



Indicative Charging Statement for Service Charges

Regulatory Year ending 31 March 2018

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1 Introduction

- 1.1 This document is the indicative Charging Statement for Service Charges (indicative Charging Statement) for Smart DCC Ltd (DCC) for the Regulatory Year ending 31 March 2018 (RY 2017/18).
- 1.2 The purpose of this document is to give notice to all those with whom DCC has entered into an Agreement for Services (which means all SEC Parties) of their annual Service Charges for RY 2017/18. This indicative Charging Statement has been prepared in accordance with Section J4.3 of the Smart Energy Code (SEC) version 4.15 and the Smart Meter Communication Licence (the Licence), and is based on the best information and assumptions available at the time of producing this document.
- 1.3 The algebraic approach to the calculation of Service Charges is set out in Section K of the SEC. Further details on the supporting commercial arrangements are set out in Section J. In this document all SEC references are in the form 'Section xx'.
- 1.4 DCC ensures that all costs represent good value for money and are economic and efficient. However, 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 indicative Charging Statement. For this reason, we recover a prudent estimate of costs through charges. The intent of the prudent estimate is to ensure:
- DCC remains cash positive and meets its financial commitments throughout the year; and
 - as far as is possible, that Service Charges do not need to change during the Regulatory Year, which is consistent with the obligation in LC36.

Smart Metering Implementation Programme (SMIP)

- 1.4 DCC is now operationally live to communicate with meters on its production platform across GB and RY 2017/18 will be a critical year for DCC Service Charges. From April 2017, costs will increase in accordance with our Service Providers' contractual payment terms, and Communications Hub (CH) revenue will increase to reflect the gradual increase in the rollout of CHs and smart meters.
- 1.5 Release 1.3 will provide the remaining functionality, including pre-payment services and some Network Operator services. We recently consulted with SEC Parties and the SEC Panel on a plan for

Dual Band Communications Hubs (DBCH)

- 1.7 On 16 March 2015, DCC received a direction from the Secretary of State to undertake an impact assessment in relation to the introduction of Dual Band Communications Hubs (DBCH). DCC has commenced the delivery of the DBCH hardware design and is progressing the overall impact assessment of the DBCH. We expect to provide DBCHs no earlier than the end of Q1 2018. As we are in the early stages of designing this service, and have not received full impact assessments from the CSPs and the DSP, DCC has included early estimated Internal and External Cost assumptions relating to DBCH in this indicative Charging Statement.

Enrolment and Adoption of SMETS1 Meters

- 1.8 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 meters which are compliant with Smart Metering Equipment v1 (SMETS1) in accordance with Section N of the SEC. Consultation on this document is now underway and will conclude with DCC's submission of the IEPFR to BEIS early in 2017.
- 1.9 In preparation for delivery of a SMETS1 service, DCC is developing high level designs and implementation plans, informed by rapid prototyping of core infrastructure technologies and research of integration to existing SMETS1 service providers. Cost forecasts for RY 2017/18 are set out in Table 9.

Supporting Ofgem's Switching Programme

- 1.10 Both Ofgem and the Government have made faster, reliable switching for energy consumers a priority. The arrangements for faster switching will be delivered through an Ofgem-led programme to transform current switching arrangements. The new switching arrangements will be underpinned by a new Centralised Registration Service (CRS). Ofgem has concluded that activity to design and procure a CRS should form part of DCC's Mandatory Business (reflected through the changes to LC15 and LC6 in July 2016) and that DCC will be subject to an 'ex-post plus' price control arrangement for its costs in relation to these activities. We have mobilised a project to support Ofgem's Switching Programme. During RY 2017/18 we will work with Ofgem and industry through the Blueprint and Detailed Level Specification phases with the aim of agreeing a design for the end-to-end switching arrangements and the CRS.

- 1.11 In late November 2016 Ofgem published a consultation on the draft DCC Switching Business Case, which sets out DCC's forecast activities and costs and proposed margin and incentives relating to the Blueprint, Detailed Level Specification and Enactment phases of the Ofgem Switching Programme. Ofgem has published a parallel consultation on DCC's margin and incentives relating to these phases of the Switching Programme.

- 1.12 This indicative Charging Statement reflects the expected programme budget set out in the draft DCC Switching Business Case, including staff costs, non-staff costs, contingency, management reserve, overhead and margin. It should be noted that:

- the level of margin is subject to an Ofgem direction in early 2017, once Ofgem has concluded the consultation on DCC's margin and incentives;
- some costs relating to DCC's role in the Switching Programme are included in the calculation of the prudent estimate; and
- we have not included External Costs in this indicative Charging Statement relating to the design, implementation and operation of a CRS.

SEC Modification Process

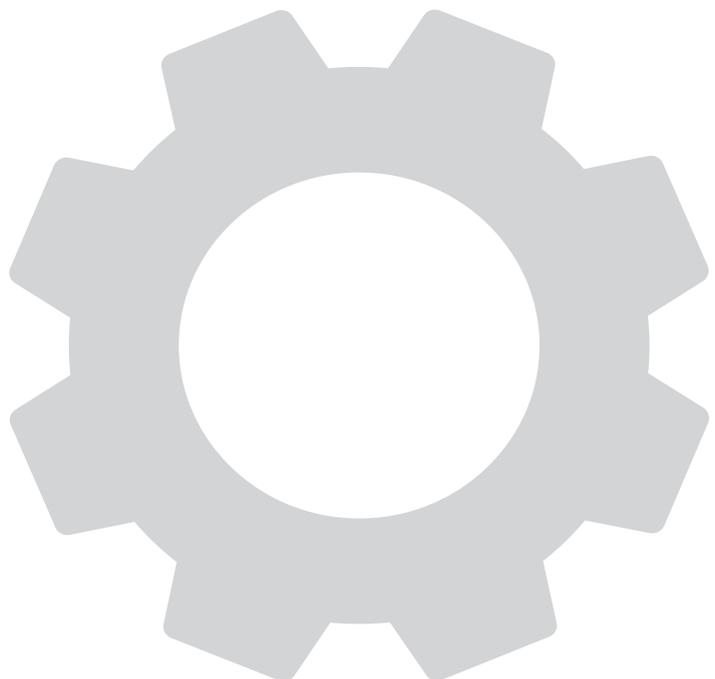
- 1.13 The SEC Modification Process is set out in Section D of the SEC. Parties are able to propose modifications to the SEC through this process. Under the SEC, DCC is required to support this process, including the provision of impact assessments for proposed modifications to the code. The SEC Modification Process came in to effect in February 2016. Due to the uncertainty in relation to the scope of any modifications, we have included high level cost forecasts relating to this activity at this stage.

Alternative Home Area Network (Alt HAN)

- 1.14 Alt HAN is the solution needed to provide a HAN in premises that are unlikely to be served by the existing solutions. In April 2016, BEIS concluded that Alt HAN costs will be recovered by DCC to avoid unnecessary duplication of billing systems and processes.
- 1.15 In August 2016, Section K of the SEC was updated to reflect new charging provisions to recover the costs passed through to SEC Parties, through DCC, from AlthANCo Ltd. This indicative Charging Statement includes Fixed Alt HAN charges calculated in accordance with Section K5A of the SEC.
- 1.16 During RY 2016/17, DCC incurred some costs relating to AlthANCo. This cost was funded using the contingency reserve collected during RY 2016/17 through the monthly Fixed Charges. We will return this amount during RY 2017/18 and increase the Fixed Alt HAN Charge payable during RY 2017/18.

Other information

- 1.17 A timetable for future publications of indicative Charging Statements and indicative budgets is available in Annex 1.
- 1.18 This document is available on the DCC website (www.smartdcc.co.uk).
- 1.19 In order to be as transparent as possible, DCC holds a Financial Update Webinar each quarter. This session provides SEC Parties with an overview of costs and explains any variances in costs from the previous quarter's submissions. The DCC also holds individual bilateral meetings as requested by SEC Parties to cover, in more detail, any financial variations in costs since the prior quarter.
- 1.20 Please email finance@smartdcc.co.uk, if you have any questions relating to this document or if you would like to provide feedback on how this document might be improved.



SECTION A – SUMMARY OF CHARGES FOR RY 2017/18

2 Summary of Charges

2.1 In accordance with the Charging Methodology, this section sets out the Charges applicable in RY 2017/18. An explanation of these charges is available under each of the respective charging sections later in this indicative Charging Statement.

Fixed Charges

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

- Mandated Smart Metering Systems for Domestic Premises; and
- Smart Metering Systems for Non-Domestic Premises.

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

| Charging Groups | Name | Monthly Fixed Charge (£ / meter) | | | |
|-----------------|------------------------------|------------------------------------|-----------------------------------|--------------------------------|------------------------------|
| | | Domestic Premises | Non-Domestic Premises Regions (r) | | |
| | | All Regions (RDFC _{grt}) | North (RNFC _{grt}) | Central (RNFC _{grt}) | South (RNFC _{grt}) |
| g1 | Import Electricity Suppliers | £0.473 | £0.611 | £0.405 | £0.413 |
| g2 | Export Electricity Suppliers | £0.078 | £0.100 | £0.067 | £0.068 |
| g3 | Gas Suppliers | £0.358 | £0.461 | £0.306 | £0.312 |
| g4 | Electricity Distributors | £0.058 | £0.075 | £0.050 | £0.051 |
| g5 | Gas Transporters | £0.000 | £0.000 | £0.000 | £0.000 |

Table 1 – Monthly Fixed Charges by Charging Group applicable in RY 2017/18 (excluding VAT)

Fixed Alt HAN Charges

2.3 The monthly Fixed Alt HAN Charges in Table 2 are also applicable to the number of:

- Mandated Smart Metering Systems for Domestic Premises; and
- Smart Metering Systems for Non-Domestic Premises.
- The monthly Fixed Alt HAN Charges are expressed to three decimal places and exclude VAT.

| Charging Groups | Name | Monthly Fixed Alt HAN Charge (£ / meter) | |
|-----------------|------------------------------|--|--|
| | | Domestic and Non-Domestic Premises | |
| | | All Regions (DAHFCgt) | |
| g1 | Import Electricity Suppliers | £0.010 | |
| g3 | Gas Suppliers | £0.010 | |

Table 2 – Monthly Fixed Alt HAN Charges by Charging Group applicable in RY 2017/18 (excluding VAT)

Fixed CH Charges

2.4 The monthly Fixed CH Charges in Table 3 are applicable to the number of:

- Smart Metering Systems for Domestic Premises; and

- Smart Metering Systems for Non-Domestic Premises.

