



**Charging Statement  
for Service Charges**

**Regulatory Year ending  
31 March 2022**

**Issue: 1.1 (draft for notice)**

**Date: 25 August 2021**

**Classification: DCC Public**

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# 1 Introduction

1. This document is the draft second issue of the Charging Statement for Service Charges for Smart DCC Ltd (DCC) for the Regulatory Year ending 31 March 2022 (RY2021/22). It has been prepared in accordance with Section J4.3 of the Smart Energy Code (SEC) and is based on the best information and assumptions available at the time of producing this document.
2. 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 of the SEC.
3. We are re-opening the Charging Statement to reduce the Fixed Alt HAN Charges (Table 2), in response to a request from Alt HAN Co to reduce the Fixed Alt HAN Revenue (Tables 7-9) by £11.8m.
4. Accounting for this reduction, the total DCC cost estimate<sup>1</sup> for RY2021/22 is now £613m. This includes the £11.8m reduction in Fixed Alt HAN Revenue since the previous Charging Statement RY2021/22, published in April 2021 (Issue 1.0). The updated Fixed Alt HAN Revenue forecast for RYs 2022/23 – 2024/25 will be published in the Q3 Indicative Budget in October 2021.
5. At the time of publishing this Charging Statement, the UK remains subject to certain restrictions in response to the COVID-19 pandemic. We still do not expect this to have an impact on charges in RY2022/23. We will continue to keep this under review and will engage with customers through our usual channels of communication where necessary.

## 1.1. Smart Metering Implementation Programme (SMIP)

6. The DCC network is fully functional and operational, and DCC continues to support

its customers during the outbreak of COVID-19. The number of SMETS2 meters operating on the smart, secure network now stands at over 12 million.

7. A key priority for DCC is the provision of Dual Band Communications Hubs (DBCH), with the programme now focused on commencing testing for GBCS 3.2 for Single and Dual Band devices in the CSP North region. The devices will enable a HAN connection in premises where a single band solution cannot, extending the benefits of smart metering to more consumers.

## 1.2. Enduring Change of Supplier (ECOS)

8. The Change of Supplier credentials (CoS) process allows the supplier certificates associated with a losing energy supplier to be replaced with those of a gaining energy supplier whenever a consumer changes supplier.
9. The delivery plan approved by BEIS in March 2020 would see the enduring service (ECOS) go-live in June 2022, with the migration from the Tactical Change of Supplier (TCOS) service running until April 2023.

## 1.3. Enrolment of SMETS1 meters

10. Since August 2019, more than 4 million SMETS1 meters have been successfully enrolled into the DCC system as two migration cohorts. The final operating cohort is live and will continue through this year.
11. Interoperability has been proven through migrated customers seamlessly switching energy providers.
12. This publication includes the latest estimate of costs associated with SMETS1, which are

<sup>1</sup> This is the Estimated Fixed Revenue less Communications Hub Device Revenue and correction factor (but includes disallowed cost)

set out in Table 9. The majority of these costs relate to SMETS1 contracts that DCC negotiated throughout 2019-20.

#### 1.4. Supporting Ofgem's Switching Programme

13. In May 2019, DCC entered the Design Build and Test (DBT) phase of the programme. The current focus is the User Entry Process Testing (UEPT) Tranche 1, followed by End-to-End Testing in July 2021.
14. This publication includes forecasts relating to the DBT and the early operational phase of the Switching Programme. This includes early estimates of the external costs associated with those switching service providers who we know will continue after DBT and into operation. These forecasts are set out in Table 9.
15. The enduring charging arrangements for the service are being developed by Ofgem and will be designated as a section of the Retail Energy Code (REC). This is expected to be designated ahead of Central Switching Service (CSS) going live, which we now anticipate being during 2022. We expect this to take effect from either Go-Live or April 2023 and we will share updates with customers when we have more certainty.

#### 1.5. Network Evolution

16. The Network Evolution Programme focuses on the future of DCC operations in the smart metering environment. It explores how new process, systems and technologies can improve the live service, reduce the operating costs of the DCC system, and,

above all, secure the continuity of a critical part of the UK's national infrastructure.

17. The programme is a portfolio of distinct projects: DSP design and procurement; Communication Hubs & Networks; Trusted Service Provider (TSP) re-procurement; and Test Automation.

#### 1.6. Other information

18. In accordance with the new Completion of Mass Rollout (COMR) period charging arrangements, from April 2021, DCC Fixed Charges for non-domestic premises will be levied on the basis of any meter, instead of just those that are enrolled with DCC. Further explanation of the changes has been included in [Section C Part 13](#) of this document.
19. If you have any questions relating to this document or if you would like to provide feedback on how it might be improved, please email [finance@smartdcc.co.uk](mailto:finance@smartdcc.co.uk). This document is available on the DCC website ([www.smartdcc.co.uk](http://www.smartdcc.co.uk)).
20. If you are a SEC Party and would like to attend our quarterly Finance & Programme Briefings for customers, please contact us at [customerengagement@smartdcc.co.uk](mailto:customerengagement@smartdcc.co.uk).
21. Please note that:
  - some of the numbers in this document may not sum to total due to rounding; and
  - a table entry of '0.0' in the tables in this document indicates a value that is below £50,000.

