other Users

3.3.1. Question 4

50. DCC sought views on the rationale and scope for introducing charges for Other Users.

Q4	Do you agree (yes/no) with the rationale and scope for introducing charges for Other Users? Please provide your rationale.

Respondent views

51. There were 25 responses to this question.

52. DESNZ did not agree with the rationale and scope for introducing charges for Other Users. They considered the proposals to be inappropriate and unlikely to deliver a beneficial outcome for end-consumers. They added that levying a transaction charge on Other Users but not any other SEC Party categories, such as Suppliers, would mean that Other Users are competitively disadvantaged when serving consumers. They cited an example of an Other User that is competing with a Supplier to give energy efficiency advice. If that Other User needs to use one or more Service Requests to support the advice it gives the consumer, it would face incremental charges for giving that advice that would not be faced by the Supplier. Therefore, DESNZ considered the proposal to be inconsistent with SEC Policy Objectives for charging, which states that Charging Methodology must result in Charges that do not restrict, distort, or prevent competition in Commercial Activities that relate to the Supply of Energy under the Electricity Act and the Gas Act.

53. Of the seven Suppliers, six agreed that charges should be introduced for Other Users and one Supplier sought more examples of Other User network usage to better understand the charging proposals. Of the six that agreed, they considered that all beneficiaries of the DCC network should pay to some degree. They noted the increasing usage from Other Users, with the trend expected to continue.

[13] DP218 'Review of the DCC Charging Methodology', Consultation on proposed changes to DCC Charges (December 2024), Section 2.3.1 'Impact on end-consumer bills'.

54. One Supplier highlighted the impacts of upcoming modifications such as MP234 and MP235,[14] which, when combined with other developments such as the introduction of virtual gateway connections, could result in much higher than predicted traffic growth. They considered that without any pricing signals that reflect the incremental costs of providing data there is potential for unconstrained growth in demand on the DCC network. Whilst they do not seek to limit innovation, they considered the DCC network should be recognised as Critical National Infrastructure with mechanisms to prevent core services being impacted by voluntary new Users acting without constraints. Therefore, they considered an appropriate charge for Other User usage to be a key first step protecting the DCC network, alongside better demand management.

55. Five Electricity Network Operators agreed with the rationale and scope for introducing charges for Other Users. They considered that all users of the DCC network should make a contribution to DCC costs and highlighted the increasing usage from Other Users. Two respondents added their support for a materiality threshold, ensuring small scale innovators can still benefit from cheaper access to the network. However, one of these respondents repeated concerns with the data underpinning DCC's forecasts.

56. One Electricity Network Operator disagreed with the proposals. They acknowledged the growing number of DCC Users that don't contributing to its funding. However, they considered current arrangements are easy to administer and manage, which they consider ultimately benefits the end consumer.

57. One Electricity Network Operator considered the proposals may provide a satisfactory starting point, but they highlighted a lack of indication of how they may evolve. They also cited DCC's statement that there has been an increasing interest from organisations seeking to use the DCC network. They underlined a lack of information as to who the current and prospective Other Users are, in terms of what type of organisations they are, what services they may be offering their customers, or what type of data they retrieve. They noted that many current and potential future Other Users offer services to their customers under a commercial agreement. Therefore, lower-cost use of the DCC network potentially offers Other Users significant financial benefits.

58. Nine respondents from the Other User, Other SEC Party and non-categorised organisations responded to this question. Five respondents disagreed with the rationale and scope for introducing charges for Other Users. They considered the proposals would increase costs, slow innovation, and reduce choice for end customers. Respondents noted that Other Users will inevitably seek to recover these charges from the end customer, which could result in a notable increase in costs. One respondent highlighted the already significant costs to Other Users in integrating with DCC's network.

59. One Other User noted the administration and verification of these new charges would create further overheads for both Other Users and DCC, which would also need to be funded. They considered this will likely introduce dispute resolution complexities, adding additional administrative costs and inefficiencies. They added the impacts would be particularly felt by small-scale innovators and startups. Another respondent commented that the proposal risks stifling academic research, innovation, energy saving and demand shifting, all of which contribute to reducing energy costs overall for everyone.