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

| Charging Groups | Name | Fixed CH Charges (£ / meter) | | | |
|-----------------|------------------------------|------------------------------------|-----------------------------------|--------------------------------|------------------------------|
| | | Domestic Premises | Non-Domestic Premises Regions (r) | | |
| | | All Regions (DCHC _{grt}) | North (NCHC _{grt}) | Central (NCHC _{grt}) | South (NCHC _{grt}) |
| g1 | Import Electricity Suppliers | £0.381 | £0.235 | £0.354 | £0.572 |
| g2 | Export Electricity Suppliers | £0.063 | £0.039 | £0.058 | £0.094 |
| g3 | Gas Suppliers | £0.288 | £0.178 | £0.267 | £0.432 |

Table 3 – Monthly Fixed CH Charges by Charging Group applicable in RY 2017/18 (excluding VAT)

Explicit Charges

2.5 The Explicit Charges in Tables 4, 5 and 6 are applicable where a party procures a specific DCC service as set out in Section K7.5 of the Charging Methodology. Further detail on these Explicit Charges is available in section 10 (Estimated Explicit Charges Revenue and Explicit Charges).

2.6 Table 4 sets out the set Explicit Charges applicable for DCC services procured by parties in RY 2017/18.

| Set Explicit Charge | | | |
|---------------------|--|--------|---|
| SEC Reference | Service | Charge | Unit |
| K7.5(j) | Communications identified in the DCC User Interface Services Schedule 'Service Requests' | £0.00 | Per Service Request |
| K7.5(l) | CH stock level charge | £0.47 | Per Communications Hub per month |
| K7.5(n) | CH auxiliary equipment: RF mesh aerial | £4.00 | Per aerial |
| K7.5(n) | CH auxiliary equipment: Cellular aerial | £4.00 | |
| K7.5(p) | CH returned not redeployed | £50.00 | Per Communications Hub |
| K7.5(r) | Test comms hubs | £60.83 | Per Communications Hub (subject to a minimum order of 10 units) |

Table 4 – Set Explicit Charges applicable in RY 2017/18 (excluding VAT)

2.7 Table 5 below sets out the indicative Explicit Charges. These charges rely on a number of variables which are only known at the

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

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

Table 5 – Indicative Explicit Charges applicable in RY 2017/18 (excluding VAT)

2.8 Table 6 below lists the DCC services which parties will be able to procure in the future when available. The Charging Statement

will be updated in the future to reflect the introduction of these charges.

| SEC Reference | Service | |
|---------------|--|---|
| K7.5(m) | CH variant charge | Charging Statement will be revised once services are more defined and/or scheduled to be made available |
| K7.5(t) | Shared solution Alt HAN Equipment | Charging Statement will be revised once services are more defined and/or scheduled to be made available |
| K7.5(u) | Point-to-point Alt HAN Equipment | Charging Statement will be revised once services are more defined and/or scheduled to be made available |
| K7.5(v) | Stock level point-to-point Alt HAN Equipment | Charging Statement will be revised once services are more defined and/or scheduled to be made available |

Table 6 – Explicit Charges yet to be determined

SECTION B – ESTIMATED REVENUE

3 Estimated Allowed Revenue

- 3.1 In accordance with section K2 of the Charging Methodology, this section sets out DCC's Estimated Allowed Revenue for RY 2017/18, which is necessary for DCC to deliver Mandatory Business Services, and pay Pass-Through Costs.
- 3.2 The applicable Mandatory Business Services provided by DCC are:
- Core Communication Services provided to or from a Smart Metering System that relate solely to the Supply of Energy (or its use); and
 - Enabling Services that include the Enrolment Service, Communications Hubs Service and other Enabling Services.
- 3.3 Pass-Through Costs include the total annual fee paid by DCC to the Authority, payments made by DCC to SECCo Ltd for purposes associated with the governance and administration of the SEC, and AltHANCo for the setup and initiation of Alt HAN services.
- 3.4 Table 7 sets out DCC's Estimated Allowed Revenue for RY 2017/18, in total and split by its components.

| Acronym | Name | RY 2017/18 (£m) |
|-------------------|---|-----------------|
| | Estimated National and Regional Fixed Revenue | 273.3 |
| | Estimated Communications Hub Revenue | 12.4 |
| AHFR _t | Estimated Alt HAN Fixed Revenue | 6.0 |
| EFR _t | Estimated Fixed Revenue | 291.7 |
| EECR _t | Estimated Explicit Charges Revenue | 5.7 |
| EESR _t | Estimated Elective Services Revenue | 0.0 |
| EAR _t | Estimated Allowed Revenue | 297.4 |

Table 7 – Estimated Allowed Revenue for RY 2017/18 (excluding VAT)

4 Estimated Fixed Revenue

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

| Acronym | Name | RY 2017/18 (£m) |
|--------------------|--|-----------------|
| NFR _t | National Fixed Revenue | 168.5 |
| AHFR _t | Alt HAN Fixed Revenue | 6.0 |
| RFR _{Nt} | Regional Fixed Revenue (North) | 59.5 |
| RFR _{Ct} | Regional Fixed Revenue (Central) | 24.5 |
| RFR _{St} | Regional Fixed Revenue (South) | 20.8 |
| | Total National and Regional Fixed Revenue | 279.3 |
| RCHR _{Nt} | Regional Communications Hub Revenue (North) | 2.4 |
| RCHR _{Ct} | Regional Communications Hub Revenue (Central) | 4.4 |
| RCHR _{St} | Regional Communications Hub Revenue (South) | 5.6 |
| | Total Regional Communications Hub Revenue | 12.4 |
| EFR _t | Estimated Fixed Revenue | 291.7 |

Table 8 – Estimated Fixed Revenue for RY 2017/18 (excluding VAT)

- 4.2 National Fixed Revenue and Regional Fixed Revenue for the North, Central and South Regions are used to calculate the Fixed Charges in Table 1.
- 4.3 Alt Han Fixed Revenue is used to calculate the Alt HAN Fixed Charges in Table 2.
- 4.4 Regional Communications Hub Revenue for the North, Central and South Regions are set out in Table 8. These revenues are used to calculate the Fixed CH charges as set out in Table 3.
- 4.5 Estimated Fixed Revenue comprises National Fixed Revenue and Regional Fixed Revenue:
- Costs defined within LC35 (Definitions for the Price Control Conditions), summarised as:
 - Internal Costs – the sum of costs incurred by DCC in relation to the delivery of the Smart Metering Implementation Programme (SMIP), DBCH, SMETS1 and Switching for the purposes of the provision of Mandatory Business Services under or pursuant to the SEC, excluding those costs defined as External Costs or Pass-Through Costs;
 - External Costs – the costs incurred by DCC in procuring Fundamental Service Capability, i.e. the costs of the Data Services Provider, the Systems Integrator and the Communications Services Providers. In future years this will also include costs of Energy Supplier Contracts as defined in LC16, however DCC does not envisage any of these contracts being adopted in RY 2017/18;
 - 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), and AltHANCo Ltd for the purpose of delivery of Alt HAN Services. DCC passes on the costs incurred by the Authority, SECCo Ltd and AltHANCo Ltd to SEC Parties and recovers the costs directly; and

- Baseline Margin and any External Contract Gain Share as defined in LC36 (Determination of the Licensee's Allowed Revenue) for both SMIP and the Switching Programme.

- Prudent estimate:

- in accordance with Part B of LC36 (Determination of the Licensee's Allowed Revenue), DCC must recover a prudent estimate of its Allowed Revenue to avoid the need for charges to be amended in the course of the year (except in response to a reasonably unlikely event); and
- 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.

4.6 Internal Costs include an allowance of 1% for indexation which is based on historical Retail Prices Index (RPI) data published by the Office for National Statistics (www.ons.gov.uk). The Baseline Margin also includes an allowance for indexation using RPI as defined in LC36.8.

4.7 External Costs include an allowance for indexation, in accordance with the terms of the External Service Provider contracts, which is based on historical Consumer Price Index (CPI) data published by the Office of National Statistics (www.ons.gov.uk).

4.8 Pass-Through Costs include an allowance for indexation at the rate provided by SECCo Ltd and AltHANCo Ltd.

4.8 The correction factor is stated in current values and therefore; for avoidance of doubt, does not include any allowance for indexation.