# SECTION A – SUMMARY OF CHARGES FOR RY2021/22

## 2 Fixed Charges Summary

22. The monthly Fixed Charges are set out in Table 1.
23. Further detail on Fixed Charges is set out in [Section C](#).

Charging Group	Monthly Fixed Charge (£/MSMS)	Monthly Fixed Charge (£/MSMS) <sup>2</sup>
	Domestic	Non-Domestic
g1 - Import Suppliers	£0.913	£0.913
g2 - Export Suppliers	£0.149	£0.149
g3 - Gas Suppliers	£0.689	£0.689
g4 - Electricity Distributors	£0.108	£0.108
g5 - Gas Transporters	£0.000	£0.000

Table 1 – Monthly Fixed Charges by Charging Group for RY2021/22 (excluding VAT)

## 3 Fixed Alt HAN Charges summary

24. The monthly Fixed Alt HAN (Alternative Home Area Network) Charges are set out in Table 2. These charges will apply only for the final 5 charging periods of RY2021/22.
25. Further detail on Fixed Alt HAN Charges is set out in [Section C](#).

Charging Group	Monthly Fixed Alt HAN charge (£/MSMS)	Monthly Fixed Alt HAN charge (£/MSMS) <sup>3</sup>
	Domestic	Non-Domestic
g1 - Import Suppliers	£0.000	£0.000
g3 - Gas Suppliers	£0.000	£0.000

Table 2 – Monthly Fixed Alt HAN Charges by Charging Group for RY2021/22 (excluding VAT)

<sup>2</sup> Fixed Charges for Non-Domestic premises are to be based on MSMS from April 2021, in accordance with new Completion of Mass Rollout charging methodology

<sup>3</sup> Fixed Alt HAN Charges for Non-Domestic premises are to be based on MSMS from April 2021, in accordance with new Completion of Mass Rollout charging methodology

## 4 Fixed CH Charges summary

26. The monthly Fixed CH Charges for Single Band Communications Hubs (SBCH) and Dual Band Communications Hubs (DBCH) are set out in Table 3.

27. Further detail on Fixed CH Charges is set out in [Section C](#).

Charging Group	Monthly Fixed CH charge (£/ESMS)	Monthly Fixed CH charge (£/ESMS)
	SBCH	DBCH
g1 - Import Suppliers	£0.326	£0.589
g2 - Export Suppliers	£0.056	£0.102
g3 - Gas Suppliers	£0.244	£0.442

Table 3 – Monthly Fixed CH Charges by Charging Group for RY2021/22 (excluding VAT)

## 5 Explicit Charges summary

28. The Explicit Charges are set out in Tables 4, 5 and 6.

29. Further detail on Explicit Charges is set out in [Section D](#).

SEC reference	Product/service	Explicit 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 (SBCH)	£0.47	Per Communications Hub per month
K7.5 (l)	CH stock level charge (DBCH)	£0.85	Per Communications Hub per month
K7.5 (n)	CH auxiliary equipment: Low gain cellular aerial (T1)	£4.82	Per additional aerial
K7.5 (n)	CH auxiliary equipment: High gain cellular aerial (T2)	£7.22	Per additional aerial
K7.5 (o)	CH returned and redeployed (SBCH)	£8.23	Per Communications Hub
K7.5 (o)	CH returned and redeployed (DBCH)	£8.23	Per Communications Hub
K7.5 (p)	CH returned not redeployed (SBCH)	£35.55	Per Communications Hub
K7.5 (p)	CH returned not redeployed (DBCH)	£65.10	Per Communications Hub
K7.5 (r)	Single Band Test Communications Hubs (SB TCH)	£110	Per unit (subject to minimum volumes)
K7.5 (r)	Dual Band Test Communications Hubs (DB TCH)	£157	Per unit (subject to minimum volumes)
K7.5 (r)	Single Band Instrumented Test Communications Hubs (SB ITCH)	£363	Per unit (subject to minimum volumes)
K7.5 (r)	Dual Band Instrumented Test Communications Hubs (DB ITCH)	£376	Per unit (subject to minimum volumes)
K7.5 (r)	Wired DB ITCH for meter manufacturers	£293	Per unit (subject to minimum volumes)

**Table 4 – 'Set' Explicit Charges for RY2021/22 (excluding VAT)**

SEC Reference	Service	Indicative Explicit Charge	Unit
K7.5 (a)	User Security Assessments	Contact SECAS at <a href="mailto:secas@gemserv.com">secas@gemserv.com</a>	
K7.5 (a)	Follow-up Security Assessments		
K7.5 (a)	User Security Assessment Reports		
K7.5 (b)	Full Privacy Assessments		
K7.5 (b)	Privacy Assessment Reports		
K7.5 (c)	DCC Gateway LV Connection – connection charge	£1,000 - £5,000	Per connection
K7.5 (c)	DCC Gateway LV Connection – annual charge	£600 - £15,000	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	£800-900	Per connection
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	£10,000 - £11,000	Per each simulated SM WAN connection provided for testing in CSP North
K7.5 (h)	SM WAN for testing - connection charge	£2,000 - £3,000	Per each simulated SM WAN connection provided for testing in CSP South and Central
K7.5 (h)	SM WAN for testing – monthly charge	£2,500 - £2,800	Per each simulated SM WAN connection for testing in CSP North per month (subject to a minimum of 6 months)
K7.5 (h)	SM WAN for testing – monthly charge	£1,000 - £1,500	Per each simulated SM WAN connection 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 - £500	Per delivery
K7.5 (q)	CH wrong returns location	£1.00 - £2.50	Per Communications Hub (subject to minimum volumes)
K7.5 (s)	Additional CH Order Management System Accounts	£300 - £400	Annual licence fee per additional user account per region

**Table 5 – Indicative Explicit Charges applicable in RY2021/22**



SEC Reference	Service	Charge
K7.5 (t)	Shared solution Alt HAN Equipment	We expect the RY2022/23 Charging Statement to include this charge
K7.5 (u)	Point-to-point Alt HAN Equipment	We expect the RY2022/23 Charging Statement to include this charge
K7.5 (v)	Stock level point-to-point Alt HAN Equipment	We expect the RY2022/23 Charging Statement to include this charge

**Table 6 – Explicit Charges yet to be determined**

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## SECTION B - ESTIMATED REVENUE

### 6 Estimated Allowed Revenue

30. Table 7, below, sets out DCC's Estimated Allowed Revenue for RY2021/22 in total and split by its key components.
31. The sum of National and Regional Fixed Revenue and Communications Hub Fixed Revenue is used to calculate the Fixed Charges in Table 1.