60. Three Other Users and one non-categorised respondent also objected to the proposal of variable charges only being applied to Other Users rather than equally applied to all DCC Users. They noted this would likely distort the market for data services and give core Users an unfair advantage.

61. One Other SEC Party and one non-categorised respondent agreed with the rationale and scope for introducing charges for Other Users. They considered it would result in a fair approach whereby all Users of the DCC network contribute to its funding. One respondent highlighted that

[14] Both of these SEC modifications are seeking to improve and simplify Other User access to smart metering data.

the introduction of charges should be proportionate, encourage efficient network use and ensure that savings for core Users translate into system-wide benefits rather than merely shifting costs among participants. They also highlighted that consideration should be given to the impact on managed service providers who funnel Other User traffic. Considering their role in performing critical roles, across half hourly, non-half hourly and in future Market-wide Half-Hourly Settlement (MHHS) related roles, the impact of changing their revenue streams could be felt beyond the smart ecosystem.

62. One non-categorised organisation advised that smart meter data constitutes an integral component of their current and future service offering. They added their use of smart meter data not only supports energy efficiency but plays a critical role in addressing broader societal issues such as fuel poverty and public health. Therefore, they highlighted that ensuring affordable access to this data is essential, not only from a business standpoint but also to support the wider social objectives aligned with national health and housing policies. Whilst they recognised the need for cost-reflective charging, they believed it to be important to ensure that any cost increases are proportionate and accompanied by clear benefits for users. They added that modest increases in charges could be acceptable if they are linked to tangible improvements in service delivery. However, significant or disproportionate increases could pose challenges to the sustainability of business models and, by extension, to the broader objectives of energy efficiency and social equity. They concluded by highlighting the need to strike a balance between encouraging innovation and maintaining fair access to the smart meter network, particularly in support of the UK's Net Zero goals.

3.3.2. Question 5

63. DCC sought views on the use of a Short Run Incremental Cost (SRIC) approach for calculating a unit rate to charge Other Users.

Q5	Do you agree (yes/no) that using a Short Run Incremental Cost (SRIC) approach is the most appropriate, at this stage, for calculating a unit rate to charge Other Users? Please provide your rationale.

Respondent views

64. There were 21 responses to this question.

65. DESNZ noted that any transaction charges must genuinely reflect the costs of the transaction, otherwise the usage of the system could be artificially distorted. DESNZ highlighted that the DCC consultation states that identifying a precise marginal cost is challenging due to the complex and varied nature of DCC's contracts with its Service Providers.

66. Of the six Supplier respondents, four agreed that the SRIC approach would be the most appropriate for calculating a unit rate charge to Other Users. However, one highlighted the complexity in establishing the cost per SRV, particularly where there would be a need to eliminate retries of SRVs and the associated responses from any charges. Another Supplier also considered that whilst SRIC may be most appropriate now, it may not be in the future. They suggested the Long-Run Incremental Cost (LRIC) approach could be better suited in the future whilst recognising that another review of the DCC Charging framework could be more costly and complex.

67. Two Suppliers disagreed with the use of SRIC and preferred the use of LRIC. One added their preference for the lowest materiality threshold and calculated a potential saving of up to £1.50 per domestic meter per month, across the industry. One Supplier also disagreed with DESNZ's suggestion to apply the principles of Ramsey Pricing, where fixed costs are recovered from the least elastic demand, citing a lack of evidence. They also suggested DCC consider its legal position from a competition law perspective in terms of undue differentiation between Users.

68. One Electricity Network Operator supported SRIC. They considered it to be the lowest cost of all cost options and the most straightforward. They noted the importance for the overall cost of

usage to be as low as possible to protect the Other User category, whilst remaining fair to other DCC User categories.

69. One Electricity Network Operator disagreed with the SRIC approach. They noted that at any point the approach is changed in a way that increases costs to Other Users, they may amend their usage in a way which results in lower revenues for DCC. Instead, they suggested using either LRIC (approach 2) or LRIC bottom-up (approach 3), as these may be more stable platforms moving forward.