4.10 Table 9 provides Estimated Fixed Revenue by category for RY 2017/18.

| Estimated Fixed Revenue by category | | SMIP (£m) | DBCH (£m) | SMETS1 (£m) | Switching (£m) | Total (£m) |
|---|--|-----------|-----------|-------------|----------------|------------|
| Internal Costs (1) | DCC licensing competition baseline | 11.4 | - | - | - | 11.4 |
| | Variance (against baseline) | 36.2 | 0.6 | 3.2 | 4.0 | 44.0 |
| Baseline Margin (2) | | | | | | 3.5 |
| External Costs (3) | External Service Provider Procurement Baseline | 67.8 | - | - | - | 67.8 |
| | Variance (against baseline) | 123.1 | - | 2.0 | - | 125.1 |
| Pass-Through Costs (4) | Authority | | | | | 0.0 |
| | SECCo Ltd | | | | | 7.9 |
| | AlthANCo Ltd | | | | | 4.0 |
| Correction Factor (5) | Updated – RY 2015/16 | | | | | 2.4 |
| | Estimated – RY 2016/17 | | | | | (5.1) |
| | Estimated – RY 2016/17 (AlthANCo) | | | | | 2.0 |
| | Estimated – RY 2016/17 (CH) | | | | | - |
| External Contract Gain Share (6) | | | | | | 1.7 |
| Prudent estimate (7) | | | | | | 14.6 |
| Fixed Charges Revenue for the Regulatory Year | | | | | | 279.3 |
| Communications Hubs (8) | Service Provider Procurement Baseline | | | | | 40.3 |
| | Variance (against baseline) | | | | | (27.9) |
| Communications Hub Revenue for the Regulatory Year | | | | | | 12.4 |
| Estimated Fixed Revenue for the Regulatory Year (EFR _t) | | | | | | 291.7 |

Table 9 – Estimated Fixed Revenue by category for RY 2017/18 (excluding VAT)

4.11 With reference to Table 9:

1. Internal Costs for DCC for RY 2017/18 include resource costs that relate to:

- the delivery of the Smart Metering Implementation Programme (SMIP) and preparation and/or delivery of DBCH, SMETS1 and the Switching Programme;
 - engaging with SEC Panel, SEC Parties and other stakeholders;
 - contract and performance management of External Services Providers;
- applying the Charging Methodology and complying with the Price Control Conditions in the Licence;
- providing DCC Internal Systems, including the billing, business intelligence and management information systems;
- applying design governance;
- planning, coordinating and assuring test activities of External Services Providers;
- providing a Smart Metering Key Infrastructure (SMKI) Services and Parse and Correlate Software;

- providing service management including first line Service Desk;
- managing changes to all programmes;
- managing new initiatives;
- programme management of DCC deliverables; and
- audit and test assurance services.

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

- accommodation;
- travel;
- recruitment;
- legal fees;
- consulting fees
- information technology services and services procured through Capita plc (e.g. Group Finance, Tax and Treasury and Group HR);
- benchmarking of Fundamental Service Providers contracts post go-live to assess competitiveness of costs of delivery and operations against other similar external programmes;
- all External Services Provider cost that is not related to the Fundamental Service Capability.

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

The DCC licensing competition baseline is the estimated Internal Costs submitted by Capita plc to BEIS during the DCC licensing competition prior to the granting of the Licence.

Variance against the DCC licensing competition baseline includes:

- the total net movement of estimated Internal Costs as a result of changes to the requirements, volumes, risk, complexity or timescales in the DCC licensing competition baseline;
- costs associated with changes to the DCC plan in relation to the timing of the release of Great Britain Companion Specification (GBCS) ;
- 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 Service Providers and Testing Participant test preparation;
- refinement of the service management framework through design workshops leading to an increase in scope of the design, integration and technical requirements of the DCC service management system;
- requirements for DCC to provide financial stability and financial security in accordance with LC26 (Financial stability and financial security), which was subject to finalisation following the grant of the Licence;

- auditing the accuracy of External Services Providers' charges and their performance against contractual milestones in accordance with Schedule 8.4 (Records and Audit Provisions) of the External Services Provider contracts;
- operational costs associated with the evolving Communications Hubs financing arrangements;
- the extra level of resource required to manage the emerging complexities of the DCC programme; and
- costs associated with the preparatory work associated with the introduction of DBCH, SMETS1 and Switching (the value for Switching does not include any contingency or management reserve as set out in the Switching Business Case).

2. The Baseline Margin value in Table 9 includes:

- the value set out in Appendix 1 to Licence condition 36 (Determination of the Licensee's Allowed Revenue);
- additional margin as directed by Ofgem in February 2016;
- an allowance to reflect Ofgem's November 2016 proposal to award additional margin of £0.647m and to remove £0.535m to reflect the delayed achievement of IM8a; and
- an allowance to reflect Ofgem's November 2016 proposal set a fixed percentage margin range of 8-12% applied to the Internal Costs incurred in relation to the Switching Programme.

3. The External Costs for RY 2017/18 in Table 9 are broken further in Table 10 below:

| Estimated External Baseline Costs by category | Total (£m) | |
|---|---|-------------------------------|
| | External Services Provider Procurement baseline | Variance compared to baseline |
| Set-up costs (a) | 24.1 | 113.0 |
| Fixed Operational Costs (b) | 43.7 | 7.8 |
| Performance Incentives (c) | 0.0 | 0.0 |
| Communications Hubs (d) | 40.3 | (27.9) |
| Impact Assessments/Projects (e) | 0.0 | 4.3 |
| Catalogue Services (f) | 0.0 | 0.0 |
| Estimated External Costs by category for the Regulatory Year | 108.1 | 97.2 |

Table 10 – Estimated External Costs by category for RY 2017/18 (excluding VAT)

- a. Set-up costs arising upon achievement of milestones may be subject to financing arrangements and are payable to External Services Providers as monthly deferred set-up charges over the period of the financing arrangements as set out in Schedule 7.1 of the Service 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 DCC Plan:

- pre-integration phase (mobilisation, design, build and testing);
 - system integration phase (pre-test activities and testing);
 - user integration phase (pre-test activities and testing); and
 - mass rollout and live operation.
- costs associated with other changes to the DCC plan.

Variance (against baseline) to set-up costs include:

- refinement of the service management framework through design workshops leading to increased scope and requirements for External Services Providers;
 - the agreed costs relating to additional functionality and complexities identified within GBCS; and
 - Costs relating to new programmes i.e. DBCH and SMETS1.
- b. Fixed operational costs consist of fixed monthly charges payable to External Services Providers for the provision of Services from the commencement of DCC live operations to the end of the External Services Provider contracts.
- Changes to fixed operational costs include:
- costs emerging as a result of resetting the commencement date of live operations;
 - costs related to the impact of the development of GBCS;
 - extended coverage in the North Region;
 - costs related to the increased scope of the service management system that are identified within the delivery pipeline of release plan for future years; and
- c. DCC makes payments to External Service Providers where they meet their respective performance milestones. If those milestones are not achieved, any forecasts cost will be returned to SEC Parties through the correction factor. For RY 2017/18 we do not forecast to make any such payments.
- d. Communications Hubs costs consist of an asset charge payable to Service Providers following each successful delivery of a Communications Hub and a monthly maintenance charge payable to Service Providers following each successful commissioning of a Communications Hub.
- e. DCC has estimated the cost associated with an anticipated level of Impact Assessments and Projects that are necessary to deliver Mandatory Business Services in addition to changes managed through the transitional governance arrangement, this includes any future changes raised through the modification process. DCC manages Impact Assessments and Projects as applicable in accordance with Transitional Governance arrangements and the External Services Provider contracts.
- f. DCC may procure items from the catalogue services set out in the External Services Provider contracts. Costs relating to items in the catalogue services that will benefit all SEC Parties will be included within Fixed Charges, e.g. testing software licences to support the end-to-end testing for a given number of

concurrent SEC Parties.

4. Pass-Through Costs consist of:

- fees payable to the Authority, the current assumption is that this will be nil for the foreseeable future;
- costs associated with SECCo Ltd, consistent with the draft budget approved by the SEC Panel on 9 December 2016 (this will be formally consulted on in January 2017). Further details can be found on the SEC website (www.smartenergycodecompany.co.uk); and
- costs relating to AlthANCo Ltd as approved by the Alt HAN Forum in December 2016.

5. The estimated correction factor is defined in LC36 (Determination of the Licensee's Allowed Revenue) and provides a mechanism for DCC to return the difference between Allowed Revenue and Regulated Revenue to SEC Parties with respect to the prior Regulatory Years. DCC has:

- updated the correction factor for RY 2015/16, to reflect the actual difference between Allowed Revenue and Regulated Revenue in RY 2015/16, the value is positive reflecting the fact that during RY 2016/17 we returned £6.4m, when this should have been £4.0m;
- estimated the correction factor for RY 2016/17 as the forecast difference between the costs incurred in RY 2016/17 and total Fixed Charges recovered in the same year. This also reflects Ofgem's November 2016 proposal to disallow £0.696m. That difference, subject to any further changes directed by Ofgem in February 2018 in relation to RY 2016/17 price control, will be reflected in charges payable during RY 2018/19;
- estimated the correction factor for AlthANCo at £2.0m, reflecting the cost incurred during RY 2016/17 which must be recovered from import electricity suppliers and gas suppliers only. During RY 2016/17 the cost was recovered via the monthly Fixed Charge, which is payable by all charging groups. The Alt HAN correction factor will return the cost to all charging groups, and then recover it back from the Alt HAN charging groups only. DCC published a statement in December 2016 to explain this approach (available to download here: <https://www.smartdcc.co.uk/charges/charging-methodology/>); and
- estimated the correction factor for Communications Hubs (CH) in RY 2016/17 as the forecast difference between the CH costs incurred in RY 2016/17 and total Fixed CH charges recovered in the same year. That difference, subject to any further

changes directed by Ofgem in February 2018 in relation to the RY 2016/17 price control, will be reflected in charges payable during RY 2018/19.

6. In July 2016, DCC applied to adjust the External Contract Gain Share (ECGS) term to reflect a reduction in External Costs which DCC helped to achieve. In November 2016, Ofgem proposed to accept DCC's application to adjust the ECGS term.
7. Under condition 36.4 of the Licence, DCC must recover a prudent estimate of its Allowed Revenue. Whilst DCC's approach to setting charges provides certainty to SEC Parties it does not provide DCC with sufficient operating liquidity to ensure that it can meet its financial commitments in months when cash outflows exceed cash inflows, for this reason we recover an extra amount for this contingency referred to as the prudent estimate. In RY 2017/18, the prudent estimate represents three weeks' operating liquidity, plus additional contingency and management reserve in relation to SMETS1 and the Switching Programme. DCC will return any surplus prudent estimate to SEC Parties via the correction factor in RY 2018/19.
8. Communications Hubs costs include the monthly asset charge payable to External Services Providers following each successful delivery of a Communications Hub and a monthly maintenance charge payable to External Services Providers following each successful commissioning of a Communications Hub. The variance against the baseline reflects the later rollout of smart meters and Communications Hubs.