Acronym	Name	RY2021/22 (£m)
$NFR_t + \Sigma RFR_{rt}$	Estimated National and Regional Fixed Revenue	564.2
$\Sigma RCHFR_{rt}$	Total Communications Hub Fixed Revenue	21.0
$AHFR_t$	Estimated Alt HAN Fixed Revenue	16.7
$\Sigma RCHDR_{hrt}$	Total Communications Hub Device Revenue	45.2
<b><math>EFR_t</math></b>	<b>Estimated Fixed Revenue</b>	<b>647.1</b>
$EECR_t$	Estimated Explicit Charges Revenue	4.6
$EESR_t$	Estimated Elective Services Revenue	-
<b><math>EAR_t</math></b>	<b>Estimated Allowed Revenue</b>	<b>651.7</b>
	<i>Sub-total used to calculate Fixed Charges for RY2021/22</i>	<i>585.1</i>
	<i>Total DCC cost estimate for RY2021/22<sup>4</sup></i>	<i>612.8</i>

Table 7 – Estimated Allowed Revenue for RY2021/22 (excluding VAT)

<sup>4</sup> Excluding Communications Hub Device Revenue and correction factor (but including disallowed cost)

## 7 Estimated Fixed Revenue

32. Table 8 sets out the Estimated Fixed Revenue in total and split by its key

components in accordance with section K3.8 of the SEC.

Acronym	Name	RY2021/22 (£m)
NFR <sub>t</sub>	National Fixed Revenue	404.4
RFR <sub>rt</sub>	Regional Fixed Revenue (North)	63.5
RFR <sub>rt</sub>	Regional Fixed Revenue (Central)	54.8
RFR <sub>rt</sub>	Regional Fixed Revenue (South)	41.5
<b>NFR<sub>t</sub> + ΣRFR<sub>rt</sub></b>	<b>Total National and Regional Fixed Revenue</b>	<b>564.2</b>
RCHFR <sub>rt</sub>	Regional Communications Hub Fixed Revenue (North)	2.8
RCHFR <sub>rt</sub>	Regional Communications Hub Fixed Revenue (Central)	13.9
RCHFR <sub>rt</sub>	Regional Communications Hub Fixed Revenue (South)	4.3
<b>RCHFR<sub>rt</sub></b>	<b>Total Communications Hub Fixed Revenue</b>	<b>21.0</b>
<b>AHFR<sub>t</sub></b>	<b>Alt HAN Fixed Revenue</b>	<b>16.7</b>
RCHDR <sub>hrt</sub> (SBCH)	Regional Communications Hub Device Revenue (North)	6.9
RCHDR <sub>hrt</sub> (SBCH)	Regional Communications Hub Device Revenue (Central)	16.2
RCHDR <sub>hrt</sub> (SBCH)	Regional Communications Hub Device Revenue (South)	12.4
	SBCH correction factor	0.1
RCHDR <sub>hrt</sub> (DBCH)	Regional Communications Hub Device Revenue (North)	2.3
RCHDR <sub>hrt</sub> (DBCH)	Regional Communications Hub Device Revenue (Central)	4.1
RCHDR <sub>hrt</sub> (DBCH)	Regional Communications Hub Device Revenue (South)	3.2
	DBCH correction factor	0.0
<b>ΣRCHDR<sub>hrt</sub></b>	<b>Total Communications Hub Device Revenue</b>	<b>45.2</b>
<b>EFR<sub>t</sub></b>	<b>Estimated Fixed Revenue</b>	<b>647.1</b>
	<i>Sub-total used to calculate Fixed Charges for RY2021/22</i>	<i>585.1</i>
	<i>Total DCC cost estimate for RY2021/22<sup>5</sup></i>	<i>612.8</i>

**Table 8 – Estimated Fixed Revenue for RY2021/22 (excluding VAT)**

33. The sum of National and Regional Fixed Revenue and Communications Hub Fixed

Revenue is used to calculate the Fixed Charges in Table 1.

<sup>5</sup> Excluding Communications Hub Device Revenue and correction factor (but including disallowed cost)