70. Three Electricity Network Operators did not offer a specific view on the potential cost approaches but offered various insights to consider. Concern was raised with Other Users being expected to pay for each SRV. This was considering the failure detection rates and faults currently experienced with the DCC service delivery, any transactional charging approach could give raise to an onerous disputes process. Another respondent noted that even if SRIC is the most transparent approach, this would not negate the need for another review of the methodology in the future due to the increasing demand from Other Users.

71. Seven respondents from the Other User, Other SEC Party and non-categorised organisations responded to this question. Three respondents agreed with using a SRIC approach, although one suggested that as demand grows, a transition to a LRIC model may be necessary. This they considered would ensure that DCC's capacity expansion costs are fairly distributed. The other four respondents from the Other User, Other SEC Party and non-categorised organisations disagreed with the SRIC approach. They all considered that the approach assumes that all SRVs are successful and that DCC can detect and assess all failures and faults correctly within its infrastructure.

3.3.3. Question 6

72. DCC sought views on whether Other User charges should be differentiated based on scheduled and on demand messages.

Q6	Do you agree (yes/no) that Other User charges should be differentiated based on scheduled and on demand messages? Please provide your rationale.

Respondent views

73. There were 21 responses to this question.

74. All six large Supplier respondents agreed that Other User charges should be differentiated based on scheduled and on demand messages. They agreed it would encourage scheduled messages to be sent at off-peak times, avoiding capacity constraints. One Supplier noted that on-demand requests, sent during 'peak' periods can, and have, negatively impacted Suppliers and Network Operators' ability to maintain and manage customers. They added this is particularly prevalent during times of increased usage due to price changes and other Industry led requirements.

75. Three Electricity Network Operators agreed that Other User charges should be differentiated based on scheduled and on demand messages. They noted that encouraging Other Users to use scheduled messages so that DCC can schedule them at 'off peak' times should minimise network investment.

76. One Electricity Network Operator highlighted the potential introduction of a SMEDR based on the following assumptions:

- All Users are able to submit scheduled requests for data to the DCC who then manage and run these schedules to retrieve the data and return to the Users.

- DCC has the capability to manage the schedule start and run time to balance traffic across its network to ensure its system is not unnecessarily stressed at any time during a 24-hour period each day i.e. across peak and off-peak times.
- DCC could also regulate the scheduled traffic across their network to balance when on occasions there is high traffic from on-demand SRVs.

77. One Electricity Network Operator noted the varying ways Other Users use the network may prevent reliance on a single method.

78. Seven respondents from the Other User, Other SEC Party and non-categorised organisations responded to this question. Three respondents agreed that Other User charges should be differentiated based on scheduled and on demand messages. One respondent commented that an order of magnitude of x10 difference would be more appropriate than the doubling (x2) suggested in the consultation document. Another respondent suggested an alternative to differentiating based on scheduled and on demand messages could be messages based on peak and off-peak times. Other factors included message size and the number of duplicated messages. One responded added that in addition to differentiated charges, Service Request orchestrations across the industry should be addressed. This is because many organisations of similar type do the same thing differently, which not only has an impact on DCC's network and traffic, but also on devices.

79. One non-categorised respondent and one Other User believed that DCC charges should be fully cost-reflective of the actual costs incurred. However, they requested clarification on how on-demand messages incur greater cost to the DCC compared to scheduled messages. They also considered the lack of differential pricing between Device-only and DSP-only messages is not reflective of the costs incurred by DCC. They commented that these two types of messages likely have different processing requirements and should be priced accordingly to better align with the costs associated with each.

80. Two Other Users and an Other SEC Party disagreed with the proposal to differentiate based on scheduled and on demand messages. One respondent reiterated that they disagreed with Other User charges altogether. One respondent noted that only Service Requests for data retrieval can be scheduled, whereas multiple Service Requests for Other User activities, such as retrieving tariffs and checking inventory, cannot. They added that Other Users can only submit a limited set of Service Requests, not the 130 referenced in the consultation. Another respondent noted that differential pricing is only justified if one type of message genuinely leads to higher costs. They considered that peak DCC demand is driven by scheduled messages rather than on-demand messages. Therefore, they highlighted the risk that introducing a higher price for on-demand messages could lead to increased traffic.