5 Estimated Elective Communication Services Revenue

- 5.1 Elective Charges are payable in respect of Elective Communication Services, which include:
 - Services to or from a Smart Metering System that relate solely to the Supply of Energy (or its use), and
 - Services that are provided by DCC pursuant to a Bilateral Agreement.
- 5.2 In accordance with Section H7 (Elective Communication Services) of the SEC, these services require a preliminary assessment, Detailed Evaluation (if necessary) and formal offer from DCC to enter into a Bilateral Agreement with a party.
- 5.3 As DCC has not entered into any Bilateral Agreements and does not anticipate orders for this service in RY 2017/18, Elective services Revenue for RY 2017/18 is nil.

SECTION C – FIXED CHARGES

6 Charging Periods

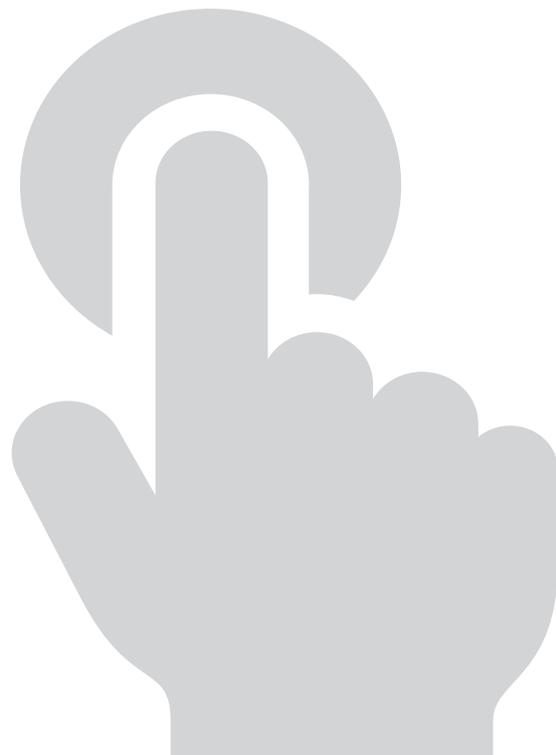
- 6.1 In accordance with section K3.2 of the Charging Methodology, Fixed Charges are payable:
- Prior to the UITMR period for Mandated Smart Metering Systems (MSMS) for Domestic Premises – this period ended on 31 March 2015
 - During the UITMR period for MSMS for Domestic Premises and Enrolled Smart Metering Systems (ESMS) for Non-Domestic Premises – this period commenced on 1 April 2015, and
 - After the UITMR period for ESMS (whether for Domestic Premises or Non-Domestic Premises).
- 6.2 Non-domestic smart meters enrolled in DCC will be invoiced at different Fixed Charges for the North, Central and South Regions. For example, a SEC Party with 100 non-domestic smart meters in the North Region will be invoiced at a different rate compared to a SEC Party with 100 non-domestic smart meters in the South Region.

During UITMR

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

After UITMR

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



7 Charging Groups

7.1 Fixed Charges payable in respect of Smart Metering Systems will be payable by SEC Parties who fall into the Charging Groups set out in Tables 11, 12 and 13.

7.2 Tables 11, 12 and 13 show 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 8, to determine the monthly Fixed Charge per meter. Assumptions related to each Charging Group for domestic and non-domestic volumes are available in Annex 2.

7.3 The size of the Charging Groups have been

estimated based on the data provided by the Registration Data Providers as at 15 November 2016. This is the most recent and complete data available to the DCC at the time of preparing this indicative Charging Statement. Tables 11, 12 and 13 are defined below.

- Table 11 sets out an estimate of the aggregated number of Mandated Smart Metering Systems in each Region (REDSMS). The regional split is based on the mix provided in the volume forecast submitted to DCC by SEC Parties as at 15 November 2016.

| Charging Group | Name | Estimated Size of Charging Group (REDSMS _{grt}) | | | | Charging Group Weighting Factor (α_{gr}) |
|----------------|------------------------------|---|------------|------------|-----------|---|
| | | Total All Regions | Region (r) | | | |
| | | | North | Central | South | |
| g1 | Import Electricity Suppliers | 28,374,596 | 9,079,871 | 10,782,346 | 8,512,379 | 0.49 |
| g2 | Export Electricity Suppliers | - | - | - | - | 0.08 |
| g3 | Gas Suppliers | 22,984,894 | 7,355,166 | 8,734,260 | 6,895,468 | 0.37 |
| g4 | Electricity Distributors | 28,452,019 | 9,104,646 | 10,811,767 | 8,535,606 | 0.06 |
| g5 | Gas Transporters | 23,088,375 | 7,388,280 | 8,773,583 | 6,926,513 | 0.00 |

Table 11 – Domestic (REDMS): Mandated Smart Metering Systems

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

Table 12 – Non-Domestic (RENSMS): Smart Metering Systems enrolled in DCC

| Charging Group | Name | Estimated Size of Charging Group (RESMS _{grt}) | | | | Charging Group Weighting Factor (α_{gr}) |
|----------------|------------------------------|--|------------|------------|-----------|---|
| | | Total All Regions | Region (r) | | | |
| | | | North | Central | South | |
| g1 | Import Electricity Suppliers | 28,374,596 | 9,079,871 | 10,782,346 | 8,512,379 | 0.49 |
| g2 | Export Electricity Suppliers | - | - | - | - | 0.08 |
| g3 | Gas Suppliers | 22,984,894 | 7,355,166 | 8,734,260 | 6,895,468 | 0.37 |
| g4 | Electricity Distributors | 28,452,019 | 9,146,46 | 10,811,767 | 8,535,606 | 0.06 |
| g5 | Gas Transporters | 23,088,375 | 7,388,280 | 8,773,583 | 6,926,513 | 0.00 |

Table 13 – Total Smart Metering Systems (RESMS)

- Table 12 sets out 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.
 - Table 13 sets out the Total Smart Metering Systems (RESMS): Total of Mandated Smart Metering Systems for Domestic Premises (REDSMS) and Smart Metering Systems in Non-Domestic Premises enrolled in DCC (RENSMS).
- 7.4 In accordance with the First Relevant Policy Objective, Fixed Charges in respect of Mandated Smart Metering Systems for Domestic Premises will be the same in the North, Central and South Regions (also referred to as the 'postage stamp' principle). However, charges for Smart Metering Systems in Non-Domestic Premises enrolled in DCC differ by a Region which is consistent with the Third Relevant Policy Objective.
- 7.5 The Charging Group Weighting Factors specify the ratio of costs to be incurred in respect of each Smart Metering System (without regard to the number of Smart Metering Systems). These weighting factors are based on an estimate of the demand for DCC Services within each Charging Group in accordance with the Charging Methodology. This estimate is derived from:
 - Forecast of Smart Metering Systems roll out volumes;
 - Service Request cost assumptions; and
 - Forecast of Service Request volumes for RY 2021/22 (until data on usage becomes available).
- 7.6 The Charging Group Weighting Factors apply equally across all three Regions regardless of whether a premises is Domestic or Non-Domestic.
- 7.7 DCC has derived these Charging Group Weighting Factors using aggregated demand and rollout profiles provided by energy suppliers and network operators to DECC at the bid stage combined with the contracted variable costs of External Services Providers.
- 7.8 Table 1 (Summary of Charges) shows the monthly Fixed Charge applicable to each Smart Metering System within each Charging Group from 1 April 2017. The monthly Fixed Charges are set for:
 - Domestic Premises; and
 - Non-Domestic Premises which are further split by North, Central and South Regions.
- 7.9 The formula for calculating the monthly Fixed Charges is set out in the Charging Methodology under the following Sections:
 - K5.4 – Determining Fixed Charges for Non-Domestic Premises; and
 - K5.5 – Determining the Fixed Charges for Domestic Premises.

SECTION D – COMMUNICATIONS HUBS CHARGES AND EXPLICIT CHARGES

8 Communications Hubs

- 8.1 Charges in relation to Communications Hub Services are payable by a SEC Party from the point a Communications Hub order has been delivered and accepted by that Party.
- Stock Level Charge - Volume of accepted deliveries of Communications Hubs (including those of which DCC are yet to be notified of its installation); and
 - Fixed CH Charge - Volume of Smart Metering Systems.
- 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 return the Communications Hubs which may be subject to an Explicit Charge, see section 10 on Estimated Explicit Charges Revenue and Explicit Charges.
- 8.5 DCC will only start to recover Communications Hub Revenue once the first delivery of Communications Hubs has been accepted by a SEC Party, either through the stock level charge or the Fixed CH Charge.

Estimated Communications Hub Revenue

- 8.3 The estimated Communications Hub Revenue in this indicative Charging Statement is based on aggregated volumes from the volumes forecast submitted by relevant SEC Parties to DCC in late 2016, see Table 14. 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 | 4,945,312 |
| Smart Metering Systems | 7,109,313 |

Table 14 – Forecast volumes for Communications Hubs and Smart Metering Systems in RY 2017/18

- 8.4 The monthly charges associated with Communications Hub Services in a Charging Period will be determined by a combination of:
- Domestic Smart Metering Systems;
 - Non-domestic Smart Metering Systems; and
 - Charging Groups for Fixed CH Charges.
- 8.9 Following the installation of a

Types of Communications Hubs Charges

- 8.6 In accordance with the Charging Methodology, DCC will recover estimated Regional Communications Hub Revenue using either a Fixed CH Charge or an explicit stock level charge. Regional Communications Hub Revenue is set out in Table 8.

Fixed CH Charge

- 8.7 Consistent with the Third Relevant Policy Objective, Fixed CH Charges will differ between Domestic and Non-Domestic Premises.
- 8.8 A SEC Party will be invoiced for these charges based on the number of:
- Domestic Smart Metering Systems;
 - Non-domestic Smart Metering Systems; and
 - Charging Groups for Fixed CH Charges.
- 8.9 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 15.