34. Alt HAN Fixed Revenue is used to calculate the Alt HAN Fixed Charges in Table 2.

35. The total Communications Hub Device Revenue is used to calculate the Fixed CH charges in Table 3.

36. Table 9 breaks down the Estimated Fixed Revenue for RY2021/22.

Estimated Fixed Revenue by category		SMETS2 (£m)	SMETS1 (£m)	Switching (£m)	Total (£m)
Internal Costs (7.1)	Baseline	10.6	-	-	10.6
	Variance to baseline	109.4	7.9	5.9	123.3
External Costs (7.2)	Baseline	82.5	-	-	82.5
	Variance to baseline	178.4	118.2	21.2	317.8
Pass-Through Costs (7.3)	Authority				-
	SECCo Ltd				8.8
Baseline Margin (7.4)					10.2
External Contract Gain Share (7.5)					5.2
Prudent estimate (7.6)					20.0
Correction factor (7.7)	Main correction factor – RY2019/20				(10.9)
	Disallowed Cost – RY2019/20				(3.4)
<b>Total National and Regional Fixed Revenue</b>					<b>564.2</b>
<b>Total Communications Hub Fixed Revenue (7.8)</b>					<b>21.0</b>
Alt HAN (7.9)	Alt HAN Co				16.8
	Alt HAN correction factor – RY2019/20				(0.1)
<b>Total Alt HAN Fixed Revenue</b>					<b>16.7</b>
Communications Hub Devices (7.10)	SBCH				121.4
	SBCH variance to baseline				(85.9)
	SBCH correction factor – RY2019/20				0.1
	DBCH				9.6
	DBCH correction factor – RY2019/20				0.0
<b>Total Communications Hub Device Revenue</b>					<b>45.2</b>
<b>Estimated Fixed Revenue (EFR<sub>t</sub>)</b>					<b>647.1</b>
<i>Sub-total used to calculate Fixed Charges for RY2021/22</i>					<i>585.1</i>
<i>Total DCC cost estimate for RY2021/22<sup>6</sup></i>					<i>612.8</i>

**Table 9 – Estimated Fixed Revenue by category for RY2021/22 (excluding VAT)**

<sup>6</sup> Excluding Communications Hub Device Revenue and correction factor (but including disallowed cost)

37. With reference to Table 9:

## 7.1 Internal Costs

38. Baseline Internal Costs are the Internal Cost forecast included in the Licence Application Business Plan (LABP)<sup>7</sup> which was submitted by Capita plc to government and approved in September 2013.

39. Internal Costs represent all costs that do not relate to our key service providers (referred to in this document as "FSPs"). They are categorised as either resource or non-resource costs. These are described below.

### 7.1.1 Resource costs

40. Internal Costs include resource costs that relate to:

- managing the delivery of the Smart Metering Implementation Programme (SMIP)
- managing the delivery of the SMETS1 programme
- supporting and delivering Ofgem's Switching Programme (DBT and early operations)
- managing the Network Evolution portfolio of projects to ensure technological resilience of critical national infrastructure
- managing Communications Hub Services
- managing all External Service Provider contracts (including changes) e.g. CSPs, DSP, SMKI provider, Parse and Correlate, SMSOs, Central Switching Service provider, Systems Integrator, Core Systems Assurance provider etc
- managing DCC Internal Systems e.g. billing, business intelligence and management information systems
- undertaking test assurance

- managing change and release management
- applying design governance
- implementing service design
- setting DCC budgets and charges
- preparing the price control submission
- stakeholder engagement
- managing new initiatives
- regulation, HR, finance and audit
- staff recruitment.

### 7.1.2 Non-resource costs

41. Internal Costs also include non-resource costs that relate to:

- Contract costs associated with External Service Providers that provide Relevant Service Capability i.e. not Fundamental Service Capability
- services procured through Capita plc e.g. Group Finance, Tax and Treasury and Group HR
- overhead
- office accommodation
- legal fees
- consulting fees.

## 7.2 External Costs (including Communications Hub Fixed Revenue)

42. Baseline External Costs are the External Cost forecast included in the Licence Application Business Plan (LABP)<sup>8</sup> which was submitted by Capita plc to government and approved in September 2013.

43. The External Costs and Communications Hub Fixed Revenue (see [Section 7.8](#)) for RY2021/22 in Table 9 are broken down further in Table 10 below:

<sup>7</sup> [DCC Licence Application Business Plan](#) (April 2014)

Estimated External Costs by category	Baseline (£m)	Variance to baseline (£m)
Set-up costs (7.2.1)	13.0	296.7
Fixed operational costs (7.2.2)	69.1	28.2
Performance incentives (7.2.3)	-	2.3
Impact assessments/projects (7.2.4)	-	11.1
Catalogue services (7.2.5)	-	-
Transaction Messages (7.2.6)	0.4	0.5
<b>Total</b>	<b>82.5</b>	<b>338.8</b>

Table 10 – Estimated External Costs by category for RY2021/22 (excluding VAT)

### 7.2.1 Set-up costs

44. Set-up costs relate to the development activity undertaken by External Service Providers that provide Fundamental Service Capability (referred to in this document at 'fundamental service providers' or FSPs) and are usually payable upon achievement of certain milestones. These costs may be financed over a period of time. The redacted versions of the CSP and DSP contracts are available on the DCC website<sup>8</sup>.
45. Set-up costs include the associated development activity for SMETS1 and the Switching Programme.

### 7.2.2 Fixed operational costs

46. Fixed operational costs relate to the FSPs' provision of live services, including transaction message costs, and are payable monthly from the commencement of those live services operations to the end of those FSP contracts.
47. In addition, fixed operational costs also include the operating costs associated with SMETS1 and the Switching Programme.

### 7.2.3 Performance incentives

48. DCC may make payments to the FSPs where they meet their respective performance milestones.

### 7.2.4 Impact assessments/ projects

49. Where changes are required, the FSPs will assess the impact of those changes. Similarly, we may request smaller standalone pieces of work to be undertaken by the FSPs which are referred to as projects.

### 7.2.5 Catalogue Services

50. DCC may procure items from the catalogue services set out in the CSP and DSP contracts. A number of these items will be recovered from customers via Explicit Charges (see [Section D](#)). The cost relating to items in the catalogue services that are not recovered via an Explicit Charge are set out in Table 10.

### 7.2.6 Transaction Messages

51. DCC may recover the costs of communications services (service requests) via an Explicit Charge. However, we have decided to recover this cost via the Fixed Charge as we consider that this would be more economic and efficient. We consulted

<sup>8</sup> <https://www.smartdcc.co.uk/about/service-providers/>

on this proposal in May 2014 the rationale is:

- 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 DCC's customers; and
- there would be greater cost certainty in advance of each Regulatory Year.