3.3.4. Question 7

81. DCC sought views on whether Other User charges should be used to reduce core User Fixed charges, and DCC's proposed approach for doing so.

Q7	Do you agree (yes/no) that Other User charges should be used to reduce core User Fixed charges, and with the proposed approach for doing so? Please provide your rationale.

Respondent views

82. There were 20 responses to this question.

83. All six Supplier respondents agreed that Other User charges should be used to reduce core User Fixed charges. One Supplier proposed this should be implemented as a within-year forecast reduction, rather than a retrospective refund, allowing end-consumers to benefit sooner. They

also suggested smaller retrospective adjustments could happen in the following Regulatory year. One Supplier considered that without a revenue adjustment mechanism offsetting Fixed Charges, DCC would effectively be charging end-consumers twice.

84. Five Electricity Network Operators responded to this question, and all agreed that Other User charges should be used to reduce core User Fixed charges. One respondent supported a lagged approach while Other User traffic remains low, then switching to an ex-post charging method once Other User traffic reaches a specific threshold. Another respondent noted the need to prevent DCC from over-recovering its allowed revenues and ensuring that end-consumers are not charged twice for use of the DCC network. Whilst they supported the proposal, one respondent raised concern with the ex-post 'true-up' mechanism. They considered that closure of one charging year e.g. 2024/25, will not be known until after the end of that charging period, and that Charging Statements are prepared in advance of the new charging year. Therefore, they highlighted that unless the plan is to amend Fixed Charges mid-year e.g. 2025/26, the revised Fixed Charges would not come into effect until 2026/27. They added that this would apply to any following regulatory year.

85. Eight respondents from the Other User, Other SEC Party and non-categorised organisations responded to this question. Six respondents disagreed that Other User charges should be used to reduce core User Fixed charges. They considered that the scale and impact of core User Fixed charges were primarily driven by the activities and needs of core Users, not by the Other User community. Therefore, using Other User charges to offset core User fixed costs would be unfair and not cost-reflective. Some respondents also highlighted the proposals would have the opposite effect and increase costs to core Users.

86. One Other SEC Party and one non-categorised respondent agreed that Other User charges could be used to reduce core User Fixed charges. One added that care must be taken to ensure the following:

- Revenue neutrality – The system should not over-recover from Other Users, leading to unintended cost burdens elsewhere.
- A fair adjustment mechanism – If Other User revenues are volatile, smoothing mechanisms should be implemented to avoid large fluctuations in core User charges.
- Regulatory oversight – Ensuring that reductions in core User charges genuinely flow through to end consumers.

3.3.5. Question 8

87. DCC sought comments and insights on the assessment of the impact of introducing variable charges for Other Users.

Q8	Do you agree (yes/no) with the assessment of the impact of introducing variable charges for Other Users? Do you have any concerns around the impact of this change, and if so, can you provide views on how it can be mitigated? Please provide reasons for your response and include evidence to support this where possible.

Respondent views

88. There were 21 responses to this question.

89. DESNZ raised concern that the structure of the proposed charges would be anti-competitive. They noted that the proposals could incentivise Other Users to limit the size of their business to avoid the charges and remain competitive with Suppliers, who would not face the equivalent usage-based charges.

90. Five of the six Supplier respondents agreed with DCC's assessment of the impact of introducing variable charges for Other Users. One of these Suppliers raised concern with the high costs of using the DCC Services in general, which will act as a disincentive to Other Users using the DCC network. However, they considered that this is not a reason for Suppliers to bear the costs for Other Users. One Supplier noted the impact of the proposed changes appear to be minimal except in instances of very high User usage, which is expected given those are the Users with the most material impact on the DCC network.

91. One Supplier partially agreed with DCC's assessment. They suggested the proposed threshold of 10 million SRVs per annum should be reduced to 1 million SRVs per annum. They noted that at present, this would only capture an additional one Other User, generating between £45k and £270k per year. They also considered the concern that the proposals may disincentivise small scale innovators and not-for-profit organisations from using the DCC network. They noted a 'free allowance' of 1 million SRVs would still be sizeable, allowing a small-scale innovator to be generating 2,700 individual SRVs per day. Additionally, they highlighted the importance of not being misled by the terms 'small scale innovators' and 'not-for-profits' as many such entities may in fact be very well funded. They added that it implies making a judgement, often without evidence, on the extent to which different classes of Users are 'innovative'.