- 8.10 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.
- 8.11 The CH Charging Group Weighting Factors will be refreshed in line with any subsequent updates to the Charging Group Weighting Factors.
- 8.12 The CH Charging Group Weighting Factors apply equally across all three Regions regardless of Domestic or Non-Domestic Premises.
- 8.13 Stock level charge is a blended average charge set at the start of each Regulatory Year. The charge is based on the number of Communications Hubs held in stock by a SEC Party at the end of the Charging Period.
- 8.14 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.
- 8.15 The stock level charge for RY 2017/18 is set out in Table 4 in section A (Summary of Charges).

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

Table 15 – Charging Group for Fixed CH Charge

9 Charging Periods for Communications Hub Charges

During and after UITMR

- 9.1 Charges associated with Communications Hub Services are payable a month in arrears from the month of delivery.
- 9.2 Domestic Smart Metering Systems will be invoiced at the same Fixed CH Charge across all Regions. For example, an Import Supplier with 200 electricity Smart Metering Systems in a Domestic Premises in the

South Region will pay the same Fixed CH Charge as an Import Supplier with 200 electricity Smart Metering Systems in a Domestic Premises in the North Region.

- 9.3 Non-domestic Smart Metering Systems will be invoiced based on different Fixed CH Charges across the three Regions. The non-domestic Fixed CH Charges differs from the Fixed CH Charges for a domestic Smart Metering System. For example, an Import Supplier with 100 electricity Smart Metering Systems in Non-Domestic Premises in the South Region will pay a different Fixed CH Charge to an Import Supplier with 100 electricity Smart Metering Systems in Non-Domestic Premises in the North Region.

10 Faults

- 10.1 This section explains the Charges payable where a Communications Hub is found to have a fault. The responsibility of that fault could either lie with a SEC Party or DCC and will be determined in accordance with Section F9.6.
- SEC Party fault
- 10.2 Where a SEC Party is deemed to be responsible for a Communications Hub fault, one of two charges will apply. These are set out below:
- CH returned not redeployed (Section K7.5(p)): A blended average charge set at the start of each Regulatory Year to recover the remaining cost associated with a Communications Hub.
 - CH returned and redeployed (Section K7.5(o)): A blended average charge
- 10.3 The applicable charges for these two items in RY 2017/18 are set out in Table 4 and 5 in section A (Summary of Charges).
- DCC faults
- 10.4 Any compensation due to Parties in relation to DCC faults, would be paid in accordance with F9 of the SEC. DCC will consider including this cost in a future Charging Statement where this information is helpful to stakeholders in understanding the cost impact of both a SEC Party fault and a DCC fault.

11 Estimated Explicit Charges Revenue and Explicit Charges

- 11.1 In accordance with section K7.5 of the Charging Methodology, Explicit Charges are payable in respect of Explicit Charging Metrics, which represent those Core Communication Services and Enabling Services that are to be charged for separately from Fixed Charges. They recover the costs associated with a range of specific services and are generally driven by volume. The cost of those services would only arise where it is specifically ordered or required by a Party (or a non-SEC party where a bilateral agreement is in place), and would be recovered from that party.
- 11.2 DCC estimates that $E\text{ECR}_t$ (Estimated Explicit Charges Revenue) will be £5.7m for RY 2017/18. The assumptions made in relation to $E\text{ECR}_t$ are set out in Annex 3. Actual revenue recovered in RY 2017/18 will be determined by the actual volume of services procured by parties.
- 11.3 Annex 3 sets out supporting information for each of the Explicit Charges (explained below). It sets out the factors that will

influence the level of each of the indicative Explicit Charges in Table 5 in section A (Summary of Charges).

11.4 All Set Explicit Charges set out in Table 4 in section A (Summary of Charges) reflect all costs related to provisioning those services.

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

Legal provisions for ordering services attracting an Explicit Charge

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

Categories of Explicit Charges

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

- Set Explicit Charges (set out in Table 4 in section A);
- Indicative Explicit Charges (set out in Table 5 in section A); and
- Explicit Charges yet to be determined (set out in Table 6 in section A).

11.8 Some Explicit Charges can only be indicative as they will rely on a number of variables which are only known at the point at which a party applies for a particular service. For the purpose of enabling parties to estimate the level of Explicit Charges, DCC has set out indicative Explicit Charges in Table 5 in section A. The likely cost drivers for these services are explained in Annex 3.

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

Services available in the future

11.10 At a certain time in the future, SEC Parties will also be able to order variant Communications Hubs, shared solution Alt HAN equipment, point-to-point Alt HAN equipment and/or there may be a cost associated with Alt HAN equipment held in stock. DCC will recover these costs via Explicit Charges in accordance with Section K7.5. DCC will update these charges in the Charging Statement when these services are in effect.

SECTION E – INVOICING

12 Invoicing and Credit Cover

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

SECTION F – ANNEXES

Annex 1: Timetable for indicative Charging Statements and indicative budgets

13.1 In the first five working days of the months set out in Table 16, DCC will publish an indicative Charging Statement and working model for the next Regulatory Year along

with indicative budgets for the second and third Regulatory Years thereafter. These documents are available on the DCC website (www.smartdcc.co.uk).

| Month | Indicative Charging Statement | Indicative Budgets | |
|--------------|-------------------------------|--------------------|------------|
| April 2017 | RY 2018/19 | RY 2019/20 | RY 2020/21 |
| July 2017 | RY 2018/19 | RY 2019/20 | RY 2020/21 |
| October 2017 | RY 2018/19 | RY 2019/20 | RY 2020/21 |
| January 2018 | RY 2018/19 | RY 2019/20 | RY 2020/21 |

Table 16 – Timetable for indicative Charging Statements and indicative budgets

Annex 2: Fixed Charge – Assumptions

Volume Assumptions for Fixed Charges

14.1 This section sets out the current assumptions used for the estimated volumes for each of the Charging Groups for both Domestic Mandated Smart Metering Systems and Non-Domestic Smart Metering Systems in Tables 11 and 12.

14.2 Assumptions for Domestic Mandated Smart Metering System Volumes:

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

14.3 The Non-Domestic smart meter volume forecast is currently zero. Regional Fixed Charges for non-domestic premises are included in this indicative Charging

Statement and will become applicable once we have confirmation of smart meters being installed and enrolled with DCC in those premises.

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

15.1 This annex sets out further detail in relation to:

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

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

Set Explicit Charges

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

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

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

Estimated Explicit Charges Revenue (EECR_i)

15.3 In estimating the EECR_t, DCC has made a number of assumptions in relation to the forecast volume and prices of certain service in RY 2017/18. Many of those forecasts are set at zero, this is due to a variety of reasons, including:

- A number of services will not be available to order for the entire Regulatory Year, as these will rely on certain sections of the SEC becoming effective on a date which is yet to be determined. Due to this uncertainty, DCC has considered it appropriate to assume that there will be no orders for these services
- Due to the changes to the DCC plan there is little certainty around a number of services, whether it will be ordered in RY 2017/18

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

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

15.8 CH auxiliary equipment: Parties may order additional Communications Hub Auxiliary Equipment, which includes additional aerials. This is over and above the aerials that will form part of a Communications Hubs order for premises that requires it

as part of a standard installation. DCC will recover the cost of additional aerials via an Explicit Charge in accordance with Section K7.5(n).

- 15.9 Communications services 'Service Requests': Under K7.5(j) of the SEC, DCC may recover the costs of communications services available via the DCC User Interface Services Schedule via an Explicit Charge. DCC will recover this cost via the Fixed Charge, hence the value of the Explicit Charge has been set to zero, pursuant to Section K7.6(e). DCC consulted on this approach in May 2014. The rationale for this approach is that it is more economic and efficient to recover Service Request costs via Fixed Charges because:
- total cost of Service Requests is approximately 0.2% of total External Costs;
 - it would be less costly and complex for the billing system to recover this cost through Fixed Charges;
 - invoices would be simpler with less reconciliation activity for SEC Parties; and
 - there would be greater cost certainty in advance of each Regulatory Year.

Indicative Explicit Charges

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

15.11 The connection charge recovers the cost of installing the DCC Gateway Connection and will be payable to DCC following installation. The charge will be dependent on the individual connection request

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

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

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

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

15.13 The indicative Explicit Charges for DCC Gateway Connections are set out in section

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

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

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

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

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

15.17 These charges are designed to pass through the expenditure from SECCo Ltd to DCC which then recovers it from Parties. These costs are treated as Recoverable Costs in accordance with section C8.2 of the SEC.

For more information in relation to these Explicit Charges please contact SECAS at secas@gemserv.com.

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

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

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

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

15.21 The connection charge recovers the costs

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

- which CSP is providing the SM WAN for testing as they will use different technology to set up the SM WAN for testing (e.g. the cost of connecting into an existing network will be lower than that for installing a nano base station); and
- 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).

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

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

15.23 In some very limited cases a customised solution may be required where, following a site visit, it becomes apparent that the standard solutions for signal boosting



technology may not be effective. DCC does not, however, anticipate this being required.

15.24 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.

15.25 Additional Testing Support: Testing Participants may request, pursuant to Section H14.33, reasonable additional support to that Testing Participant associated with;

- the DCC Total System and the results of such Testing Participant's Device and User System Tests;
- the Systems of the Testing Participant that are (or are intended to be) User Systems; and
- communications between the DCC and any Device or between Devices which comprise (or which the Testing Participant intends will comprise) a Smart Metering System.

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 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.

15.27 CH returned and redeployed: CH Users may return Communications Hubs for a reason which is a CH User responsibility. These Communications Hubs may be reconditioned for redeployment. DCC will recover the cost of this service via an Explicit Charge in accordance with Section K7.5(o) of the SEC. The value of that charge will be confirmed after all relevant information has been provided to DCC in relation to the request. The key variable that will influence the level of this charge will be the average asset life across Communications Hubs at varying stages of asset life.