52. For each transaction message or service request, DCC incurs costs with its FSPs in line with contractual prices. The estimated annual cost forecast is informed by customer volume forecasts, which are submitted to DCC by industry. These costs were previously reflected under 'Fixed Operating Costs' in Table 10.

### 7.3 Pass-Through Costs

53. Pass-Through Costs include:

- 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 its latest budget. Further details can be found on the SEC website: [www.smartenergycodecompany.co.uk](http://www.smartenergycodecompany.co.uk)
- Alt HAN Co costs (see [Section 7.9](#)).

54. DCC passes through these costs to DCC's customers via the Fixed Charge and Fixed Alt HAN Charge.

55. The SECCo value in Table 9 is based on the draft budget for RY2021/22, provided to DCC in December 2020 and due for consultation with SEC Parties.

### 7.4 Baseline Margin

56. Baseline Margin (BM) includes the BM values set out in the Licence, plus:

- a forecast of margin associated with the Switching Programme
- additional margin awarded by Ofgem in previous years.

57. The figures used are reflective of the latest decision from Ofgem on 25 February 2021.

### 7.5 External Contract Gain Share

58. Each year, DCC may apply to adjust the External Contract Gain Share (ECGS) term to reflect a reduction in External Costs which DCC has helped to achieve.

59. The value in Table 9 reflects ECGS allowed by Ofgem to date, including the latest decision from Ofgem on 25 February 2021.

### 7.6 Prudent estimate

60. 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 Charging Statement.

61. Whilst DCC's approach to setting charges provides certainty to DCC's customers 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 referred to as the prudent estimate.

62. The intent of the prudent estimate is to ensure that 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. Historically, the prudent estimate represented approximately three weeks' operating liquidity in relation to Internal and External Costs – however, this has been capped at £20m.

63. We will return any unused prudent estimate to customers via a reduction in future charges.

## 7.7 Correction Factor

64. We use the correction factor to return (or recover) any difference between Allowed Revenue and Regulated Revenue with respect to prior Regulatory Years.
65. There are four correction factor categories which are separated because they are applied to different charges payable by different customer types, they are:
- Main correction factor – this is applied to the National and Regional Fixed Revenue
    - We also apply an adjustment to return any disallowed costs as determined by Ofgem
  - SBCH correction factor – applied to the SBCH Device Revenue
  - DBCH correction factor – applied to the DBCH Device Revenue
  - Alt HAN correction factor – applied to the Alt HAN Fixed Revenue.

## 7.8 Communications Hub Fixed Revenue

66. Communications Hub Fixed Revenue reflects the costs and expenses incurred to provide Communications Hub Services and Test CH Services that are incremental to the Communications Hub device costs (see [Section 7.10](#)). Communications Hub Fixed Revenue is recovered from Charging Groups 1, 2 and 3 only.
67. These costs are included within each of the External Cost categories listed in Table 10.

## 7.9 Alt HAN

68. Costs relating to Alt HAN Co Ltd are categorised as Pass-Through Costs and The Alt HAN Co value in Table 9 is based on the latest estimated Alt HAN cost estimate for RY2021/22, provided in a letter to DCC by

Alt HAN Co in July 2021, in accordance with SEC Section Z4.14.

69. The Alt HAN Fixed Revenue will be adjusted according to an Alt HAN specific correction factor which will reflect any under/over-recovery in previous years. This is calculated separately as this cost is recovered from Charging Groups 1 and 3 only.

## 7.10 Communications Hub Device Revenue

70. Communications Hub Device Revenue consists of:
- asset charges payable to the CSPs following each successful delivery of either a SBCH or DBCH
  - maintenance charges payable to the CSPs following each successful commissioning of either a SBCH or DBCH
  - a correction factor adjustment to reflect any under/over-recovery in previous years of costs relating to either SBCH or DBCH. This is calculated separately as this cost is recovered from Charging Groups 1, 2 and 3 only.

## 7.11 Indexation

71. Internal Costs include an allowance for indexation which is based on historical Retail Prices Index (RPI) data published by the Office for National Statistics ([www.ons.gov.uk](http://www.ons.gov.uk)). The Baseline Margin also includes an allowance for indexation using RPI as defined in LC36.8.
72. 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](http://www.ons.gov.uk)).
73. Pass-Through Costs include an allowance for indexation at the rate provided by SECCo Ltd and Alt HAN Co Ltd.



74. The correction factor is stated in current values and therefore does not include an allowance for indexation.

## 8 Estimated Explicit Charges Revenue

75. Explicit Charges are payable in respect of products/services, generally driven by volume, that are to be charged for separately from Fixed Charges. The cost of those services would only arise where it is specifically ordered or required by a customer (or a non-SEC party where a bilateral agreement is in place) and would be recovered from that party.

76. The  $EECR_t$  (Estimated Explicit Charges Revenue) is set out in Table 7. Actual revenue recovered will be determined by the volume of services procured by customers.

77. Further detail on Explicit Charges is set out in [Section D](#).

## 9 Estimated Elective Services Revenue

78. Elective Charges are payable in respect of Elective Communication Services, which may now be requested by customers.
79. All Elective Communication Services will require a preliminary assessment, Detailed Evaluation (if necessary, and recoverable through an Explicit Charge) and formal offer

from DCC to enter into a Bilateral Agreement with a customer. DCC has not yet entered into any Bilateral Agreements with customers for Elective Services and therefore the current estimate is nil.