92. Four Electricity Network Operators agreed with the assessment of the impact of introducing variable charges for Other Users. One respondent supported the use of a materiality threshold to protect smaller Other Users but considered the proposed two-yearly review cycle to be too infrequent. One respondent commented that a threshold of 10m Service Requests per year seems a sensible starting point. However, they disagreed with the discount for using scheduled Service Requests.

93. One Electricity Network Operator did not have a specific view on DCC's assessment but highlighted the importance of transparency in any methodology. They also suggested that Other Users should be required to provide DCC with demand forecasts in line with the requirements on core Users. This would support DCC with assessing its network capacity, performance and proposed charges.

94. Eight respondents from the Other User, Other SEC Party and non-categorised organisations responded to this question. Two respondents agreed with DCC's assessment but noted the following considerations. One considered the need to strike a balance with Other Users over affordability whilst achieving volumes that make the use of DCC a long-term viable proposition. The other respondent re-iterated their view that on-demand SRVs should be more than twice as expensive as scheduled reads.

95. One non-categorised respondent agreed the proposals are reasonable, but highlighted the following concerns:

- Market Distortion – If charges are too high, it may discourage innovative smart meter-based services.

  Proposed mitigation: A gradual rollout and periodic review of pricing to assess market impact.

- Cost Pass-Through – Other Users may pass costs to their customers, potentially offsetting benefits intended for the broader system.

  Proposed mitigation: Ensuring transparency in cost allocation and monitoring price changes.

- Administrative Complexity – Charging Other Users introduces billing and monitoring requirements that could add complexity.

  Proposed mitigation: Simplifying charge structures and ensuring clarity in the billing methodology.

96. One Other User considered the proposals would result in a significant reduction in the use of the DCC network by Other Users. They added the proposals would push data aggregators towards asset metering rather than boundary point metering. Whilst they acknowledged this has been the

direction of travel for some time, they noted it raises questions about the benefits end consumers are receiving from the smart meter rollout.

97. Four respondents from the Other User, Other SEC Party and non-categorised organisations disagreed with DCC's assessment of the impact of introducing variable charges for Other Users. One respondent considered increasing costs will only amplify the already untenable business case for becoming an Other User and subsequently block innovation and competition. Two respondents noted the proposed charging scheme would not introduce any benefit to low/medium users of smart meter data as their usage will be effectively hidden within the aggregated volumes managed by Other User service providers, resulting in these Other Users increasing their costs to their customers. They highlighted this could potentially stifle innovation and undermine the intentions of the charging model.

98. An Other User also considered the analysis assumed that organisations sending high numbers of SRVs are profitable which they stated is not proven. They noted that, for example, tens of thousands of their customers are given the data for free to encourage them to more actively engage in their energy consumption. Additionally, other customers are research institutions seeking to assess fuel poverty clarifications on main issues raised by respondents

3.3.6. Clarifications on issues raised by respondents

99. In this section, DCC provides clarifications on some key themes raised by respondents in relation to Proposed Change 2.

Competitive distortions across DCC Users

100. DESNZ, Other Users and one Supplier considered that introducing a usage-based charge exclusively for Other Users would place them at a competitive disadvantage relative to Energy Suppliers, with whom they compete in providing energy services (for example, when providing energy efficiency advice).

101. The next steps section of this response document sets out DCC's approach to whether an Other User variable charge will be introduced. DCC notes that the current charging approach, where Other Users do not pay charges for use of the network, also creates competitive distortions; introducing charges for Other Users could be a step in a transition towards a level playing field across user categories. DESNZ argued that a broader usage-based charging approach, applied across all User categories, could be explored in the future once there is greater clarity on the functioning and impacts of a potential "SMEDR" solution.