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

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

Other costs

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

Annex 4: Worked Examples

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

- Monthly Fixed Charge in Table 1
- Monthly Fixed Alt HAN Charge in Table 2
- Monthly Fixed CH Charge in Table 3
- Stock level charge in Table 4
- Auxiliary aerials charge in Table 5

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

Example 1: Single fuel supplier

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

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

- 3,642,724 domestic Smart Metering Systems;
 - 3,242,724 Mandated Meters which are not smart meters; and
 - 400,000 smart meters enrolled in DCC

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

16.5 Tables 17a and 17b show examples of how total payable amounts appearing on the principal and secondary invoices at the end of a Charging Period will be calculated for Fixed Charges, Fixed Alt HAN Charge, Fixed CH Charges and Explicit Charges. We have assumed, for the purpose of this worked example, that the Communications Hubs Finance Costs are 15% of total Communications Hub charges.

16.6 In this example, GSE will pay a total amount of £2,413,686.83. DCC will email two invoices to GSE; a principal invoice for £2,378,513.03 and secondary invoice £35,173.80 both including VAT. The total amount will be supported by a supplementary schedule detailing charges for each SEC Party.



Monthly Fixed Charge under example 1

| Charging Group | Name | Premises Type | Region (r) | Actual Size of Charging Group (ADSMS _{pgmt} & ANSMS _{pgmt}) | Monthly Fixed Charge (£ / meter) (RDFC _{gt} & RNFC _{gt}) | Total Monthly Fixed Charge |
|----------------------------|------------------------------|---------------|------------|--|---|----------------------------|
| g1 | Import Electricity Suppliers | Domestic | All | 3,642,724 | £0.473 | £1,723,008.45 |
| g1 | Import Electricity Suppliers | Non Domestic | North | 70,000 | £0.611 | £42,770.00 |
| g1 | Import Electricity Suppliers | Non Domestic | South | 30,000 | £0.413 | £12,390.00 |
| Total monthly Fixed Charge | | | | | | £1,778,168.45 |

Monthly Fixed Alt HAN Charge under example 1

| Charging Group | Name | Premises Type | Region (r) | Actual Size of Charging Group (ADSMS _{pgmt}) | Monthly Fixed Charge (£ / meter) (RDFC _{gt} & RNFC _{gt}) | Total Monthly Fixed AltHAN Charge |
|------------------------------------|------------------------------|---------------|------------|--|---|-----------------------------------|
| g1 | Import Electricity Suppliers | Domestic | All | 3,642,724 | £0.010 | £36,427.24 |
| g1 | Import Electricity Suppliers | Non Domestic | North | 70,000 | £0.010 | £700.00 |
| g1 | Import Electricity Suppliers | Non Domestic | South | 30,000 | £0.010 | £300.00 |
| Total monthly Fixed Alt HAN Charge | | | | | | £37,427.24 |

Monthly Fixed Communications Hub Charge under example 1

| Charging Group | Name | Premises Type | Region | Actual Size of Charging Group (ACHS _{pgmt}) | Monthly Comms Hub Charge (£/meter) (CHC _{gt}) | Total Monthly Fixed CH Charge |
|-------------------------------|------------------------------|---------------|--------|---|---|-------------------------------|
| g1 | Import Electricity Suppliers | Domestic | All | 400,000 | £0.381 | £152,400.00 |
| g1 | Import Electricity Suppliers | Non Domestic | North | 70,000 | £0.235 | £16,450.00 |
| g1 | Import Electricity Suppliers | Non Domestic | South | 30,000 | £0.572 | £17,160.00 |
| Total monthly Fixed CH Charge | | | | | | £186,010.00 |

Explicit Charges under example 1

| Charge Name | Charge type | Basis of Charge | Units | Explicit Charge (£ / unit) | Total (£) |
|-------------------------------|-----------------|-----------------|--------|----------------------------|-----------|
| CH stock level charge | Explicit Charge | Per Hub | 20,000 | £0.47 | £9,400.00 |
| CH auxiliary equipment | Explicit Charge | Per Unit | 100 | £4.00 | £400.00 |
| Total monthly Explicit Charge | | | | | £9,800.00 |

Total monthly charges under example 1

| | Total (£) |
|------------------------------------|---------------|
| Total Charges Excluding VAT | £2,011,405.69 |
| Less Secondary Invoice (see below) | (£29,311.50) |
| Net Total Excluding VAT | £1,982,094.19 |
| VAT @ 20% | £396,418.84 |
| Total Charges Including VAT | £2,378,513.03 |

Table 17a – Principal monthly invoice under example 1

| Charge Name | Monthly Charge (£) |
|---|--------------------|
| Communication Hub Finance Charges (£186,010 + £9,400) x 15% | £29,311.50 |
| VAT @ 20% | £5,862.30 |
| Total Charges Including VAT | £35,173.80 |

Table 17b – Secondary monthly invoice under example 1

Example 2: Dual fuel supplier

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

- An Import Supplier, and
- A Gas Supplier

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

- 3,642,724 domestic Smart Metering Systems;
 - Electricity 1,848,353 mandated meters which are not smart meters and 228,000 smart meters enrolled in DCC
 - Gas 1,394,371 mandated meters which are not smart meters and 172,000 Smart Meters enrolled in DCC
- 100,000 non-domestic smart meters enrolled in DCC
- Electricity 57,000 smart meters Enrolled in DCC
 - 39,900 smart meters in the North Region
 - 17,100 smart meters in the South Region

- Gas 43,000 smart meters Enrolled with DCC

- 30,100 smart meters in the North Region
- 12,900 smart meters in the South Region

- 20,000 Communications Hubs in stock at the end of the Charging period
- 100 Auxiliary cellular mesh aerials were accepted in the Charging Period

16.9 Tables 18a and 18b 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 AlTHAN Charge, Fixed CH Charges and Explicit Charges. We have assumed, for this worked example, that the Communications Hub Finance Costs are 15% of total Communications Hubs charges.

16.10 In this example, GSDF will pay a total amount of £2,167,124.91. DCC will email two invoices to GSDF; principal Invoice £2,135,464.30 and secondary Invoice £31,660.61 both including VAT. The total amount will be supported by a supplementary schedule detailing charges for each SEC Party.

Monthly Fixed Charge under example 2

| Charging Group | Name | Premises Type | Region (r) | Actual Size of Charging Group (ADSMS _{pgmt} & ANSMS _{pgmt}) | Monthly Fixed Charge (£ / meter) (RDFC _{grt} & RNFC _{grt}) | Total Monthly Fixed Charge |
|----------------------------|------------------------------|---------------|------------|--|---|----------------------------|
| g1 | Import Electricity Suppliers | Domestic | All | 2,076,353 | £0.473 | £982,114.97 |
| g3 | Gas Suppliers | Domestic | All | 1,566,371 | £0.358 | £560,760.82 |
| g1 | Import Electricity Suppliers | Non-Domestic | North | 39,900 | £0.611 | £24,378.90 |
| g3 | Gas Suppliers | Non-Domestic | North | 30,100 | £0.461 | £13,876.10 |
| g1 | Import Electricity Suppliers | Non Domestic | South | 17,100 | £0.413 | £7,062.30 |
| g3 | Gas Suppliers | Non Domestic | South | 12,900 | £0.312 | £4,024.80 |
| Total monthly Fixed Charge | | | | | | £1,592,217.89 |

Monthly Fixed Alt HAN Charge under example 2

| Charging Group | Name | Premises Type | Region (r) | Actual Size of Charging Group (ADSMS _{pgmt}) | Monthly Fixed AltHAN Charge (£ / meter) (RDFC _{grt} & RNFC _{grt}) | Total Monthly Fixed AltHAN Charge |
|------------------------------------|------------------------------|---------------|------------|--|--|-----------------------------------|
| g1 | Import Electricity Suppliers | Domestic | All | 2,076,353 | £0.010 | £20,763.53 |
| g3 | Gas Suppliers | Domestic | All | 1,566,371 | £0.010 | £15,663.71 |
| g1 | Import Electricity Suppliers | Non-Domestic | North | 39,900 | £0.010 | £399.00 |
| g3 | Gas Suppliers | Non-Domestic | North | 30,100 | £0.010 | £301.00 |
| g1 | Import Electricity Suppliers | Non Domestic | South | 17,100 | £0.010 | £171.00 |
| g3 | Gas Suppliers | Non Domestic | South | 12,900 | £0.010 | £129.00 |
| Total monthly Fixed Alt HAN Charge | | | | | | £37,427.24 |

Monthly Fixed Communications Hub Charge under example 2

| Charging Group | Name | Premises Type | Region | Actual Size of Charging Group (ACHS _{pgmt}) | Monthly Fixed CH Charge (£/meter) (CHC _{grt}) | Total Monthly Fixed CH Charge |
|-------------------------------|------------------------------|---------------|--------|---|---|-------------------------------|
| g1 | Import Electricity Suppliers | Domestic | All | 228,000 | £0.381 | £86,868.00 |
| g3 | Gas Suppliers | Domestic | All | 172,000 | £0.288 | £49,536.00 |
| g1 | Import Electricity Suppliers | Non-Domestic | North | 39,900 | £0.235 | £9,376.50 |
| g3 | Gas Suppliers | Non-Domestic | North | 30,100 | £0.178 | £5,357.80 |
| g1 | Import Electricity Suppliers | Non Domestic | South | 17,100 | £0.572 | £9,781.20 |
| g3 | Gas Suppliers | Non Domestic | South | 12,900 | £0.432 | £5,572.80 |
| Total monthly Fixed CH Charge | | | | | | £166,492.30 |

Explicit Charges under example 2

| Charge Name | Charge type | Basis of Charge | Units | Explicit Charge (£ / unit) | Total (£) |
|-------------------------------|-----------------|-----------------|--------|----------------------------|-----------|
| CH stock level charge | Explicit Charge | Per Hub | 20,000 | £0.47 | £9,400.00 |
| CH auxiliary equipment | Explicit Charge | Per Unit | 100 | £4.00 | £400.00 |
| Total monthly Explicit Charge | | | | | £9,800.00 |

Total monthly charges under example 2

| | Monthly charge (£) |
|------------------------------|--------------------|
| Total Charges Excluding VAT | £1,805,937.43 |
| Less Secondary Invoice (15%) | (£26,383.85) |
| Net Total Excluding VAT | £1,779,553.58 |
| VAT @ 20% | £355,910.72 |
| Total Charges Including VAT | £2,135,464.30 |

Table 18a – Principal monthly invoice under example 2

| Charge Name | Monthly Charge (£) |
|---|--------------------|
| Communication Hub Finance Charge: $(£166,492.30 + £9,400.00) \times 15\%$ | £26,383.85 |
| VAT @ 20% | £5,726.77 |
| Total Charges Including VAT | £31,660.61 |

Table 18b – Secondary monthly invoice under example 2

Example 3: Electricity distributor

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

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

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

- 39,900 smart meters in the North Region

- 17,100 smart meters in the South Region.