80. The  $EESR_t$  (Estimated Elective Services Revenue) is set out in Table 7.

## SECTION C - FIXED CHARGES

81. There are three key types of fixed charges, explained in more detail in this section. These are:
1. Fixed Charge
  2. Fixed CH Charge
  3. Fixed Alt HAN Charge

### 10 Fixed Charge

82. Table 11 sets out the latest estimate of total Domestic Smart Metering Systems ( $RESMS_{grt}$ ) as at April 2021.
83. We overlay some assumptions in relation to the number of persons within each

Charging Group in respect of that SMS (see [Section 10.1](#) below). These assumptions are used together with the National and Regional Fixed Revenue and Communications Hub Fixed Revenue in Tables 7, 8 and 9 to determine the monthly Fixed Charges.

Name	Total Domestic SMS ( $RESMS_{grt}$ )	Total Non-Domestic SMS ( $RENSMS_{grt}$ )
<b>g1 - Import Suppliers</b>	29,308,221	1,928,910
<b>g2 - Export Suppliers</b>	-	-
<b>g3 - Gas Suppliers</b>	23,883,746	580,434
<b>g4 - Electricity Distributors</b>	29,438,490	1,929,619
<b>g5 - Gas Transporters</b>	23,935,622	580,452

Table 11 – Total Domestic and Non-Domestic Smart Metering Systems forecast for start of RY2021/22

#### 10.1 Volume assumptions for Fixed Charges

84. In respect of MSMS in Domestic Premises, we have assumed the following:

- Import Suppliers (g1) – meters that have a domestic profile class 1 and 2 associated with the MPAN and an identifiable chargeable Import Supplier
- Export Suppliers (g2) – these meters are currently included in Import Suppliers in accordance with Section X2.5 (a) of the SEC

- Gas Suppliers (g3) – meters that have a domestic market sector code associated with the 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

85. In respect of MSMS in Non-Domestic Premises, we have assumed the following:

- Import Suppliers (g1) – meters that have a non-domestic profile class, other than 1 or 2, associated with the

MPAN and an identifiable chargeable Import Supplier

- Export Suppliers (g2) – these meters are currently included in Import Suppliers in accordance with Section X2.5 (a) of the SEC
- Gas Suppliers (g3) – meters that have a non-domestic market sector code associated with the MPRN and an identifiable chargeable Gas Supplier
- Electricity Distributors (g4) – meters that have a non-domestic profile class, other than 1 and 2, associated with the MPAN
- Gas Transporters (g5) – meters that have a non-domestic market sector code associated with the MPRN

86. There are more meters in g4 than g1 as Electricity Distributors (g4) include all meters regardless of whether the respective

Import 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.

- 87. The forecasted total Domestic Smart Metering Systems for April 2021 were determined using the historic monthly rate of increase of MSMS up to and including November 2020.
- 88. In respect of MSMS in Non-Domestic Premises, we are developing our assumptions in line with the new COMR Period requirements. The forecasted total Non-Domestic Smart Metering Systems for April 2021 were determined using November 2020 MSMS volumes. The estimates in Table 11 have excluded estimates of Advanced Meter volumes, based on reports provided to DCC by DNOs and Xoserve in November-December 2020.

## 11 Fixed CH Charge

89. Charges in relation to Communications Hub devices are payable by customers from the point a Communications Hub order has been delivered and accepted by that customer for both SBCH and DBCH. This will be recovered from customers through either the CH stock level charge or the Fixed CH Charge.

90. Following the installation of a Communications Hub the Fixed CH Charge will be payable by Charging Groups 1-3. These charges are set out in Table 3.

91. The Fixed CH Charges are set out in Table 3 and CH stock level charges are set out in Table 4.

92. The estimated Communications Hub Device Revenue in this document is based on the volume forecast submitted by relevant customers to DCC overlaid with some DCC assumptions. That estimated volume is set out in Table 12. The actual volume of

Communications Hubs delivered and accepted and ESMS installed during the course of a Regulatory Year will determine the total recoverable revenue.

Category	Forecast volume
<b>SBCH installed</b>	2,918,545
<b>DBCH installed</b>	1,331,279
<b>ESMS connected to SBCH</b>	4,765,109
<b>ESMS connected to DBCH</b>	2,173,579

**Table 12 – Forecast CH and ESMS volume in RY2021/22**

93. Should a customer wish to return a Communications Hub, they may be liable to pay an Explicit Charge – see [Section D](#) on Explicit Charges.

94. The CH Charging Group Weighting Factors are set out in Table 13.

## 12 Fixed Alt HAN Charge

95. Fixed Alt HAN Charges recover the costs incurred by Alt HAN Co. This is a Pass-Through Cost and the charge is calculated similar to the main Fixed Charge and is based on the MSMS volume set out in Table 11.

96. The Alt HAN Charging Group Weighting Factors are set out in Table 13.

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## 13 Other fixed charges information

### 13.1 Setting fixed charges before, during and after the UITMR and COMR periods

97. The methodology for calculating fixed charges differs depending on the period in question, relative to the UITMR (user integration testing and mass rollout) and the COMR (completion of mass rollout) periods. The UITMR period formally began on 1 April 2015 and is due to end on 31 March 2021. The COMR period is intended to commence from 1 April 2021.
98. Prior to the UITMR period, the following applied:
- Fixed Charges (MSMS only)
99. During the UITMR period, the following apply:
- Fixed Charges (for MSMS for Domestic Premises and ESMS for Non-Domestic Premises)
  - Fixed CH Charges (for ESMS only)
  - Fixed Alt HAN Charge (for MSMS for Domestic Premises and ESMS for Non-Domestic Premises).
100. During the COMR period, the following will apply:
- Fixed Charges (for MSMS for Domestic Premises, and for Non-Domestic

Premises except those where an Advanced Meter is installed)

- Fixed CH Charges (for ESMS only)
- Fixed Alt HAN Charge (for MSMS for Domestic Premises and Non-Domestic Premises).