Barriers to entry and risk of market exit

102. Other Users expressed concerns that they already face significant costs to access the DCC network. They considered they may not have the ability to absorb or pass through the additional usage-based charge to their customers, which would in turn stifle innovation.

103. As DCC does not charge any entry fees to prospective DCC Users (outside of connection costs), DCC understands that these Other Users are referring to the development and resource costs that any entity must incur to be able to connect to DCC's interface. While DCC recognises that these costs can be significant, these are faced by all entities using DCC's network (including Electricity Network Operators, Energy Suppliers and Other Users). DCC also notes that some Other Users are already providing services to their end customers on a commercial basis, even though they are not currently subject to DCC charges. However, DCC recognises that if a broader usage-based charge were introduced, it would need to be carefully designed to avoid acting as a barrier to entry that could stifle or create competitive distortions across user groups.

Distortions in system usage

104. DESNZ emphasised that it is important that any usage-based charge "genuinely reflect the costs of the transaction, since otherwise the usage of the system will be artificially distorted".

Meanwhile, other respondents raised concerns around the use of a SRIC approach, which they consider less stable and cost-reflective than a LRIC approach.

105. Any usage-based charge will inherently involve a degree of modelling and may not precisely reflect the exact costs of each transaction. In the telecommunications sector, for instance, regulators like Ofcom have employed LRIC models to estimate the costs associated with specific services. However, these models must "strike an appropriate balance between accuracy and regulatory burden".[15] These models necessarily rely on a set of assumptions and therefore cannot capture every nuance of actual costs.

SRV retries and failures

106. Some Other Users and Electricity Network Operators raised concerns that a usage-based charge could lead to an increase in disputes related to SRV failures and retries, which may arise from the types of devices receiving the Service Requests or broader network issues.

107. DCC acknowledges that this is a significant consideration if such charges were to be introduced. DCC is committed to supporting its customers and enhancing network performance through ongoing and future network management initiatives as well as through regular bilateral engagement with its customers.

Scheduled vs On-demand

108. Some Other Users and Electricity Network Operators mentioned that some Service Requests cannot be scheduled, limiting a User's ability to reduce their footprint on the network and/or reduce the amount of charges they pay. Other Users also considered that insufficient evidence was provided on the higher cost of on-demand SRVs relative to scheduled SRVs to justify setting differential charges.

109. While DCC recognises that some use cases rely more heavily on retrieving near-real-time information from smart meters, certain types of messages currently sent on demand could, in many cases, be scheduled instead. DCC is committed to working with its Users to better understand how they use the network. Further, as set out in paragraph 77 of the consultation document, while DCC's marginal cost analysis found that message-based costs are not limited to on-demand messages, encouraging Users to send scheduled messages (as far as practicable) would be beneficial from a network management perspective and provide long-term benefits to end-consumers.

Ex-post true up

110. Some respondents raised concerns about potential timing issues associated with implementing an ex-post true-up. Specifically, considering actual Other User revenues for the full regulatory year may not be known when DCC publishes its Charging Statement for the following year.

111. Year-on-year adjustments are already common practice within DCC as well as in other regulated sectors. As a result, DCC does not consider this a significant concern. An ex-post true up mechanism could be integrated within DCC's existing financial systems.

[15] See Ofcom's statement, Wholesale Voice Markets Review 2021-2026 (March 2021), paragraphs 6.70-6.71, 11.17.

3.4. Smart Meter Energy Data Repository

3.4.1. Question 9

112. DCC sought views on the potential interaction DCC's charging methodology proposals may have with a SMEDR.

Q9	Based on the changes to charging proposed in this consultation do you have any further reflections on the potential interaction with a SMEDR?

Respondent views

113. There were 23 responses to this question.

114. DESNZ highlighted that any arrangements associated with introducing any transaction charging arrangements may need to be revisited if initiatives to create a SMEDR are progressed. They considered that any changes to introduce transaction charges should be placed on hold until the way forward on SMEDR is better known.