16.13 Table 19 sets out an example of how a principal invoice amount would be calculated for an electricity distributor paying Fixed Charges only. In this example, DCC would email a principal invoice to the electricity distributor for £149,151.69 including VAT. This invoice will be supported by a supplementary schedule detailing charges for each SEC Party. Charges associated with Communications Hubs are not applicable in this example.

| Charging Group | Name | Premises Type | Region (r) | Actual Size of Charging Group (ADCH _{grt} & ANCH _{grmt}) | Monthly Fixed Charge (£ / meter) (DCHC _{grt} & NCHC _{grt}) | Total Fixed Charge |
|-----------------------------|--------------------------|---------------|------------|---|---|--------------------|
| g4 | Electricity Distributors | Domestic | All | 2,076,353 | £0.058 | £120,428.47 |
| g4 | Electricity Distributors | Non Domestic | North | 39,900 | £0.075 | £2,992.50 |
| g4 | Electricity Distributors | Non Domestic | South | 17,100 | £0.051 | £872.01 |
| Total monthly Fixed Charge | | | | | | £124,293.07 |
| Total Charges Excluding VAT | | | | | | £124,293.07 |
| VAT @ 20% | | | | | | £24,858.61 |
| Total Charges Including VAT | | | | | | £149,151.69 |

Table 19 – Monthly Fixed Charge under example 3

Annex 5: Acronyms

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

Table 20 – Acronyms

Annex 6: Glossary

| Defined Terms | References | Definition |
|-------------------------------------|-------------------|--|
| Adoption | SEC N1.1 | Means, in respect of a Communications Contract, to novate (with or without amendment) some or all of the Supplier Party's rights and obligations under the contract (to the extent arising after the date of novation) to the DCC; and "Adopt", "Adopting" and "Adopted" shall be interpreted accordingly. |
| Allowed Revenue | LC 36.8 | Allowed Revenue is the total amount of revenue determined on an accruals basis in relation to each Regulatory Year, in accordance with the Principal Formula outlined in the Licence. |
| AltHANco | SEC Z6.1 | Has the meaning given to that expression in Section Z2.1 (Establishment of AltHANCo). |
| Alt HAN Charges | SEC A1.1 | Means the Fixed Alt HAN Charges calculated in accordance with Section K5A or K6B (as applicable) taken together with the Explicit Charges in respect of the Explicit Charging Metrics at Section K7.5(t) and (u). |
| Alt HAN Costs | SEC Z6.1 | Has the meaning given to that expression in Section Z4.2 (Alt HAN Costs and Expenses). |
| Alt HAN Fixed Revenue | SEC K3.7 | Revenue relating to the reimbursement of Alt HAN Costs |
| Alt Han Services | SEC Z6.1 | Has the meaning given to that expression in Standard Condition 55.7 of the Electricity Supply Licence and Standard Condition 49.7 of the Gas Supply Licence. |
| Authority | SEC A1.1 | Means the Gas and Electricity Markets Authority as established under Section 1 of the Utilities Act 2000. |
| Baseline Margin | LC 35.5 | Means in relation to each Regulatory Year an amount of additional revenue, over and above the sum of the Licensee's Internal Costs and External Costs, that the Secretary of State has agreed shall be included (subject to the operation of the Baseline Margin Performance Adjustment) in the Licensee's Allowed Revenue, and is determined in accordance with the provisions of Part C of Condition 36. |
| Bilateral Agreement | SEC A1.1 | Means an agreement entered into pursuant to Section H7 of the SEC (Elective Communication Services) between the DCC and a User. |
| Change Request | DSP/CSP contracts | Means a written request for a Contract Change which shall be substantially in the form of Appendix 1 to Schedule 8.2 of the DSP/CSP contract. |
| CH Batch Fault | SEC A1.1 | Has the meaning given to that expression in Section F9.20 of the SEC (Liquidated Damages for CH Batch Faults). |
| CH Type Fault | SEC A1.1 | Has the meaning given to that expression in Section F9.16 (Liquidated Damages for CH Type Faults). |
| CH Charging Group | SEC K11.1 | Has the meaning given to that expression in Section K3.9. |
| CH Charging Group Weighting Factors | SEC K11.1 | Has the meaning given to that expression in Section K3.13 of the SEC. |
| CH Order Management System | SEC A1.1 | Means that part of the CH Ordering System described as the 'Order Management System' in the CH Handover Support Materials. |
| CH User Responsibility | SEC A1.1 | Has the meaning given to that expression in Section F9.6 of the SEC (Categories of Responsibility). |
| Charging Groups | SEC K11.1 | Has the meaning given to that expression in Section K3.9 of the SEC. |
| Charging Group Weighting Factors | SEC K3.10 | Charging Group Weighting Factors are designed to reflect the relative proportion of fixed costs attributable to Import Electricity Suppliers (g1), Export Electricity Suppliers (g2), Gas Suppliers (g3), Electricity Distributors (g4) and Gas Transporters (g5). |
| Charging Methodology | SEC K | Charging Statements are prepared in accordance with the Charging Methodology, which provides the mechanism for determining Fixed Charges (before, during and after UITMR), Explicit Charges and Elective Charges. |

| Defined Terms | References | Definition |
|--------------------------------------|--|--|
| Charging Period | SEC K11.1 | Means, in respect of each month (the 'current month'), the period from the start of the 16th day of the previous month to the end of the 15th day of the current month. |
| Charging Statement | SEC A1.1 | Means, from time to time, the statement prepared by DCC pursuant to Condition 19 of the DCC Licence that is in force at that time (i.e. this document). |
| Communications Hubs | SEC A1.1 | Means a Communications Hub Function together with a Gas Proxy Function. |
| Communications Hub Finance Charges | SEC A1.1 | Means, in respect of each Communications Hub Finance Facility, the DCC's charge to recover the applicable Communications Hub Finance Costs (being a subset of the Communications Hub Charges), in an amount each month determined by the DCC at the time it produces an Invoice for that month (having regard to the requirements of Condition 36.5 of the DCC Licence). |
| Communications Hub Service | LC 17 (E) | The Communications Hub Service is provided by DCC for the purpose of enabling Energy Suppliers to comply with their duties in respect of the installation of Smart Metering Systems at the premises of Energy Consumers. |
| Core Communication Services | LC 17 (B) | Core Communication Services relate solely to the Supply of Energy (or its use) under the Principal Energy Legislation. |
| DCC Gateway Connection | N/A | For each Party other than the DCC, the physical infrastructure by which a connection is (or is to be) made between the premises of that Party and the DCC Systems for the purposes of the DCC Services. |
| DCC Gateway | SEC H3 | The DCC User Gateway is the interface designed to allow communications to be sent between SEC Parties and DCC. |
| DCC Internal Systems | SEC A1.1 | Means those aspects of the DCC Total System for which the specification or design is not set out in this Code. |
| DCC Total System | SEC A1.1 | means the Systems used by the DCC and/or the DCC Service Providers in relation to the Services and/or this Code, including the DCC User Interface, SM WAN and Communications Hubs except for those Communications Hubs which are: <ul style="list-style-type: none"> • neither installed nor in the possession of the dcc; or • installed, but are not Commissioned. |
| DCC User Gateway Catalogue | DSP/CSP contracts | Has the meaning given in Schedule 6.3 (Development Process) of the DSP/CSP contracts. |
| DCC User Interface Services Schedule | SEC A1.1 | Means the SEC Subsidiary Document identified as the 'DCC User Gateway Interface Specification' set out in Appendix [F]. |
| Designated Premises | SEC A1.1 | Means Non-Domestic Premises defined as Designated Premises within the meaning given to that expression in the Electricity Supply Licences or the Gas Supply Licences. |
| Detailed Evaluation | SEC A1.1 | Has the meaning given to that expression in Section H7.7 of the SEC (Detailed Evaluation of Elective Communication Services). |
| Device | SEC A1.1 | Means one of the following individual devices: (a) an Electricity Smart Meter; (b) a Gas Smart Meter; (c) a Communications Hub Function; (d) a Gas Proxy Function; (e) a Pre-Payment Meter Interface Device; (f) a HAN Connected Auxiliary Load Control Switch; and (g) any Type 2 Device. |
| Domestic Premises | SEC A1.1 | Means premises at which a Supply of Energy is or will be taken wholly or mainly for domestic purposes, which is to be interpreted in accordance with Condition 6 of the relevant Energy Supply Licence. |
| Elective Communication Services | LC 17 (C) | Elective Communication Services are communication services (other than Core Communication Services) that relate solely to the Supply of Energy (or its use) under the Principal Energy Legislation. |
| Ex-post plus | Ofgem decision on DCC's role in developing CRS | An approach which brings together elements of ex-ante and ex-post price control frameworks, |