101. After the COMR period, the following will apply:

- Fixed Charges (for ESMS only)
- Fixed CH Charges (for ESMS only)
- Fixed Alt HAN Charge (for ESMS only).

### 13.2 Charging Group Weighting Factors

102. Table 13 sets out the Charging Group weighting Factors for the 3 types of fixed charges.

103. Fixed Charges are payable by customers in Charging Groups 1-5. Fixed CH Charges are payable by customers in Charging Groups 1-3. Fixed Alt HAN Charges are payable by customers in Charging Groups 1 and 3 only.

104. Charging Group Weighting Factors specify the ratio of costs to be incurred in respect of each Charging Group. These weighting factors were derived using demand and rollout profiles provided by energy suppliers and network operators to government at the bid stage.

Name	Charging Group Weighting Factor	CH Charging Group Weighting Factor	Alt HAN Charging Group Weighting Factor
	(Fixed Charge $\alpha_{gt}$ )	(Fixed CH Charge $\beta_{gt}$ )	(Fixed Alt HAN Charge $\gamma_{gt}$ )
<b>g1 - Import Suppliers</b>	0.49	0.52	0.50
<b>g2 - Export Suppliers</b>	0.08	0.09	-
<b>g3 - Gas Suppliers</b>	0.37	0.39	0.50
<b>g4 - Electricity Distributors</b>	0.06	-	-
<b>g5 - Gas Transporters</b>	0.00	-	-

Table 13 – Charging Group Weighting Factors

## SECTION D - EXPLICIT CHARGES

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

- 'Set' Explicit Charges

- 'Indicative' Explicit Charges
- Explicit Charges yet to be determined.

106. These are explained in more detail below.

### 14 'Set' Explicit Charges

107. 'Set' Explicit Charges are set out in Table 4 and will be levied as and when those products/services are used. This section explains each charge in more detail.

#### 14.1 Communications services 'Service Requests'

108. DCC may recover the costs of communications services (service requests) via an Explicit Charge. However, we have decided to recover this cost via the Fixed Charge as we consider that this would be more economic and efficient. The rationale for this decision is set out in [Section 7.2.6](#).

109. We will keep this under review.

#### 14.2 CH stock level charge

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

#### 14.3 CH auxiliary equipment

111. Parties may order additional Communications Hub Auxiliary Equipment, which includes additional low gain (T1) or high gain (T2) cellular aerials (for example for use during testing). This equipment is described in section 6.1.3 of the Communications Hub Supporting Information (CHSI).<sup>9</sup> This is offered in

addition to the aerials that will form part of a Communications Hub order for premises that requires it as part of a standard installation. DCC will recover the cost of these additional aerials via an Explicit Charge in accordance with Section K7.5(n) of the SEC.

#### 14.4 CH returned and redeployed

112. Where a CH User returns a Communications Hub that can be refurbished for redeployment, DCC will recover the cost of this service via an Explicit Charge for each HAN Variant in accordance with Section K7.5(o) of the SEC.

#### 14.5 CH returned not redeployed

113. Where a CH User returns (or notifies as lost or destroyed) a Communications Hub that cannot be redeployed, DCC will recover the cost of this service via an Explicit Charge for each HAN Variant in accordance with Section K7.5(p) of the SEC.

114. Note: Where a Communications Hub is found to have a fault, the responsibility of that fault would be attributed to either a customer or DCC. This will be determined in accordance with Section F9.6 of the SEC. Any compensation due to Parties in relation to DCC faults, would be paid in accordance with F9 of the SEC.

<sup>9</sup> [Communications Hub Supporting Information \(CHSI\)](#)

## 14.6 Test Communications Hubs (TCH)

115. Customers may order Communications Hubs for testing purposes. This includes Wired Dual Band Instrumented Test Communications Hubs (DB ITCH), which are available to order for Meter Manufacturers' testing purposes. DCC will recover the cost of these assets via an Explicit Charge in accordance with Section K7.5(r) of the SEC.

116. Factors that will influence the level of the charge are:

- the HAN Variant of the TCH
- whether it is a standard TCH, an instrumented TCH (ITCH); or a Wired DB ITCH for meter manufacturers.

## 15 'Indicative' Explicit Charges

117. The explicit charges in relation to certain products/services will depend on a number of variables which are only known at the point of ordering. To help customers, we have set out the indicative level of those charges in Table 5. The likely cost drivers for these services are explained below.

121. 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:

### 15.1 Security and Privacy Assessments

118. 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 SEC 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.

119. 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](mailto:secas@gemserv.com).

- 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.

122. 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

### 15.2 DCC Gateway Connections

120. 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.



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.

123. The indicative Explicit Charges for DCC Gateway Connections are set out in Table 5 in this Charging Statement. These indicative prices are based on a sample 'spread' of locations. The exact cost of a selected option will be made available on application (pursuant to Sections H15.8(c) and H15.9(b) of the SEC). DCC considers that the majority of DCC Gateway Connections ordered would fall within the indicative price bands set out in Table 5.

124. The DCC Connection Guidance and associated forms are available on the DCC website, which set out the process for ordering DCC Gateway Connections.<sup>10</sup>

### 15.3 Gateway equipment relocation

125. A customer may request to alter the location of its DCC Gateway Equipment within its premises. Following a formal request from the customer 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.

### 15.4 Elective service evaluations

126. Customers may request a Detailed Evaluation in respect of potential Elective

Communication Services pursuant to Section H7.8 of the SEC. The cost associated with this service will be recovered via an Explicit Charge.

### 15.5 P&C support

127. 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.

### 15.6 SM WAN for testing (also known as remote test labs)

128. A Test Lab will be made available to all Testing Participants at no additional cost, at the point of use, to carry out 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', or remote test lab, subject to an Explicit Charge (see Section H14.31 and K7.5(h) of the SEC).