115. Five Suppliers had no views on the potential interaction with a SMEDR, with one wanting to better understand the business case. One Supplier considered a SMEDR to be a conceptual proposal and that they were unable to comment without knowing what the costs and design would be. However, they added that if a 'Scheduled' vs 'On Demand' charging model is adopted, requests to the SMEDR would likely reflect 'Scheduled' requests, though they sought further details to assess the impact on charging. One Supplier suggested that SMEDRs could provide an alternative, operationally efficient route for parties to access data. However, they noted that in-day data would still be required for certain use cases. Therefore, they considered the launch of one or more SMEDRs to be a complementary offering to DCC's Other User role, rather than replacing it. In summary, they concluded that the potential future launch of a SMEDR should not slow down or take away from the current debate on the DCC Charging Methodology.

116. Five Electricity Network Operators supported the development of a SMEDR noting it would facilitate more efficient access to smart meter data while reducing Service Request volumes to DCC. One respondent added that the existing weighting factors should be retained, until the impacts of a SMEDR are better understood. This would limit the volatility of DCC charges to core Users, and ultimately to consumers.

117. One Electricity Network Operator set out their preferred model to allow DCC (or other nominated parties) to schedule retrieval of all half hourly consumption data, store it securely, and provide services to allow all parties to access the data from a central repository. This would negate the need to contact the smart meter itself. They noted the following resulting benefits:

- reducing CSP network congestion in all Regions;
- improving data retrieval success rates; and
- potentially reducing the amount of new DCC investment required to meet future network capacity needs.

118. One Electricity Network Operator noted several consultations are currently being conducted across industry which all have interoperable functionalities. They sought more information on how a SMEDR might interact with the Consumer Consent Portal, Smart Data Energy Scheme and National Energy System Operator (NESO) data plans.

119. One Electricity Network Operator considered that volume-driven fixed charges are considered marginal, so any savings may be similarly marginal. However, any user costs of operating a SMEDR and retrieving the stored data may reduce or even eliminate any potential savings from lower DCC Fixed Charges.

120. Six respondents from the Other User, Other SEC Party and non-categorised organisations responded to this question. One non-categorised organisation advised that SMEDR and DCC transactions are linked, with a combination of routine data collection needed to populate a SMEDR, alongside dynamic transactions to reflect individual consumer needs. They considered a SMEDR must operate on a routine/scheduled basis.

121. One respondent noted a SMEDR could enhance efficiency and fairness in the DCC network by:

- Reducing overall data transmission costs through centralised storage and optimised access.
- Supporting efficient retrieval of historical smart meter data, reducing redundant data requests.
- Providing better data analytics, benefiting policymakers, industry players, and consumers.

122. However, they also highlighted fair cost allocation and data access should be considered, as well as interaction with charging mechanisms to prevent double charging or cost shifting. One element they felt had been missed from the consultation was the impact on the Smart Metering Net Cost Change (SMNCC). They noted that even with a SMEDR solution, there could be increasing costs. They noted that if these costs are not passed through to the consumer using the SMNCC, they would come out of a Supplier's bottom line and add potential financial burden.

123. An Other SEC Party suggested the SMEDR should be structured to discourage high numbers of ad-hoc requests that are sent down to the meter. They noted the charges discussed in this consultation do not necessarily apply to use of the SMEDR. This is given the lower overhead that would apply to serving data that has already been cached in the SMEDR. A second Other SEC Party expected the SMEDR would improve efficiency and be cheaper for a User to access the Repository rather than having to go down to the meter.

124. Two Other Users advised that DCC should fully pursue opportunities to improve its efficiency before considering a re-distribution of DCC costs. They agreed that a SMEDR may improve efficiency but considered the SEC Modification DP257 'DCC Management of Duplicate Messages'[16] has far more potential to significantly lower cost and distribution to Users.

[16] DCC Management of Duplicate Messages - Smart Energy Code

4. DCC response and next steps

125. DCC is grateful to all respondents to this consultation. The high engagement rates with this consultation and the previous Request for Information, as well as the breadth of insights offered demonstrate the value in this process and the need to re-consider DCC's approach to charging.

126. DCC has carefully considered all the responses received, including the policy direction provided by DESNZ. DCC's position on both the proposed charging changes set out in the consultation is detailed below.