| Defined Terms | References | Definition |
|------------------------------------|-------------------------------|---|
| Electricity Distributors | SEC A1.1 | Means, for a Smart Metering System or a Device, the holder of the Electricity Distribution Licence for the network to which the relevant premises are connected. |
| Enabling Services | LC 1.4 | Enabling Services form part of the Mandatory Business of DCC and fulfil an enabling role with respect to the provision of Core Communication Services and Elective Communication Services. Enabling Services consist of (a) the Enrolment Service, (b) the Communications Hub Service, and (c) Other Enabling Services. |
| Enrolment | SEC A1.1 | Means, in respect of a Smart Metering System, the act of enrolling that Smart Metering System in accordance with the Enrolment Service (and the words "Enrol" and "Enrolled" will be interpreted accordingly). Enrolment of a Smart Metering System ends on its Withdrawal. |
| Enrolment Service | LC 17 (D) | The Enrolment Service is operated by DCC for the purpose of enrolling a Smart Metering System into the Smart Metering Inventory under the SEC. |
| Estimated Allowed Revenue | SEC K11.1 | Has the meaning given to that expression in Section K2.1 of the SEC. |
| Estimated Elective Service Revenue | SEC K11.1 | Has the meaning given to that expression in Section K2.3 of the SEC. |
| Estimated Explicit Charges Revenue | SEC K11.1 | Has the meaning given to that expression in Section K2.5 of the SEC. |
| Estimated Fixed Revenue | SEC K11.1 | Has the meaning given to that expression in Section K2.6 of the SEC. |
| Elective Charges | SEC K11.1 | Means the Charges payable in respect of Elective Communication Services. |
| Elective Communications Services | SEC A1.1 | Means the provision of communication services that are (or are to be) defined in a Bilateral Agreement (rather than the DCC User Interface Services Schedule) in a manner that involves communication via the SM WAN (provided that such services must relate solely to the Supply of Energy or its use). |
| Explicit Charges | SEC K11.1 | Means the Charges calculated in accordance with Section K7 of the SEC, and payable in respect of the Explicit Charging Metrics. |
| Explicit Charging Metrics | SEC K11.1 | Has the meaning given to that expression in Section K7 of the SEC. |
| Export Supplier | SEC A1.1 | Means, for a Smart Metering System or a Device and any period of or point in time, the Supplier Party Registered during that period of or at that point in time in respect of the Export MPAN relating to that Smart Metering System or Device (but excluding Smart Metering Systems or Devices for which there is no related Import MPAN, in which circumstance such Registered Supplier Party is deemed to be the Import Supplier in accordance with the definition thereof). |
| Extensible Markup Language | TBC – SEC Subsidiary Document | Extensible Markup Language defines a set of rules for encoding documents in a format that is both human-readable and machine-readable. The design goals of the language emphasise simplicity, generality, and usability over the Internet. |
| External Costs | LC 35.5 | Means in relation to each Regulatory Year the actual amount of the costs that were economically and efficiently incurred by the Licensee in procuring Fundamental Service Capability during that period. |
| External Services Provider | LC 1.4 | Means any person from whom Relevant Service Capability is procured by the Licensee (including a person from whom such capability is being procured by virtue of paragraph 6 of Condition 16 of the Licence) for the purpose of enabling the provision of Mandatory Business Services under or pursuant to the Smart Energy Code. |
| First Relevant Policy Objective | LC 18.15 | As set out in Condition 18.15 of the Licence. |
| Fixed Charges | SEC A1.1 | Has the meaning given to that expression in the Charging Methodology in Section K of the SEC. |

| Defined Terms | References | Definition |
|---------------------------------------|-------------------|---|
| Fixed CH Charge | SEC K | As set out in Section K3 of the SEC. |
| Follow-up Security Assessment | SEC A1.1 | Has the meaning given to that expression in Section G8.17 of the SEC (Categories of Security Assurance Assessment). |
| Full User Security Assessment | SEC A1.1 | Has the meaning given to that expression in Section G8.14 of the SEC (Categories of Security Assurance Assessment). |
| Fundamental Service Capability | LC 1.4 | Has the meaning given to that term in Part J of Condition 16 (Procurement of Relevant Service Capability), as amplified by reference to the particulars set out in Schedule 1 to the Licence (Details of Fundamental Service Capability). |
| Gas Supplier | SEC A1.1 | Means, for a Smart Metering System or a Device and any period of or point in time, the Supplier Party Registered during that period of or at that point in time in respect of the MPRN relating to that Smart Metering System or Device. |
| Gas Transporter | SEC A1.1 | Means, for a Smart Metering System or a Device, the holder of the Gas Transporter Licence for the network to which the relevant premises are connected. |
| Great Britain Companion Specification | LC 1.4 | The Great Britain Companion Specification is the final part of the Smart Metering Equipment Technical Specification that defines the technical details of electricity and gas meters, In Home Displays (IHD) and Communications Hubs. It defines the details of the technical protocol used for these devices to communicate with each other. It is a fundamental and critical part of the smart metering ecosystem with many aspects of the DCC Service dependent on its quality and completeness. |
| Impact Assessment | DSP/CSP contracts | Means a detailed impact assessment of a Change Request substantially in the form of Appendix 3 to Schedule 8.2 and as further described in paragraph 7 of Part F of Schedule 8.2 of the DCC Service Provider contracts. |
| Implementation Milestones | LC Schedule 3 | Has the meaning that is given to it in Schedule 3 (The Implementation Performance Regime) of the Licence. |
| Import Supplier | SEC A1.1 | Means, for a Smart Metering System or a Device and any period of or point in time: (a) the Supplier Party Registered during that period of or at that point in time in respect of the Import MPAN relating to that Smart Metering System or Device; or (b) where there is no related Import MPAN for that Smart Metering System or Device, the Supplier Party Registered during that period of or at that point in time in respect of the Export MPAN relating to that Smart Metering System or Device. |
| Internal Costs | LC 35.5 | Means in relation to each Regulatory Year the sum of the costs (excluding External Costs and Pass-Through Costs) that were economically and efficiently incurred by the Licensee for the purposes of the provision of Mandatory Business Services under or pursuant to the SEC (and may include costs incurred in respect of the governance and administration of the SEC that are not included in Pass-Through Costs). |
| Mandated Smart Metering Systems | SEC K11.1 | Means, from time to time, each MPAN or MPRN associated with a Domestic Premises (regardless of whether or not a Smart Metering System has been installed or Enrolled), but excluding: (a) those MPANs and MPRNs associated with premises in respect of which the DCC is exempted from the requirement to Enrol Smart Metering Systems in accordance with the Statement of Service Exemptions; and (b) those MPANs that do not have the status of "traded" (as identified in the MRA) and those MPRNs that do not have a status that indicates that gas is off-taken at the supply point (as identified in the UNC). |
| Mandatory Business Services | LC1.4 | Mandatory Business Services comprise the Mandatory Business operated or provided by DCC, namely (a) Core Communication Services, (b) Elective Communication Services, and (c) Enabling Services. |
| National Fixed Revenue | SEC K3.7 | Is the revenue that should be recovered on a uniform basis across all the Regions. |

| Defined Terms | References | Definition |
|--------------------------------------|-------------------|--|
| Notice | LC 1.4 | Means prior notice given directly to a person in Writing (and includes a notification). |
| Other Enabling Service | SEC A1.1 | Means the Services other than the Enrolment Services, the Communications Hub Services and the Communication Services. |
| Party | SEC A1.1 | Means, from time to time, a person that has agreed to be bound by the SEC (either pursuant to the Framework Agreement or an Accession Agreement), and (without prejudice to Section M8.14 (Consequences of Ceasing to be a Party)) that has not at that time ceased to be so bound in accordance with Section M8 (but excluding SECCo). |
| Pass-Through Costs | LC 35.5 | Means in relation to each Regulatory Year the sum of the amounts that are specified as Pass-Through Costs in paragraph 8 of Condition 36. |
| Parse and Correlate Software | SEC H11 | Parse and Correlate Software ensures that the Extensible Markup Language commands sent to Smart Meter devices from SEC Party systems have the same meaning as the corresponding command in the Service Request format used by Smart Meter devices. |
| Price Control Condition | LC 1.4 | Means a condition the purpose of which, whether on its own or in combination with any other Price Control Condition, is to limit or control the charges of, or the revenue of, the Licensee (and the Conditions contained in Chapter 9 are the Price Control Conditions of the Licence). |
| Privacy Assessments | SEC A1.1 | Means a Full Privacy Assessment, Random Sample Privacy Assessment or User Privacy Self-Assessment. |
| Privacy Assessment Report | SEC A1.1 | Has the meaning given to that expression in Section I2.17 of the SEC (The Privacy Assessment Report). |
| Project | CSP/DSP contracts | As set out in Schedule 8.8 to the DSP/CSP contracts. |
| Public Key Infrastructure | N/A | A Public Key Infrastructure is the set of hardware, software, people, policies and procedures needed to create, manage, distribute, use, store, and revoke digital certificates. |
| Recoverable Cost | SEC A1.1 | Has the meaning given to that expression in Section C8.2 of the SEC (SEC Costs and Expenses). |
| Region | SEC A1.1 | Means each of the geographical regions of Great Britain that are subject to different DCC Service Provider Contracts, the exact boundaries of which will be as published by the DCC (or the Panel on behalf of the DCC) from time to time. |
| Regional Communications Hub Revenue | SEC K11.1 | Has the meaning given to that expression in Section K3.8 of the SEC. |
| Registration Data Provider | SEC A1.1 | Means, in respect of each Network Party, the person nominated as such in writing to the DCC from time to time by that Network Party, on the basis that more than one Party may specify the same Registration Data Provider, and that the Network Party shall be deemed to have so nominated itself in the absence of any other nomination. |
| Regional Fixed Revenue | SEC K11.1 | Has the meaning given to that expression in Section K3.8 of the SEC. |
| Regulated Revenue | LC 35.5 | Regulated Revenue is the actual revenue measured on an accruals basis in relation to each Regulatory Year received by DCC based on Service Charges levied in the Charging Statement. |
| Regulatory Instructions and Guidance | LC 1.4 | Means the document of that name issued by the Authority under Condition 33 (Regulatory Instructions and Guidance) for purposes relating to the obligations of the Licensee under Condition 31 (Reporting of Quality of Service Information) and Condition 32 (Reporting of Price Control Information). |
| Regulatory Year | LC 1.4 | A Regulatory Year is a period of 12 months beginning 1st April in any calendar year and ending 31st March of the next calendar year. |

| Defined Terms | References | Definition |
|-----------------------------------|------------------------------------|---|
| 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 21 – Glossary