127. DCC is committed to continuing to actively engage its customers through SEC governance forums as it further develops implementation plans, including ongoing engagement with DESNZ and Ofgem.

Option 1: Reweight Core Charges for Energy Suppliers and DNOs

128. Respondents to the consultation were broadly split on the merits of progressing this change. DESNZ did not respond to questions relating to reweighting Core Charges.

129. As set out in the consultation document, DCC has a Licence obligation[17] to keep its existing charging mechanism under review. **DCC therefore proposes to update its weighting factors for the recovery of core charges.**

130. This approach is consistent with DCC's existing Licence and SEC obligations and drives a principle of cost reflectivity in how DCC costs are managed. This is an important economic principle which DCC intends to embed further as usage of the DCC network continues to evolve into the future.

131. DCC appreciates, based on engagement with Ofgem and DNOs, that changes to DNO charges will need to account for the RIIO price control framework alongside other considerations. DCC therefore proposes to implement this change from April 2027. This will provide sufficient time to jointly develop optimisation strategies with DNOs, whilst allowing DNOs to align to Ofgem's determination of DNO's five-year ED3 plans. This will also allow all DNOs time to fulfil notice obligations (for pass through costs).

132. DCC will work with Ofgem and DNOs over the coming months to align on these areas. Further detail on the input data that will be used to calculate actual re-weightings will also be shared alongside detail of proposed review periods.

Option 2: Introduce a variable charge for DCC Other Users

133. Taken together, there was overall support amongst respondents to the consultation for introducing variable charges for Other Users of the DCC network.

134. DESNZ, in its response, also provided guidance focused on two main areas:

- The potential development of a SMEDR, which could have a significant impact. DESNZ advised that reforms to introduce variable network charges should be delayed until policy direction on a SMEDR has been given.
- Variable charges for network usage should apply across all the DCC User categories in the scope of the second consultation to avoid anti-competitive impacts.

135. The majority of respondents to this consultation also supported the introduction of a SMEDR with a number citing the need to account for any policy decision on a SMEDR ahead of introducing wider changes to charging. DCC has been working closely with DESNZ to support developing understanding of how a SMEDR could operate, with further work set to continue over this year.

[17] Licence Condition 19 of the DCC Licence

136. **Considering the need to account for the potential impacts of a SMEDR as well as design and scope considerations around variable charging, DCC will not, at this stage, pursue variable charging for Users of the DCC network.**

137. DCC notes that the re-weighting of core User charges does not require a SEC Modification Proposal and its decision not to pursue variable charging at this stage means there are no SEC changes to progress under this Draft Proposal (DP218). **Therefore, DCC will withdraw DP218**.

138. As detailed in our considerations for re-weighting charges, DCC remains committed to moving to more cost reflective charges across its customer base to avoid market distortions and to drive more cost-efficient network usage.

139. With the support of Government and its regulator, DCC will continue to pursue charging reform in line with that objective as decisions about its wider operational environment become clearer.

5. Attachments

140. This document contains one attachment:

- Attachment 1: Non-confidential consultation responses

Appendix A – Consultation respondents

This table presents a list of the organisations who responded to this consultation and their organisation category. One organisation submitted their responses marked as confidential. They have not been listed here.

Respondent organisation	Respondent category
Aico	Other (no category)
British Gas	Large Supplier
BUUK Infrastructure	Electricity Network Party
Chameleon Technology Ltd	Other SEC Party
The Department for Energy Security and Net Zero	Government department
Drax Group	Small Supplier
E.ON	Large Supplier
EDF	Large Supplier
Electricity North West Limited	Electricity Network Party
Equiwatt	Other (no category)
Hildebrand	Other User
MetaEnergy	Other (no category)
Moorhouse	Other (no category)
N3rgy	Other User
National Grid Electricity Distribution	Electricity Network Party
Northern Powergrid	Electricity Network Party
Octopus Energy	Large Supplier
OVO Energy	Large Supplier
Procode	Other User
Scottish & Southern Electricity Networks	Electricity Network Party
Scottish Power Energy Networks	Electricity Network Party

Stark	Other SEC Party
UK Power Networks	Electricity Network Party
Utility Warehouse	Large Supplier