129. 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).

<sup>10</sup> DCC Service Centre, inc. Gateway Connection Guidance - <https://www.smartdcc.co.uk/customer-hub/dcc-service-centre/>



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

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

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

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

132. 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.

## 15.7 Additional Testing Support

133. Testing Participants may request, pursuant to Section H14.33 of the SEC, 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
- communications between the DCC and any Device or between Devices which comprise (or which the Testing Participant intends will comprise) a Smart Metering System.

## 15.8 CH non-standard delivery

134. 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
- the cost of storage and transport.

## 15.9 CH wrong returns location

135. If customers return a Communications Hub to the wrong location (for example, to the wrong External Service Provider), DCC will recover the cost of this via an Explicit Charge in accordance with 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
- location to which order must be redelivered.

## 15.10 Additional CH Order Management System Accounts

136. Customers may order additional accounts to access the CH Order Management

System, above the base allowance of 4 accounts. The cost of the additional user

accounts will be recovered via an Explicit Charge.

## 16 Explicit Charges yet to be determined

- 137. We expect that from April 2022, customers will be charged for use of various Alt HAN related equipment.
- 138. Once these products and services are available, DCC will set out the level of those charges. An estimate of this cost is included in the Estimated Explicit Charges Revenue as provided by Alt HAN Co.

### 16.1 Shared Solution Alt HAN Equipment

- 139. It is expected that during RY 2022/23, the rollout of Shared Solution Alt HAN Equipment will commence. The forecast average annual cost per meter of the solution will be recovered through a new explicit charge.

### 16.2 Point-to-Point Alt HAN Equipment

- 140. It is expected that during RY 2022/23, the rollout of Point-to-Point Alt HAN Equipment will commence. The forecast average annual cost per meter of the solution will be recovered through a new explicit charge.

### 16.3 Stock Level Point-to-Point Alt HAN Equipment

- 141. To recover the costs of Point-to-Point Solution Alt HAN Equipment held in stock by customers, a new stock level charge will be levied.

# SECTION E – INVOICING, CREDIT COVER AND OTHER COSTS

## 17 Invoicing

- 142. This Charging Statement covers 12 Charging Periods, consistent with the indicative invoicing timetable available on the DCC website.
- 143. 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 set out in this Charging Statement.
- 144. All charges outlined in this Charging Statement are shown excluding VAT.
- 145. 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 of the SEC.
- 146. Consistent with these timescales, DCC issues invoices to customers 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 customers of the revised invoicing date via email.
- 147. 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.
- 148. Explicit Charges for services which were fulfilled, and any confirmed charges or credits associated with Communications Hub faults during a Charging Period will be included in the next invoice issued after the end of that Charging Period.

- 149. 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 directly to the CSP. This is not a double or an incremental charge.
- 150. Currently, we estimate that the Minimum Monthly Charge applicable in RY2021/22 will be £25.56. DCC is not obliged to invoice customers if charges incurred are less than this amount. In that instance, the charge may be carried forward to the subsequent invoicing period, in accordance with Section J1.3 of the SEC.

## 18 Credit cover

- 151. In accordance with Section J3 of the SEC, each customer is required to provide credit cover. Currently, we estimate that the Credit Cover Threshold applicable in RY2021/22 will be £2,044.11. DCC calculates the Credit Cover Requirement to be the customer's Value at Risk less their Unsecured Credit Limit. The Unsecured Credit Limit is calculated by multiplying the customer's Maximum Credit Value, determined in the Credit Assessment, by their Unsecured Credit Factor. Where the Credit Cover Requirement is equal to or less than the Credit Cover Threshold, the Credit Cover Requirement is deemed to be zero, in accordance with Section J3.2 of the SEC.
- 152. For the purpose of calculating the Credit Cover Requirement, DCC considers the Charges inclusive of VAT as outlined in Section J3.3 of the SEC.

## **19 Other costs recoverable from customers**

153. Customers may also be liable to pay for any costs incurred by DCC which arise for activities not directly mentioned in Section K of the SEC. These may include any costs incurred as a result of the cancellation of an

order for any of the services listed in Section A of this Charging Statement. DCC shall notify the Party of any costs incurred and any compensation due from the customer to DCC pursuant to the relevant section of the SEC.

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## Appendix A – Worked Examples

154. 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 Charges in Table 3
- CH stock level charges in Table 4
- Auxiliary aerials charge in Table 4

155. Worked examples 2 and 3 include MSMS and ESMS to illustrate how an invoice amount will be calculated.

### Example 1: Single fuel supplier (GSE)

156. This example illustrates how charges will be calculated each month for a fictional customer Get Smart Electricity Ltd (GSE). GSE is an Import Supplier only

157. At the end of the charging period, which is the 15<sup>th</sup> day of the month, GSE has:

- 3,600,000 Smart Metering Systems in Domestic Premises;
  - 3,200,000 MSMS
  - 400,000 ESMS
    - 300,000 are connected to SBCH
    - 100,000 are connected to DBCH.

- 400,000 Smart Metering Systems in Non-Domestic Premises;
  - 300,000 MSMS
  - 100,000 ESMS
    - 75,000 are connected to SBCH
    - 25,000 are connected to DBCH
- 15,000 SBCH in stock at the end of the charging period
- 5,000 DBCH in stock at the end of the charging period
- 100 Auxiliary cellular mesh aerials were accepted in the charging period

158. Tables 14 and 15 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 Hub Finance Costs are 15% of total Communications Hub charges.

159. In this example, GSE will pay a total amount of £4,559,468.40. DCC will email two invoices to GSE; a principal invoice for £4,522,176.90 and secondary invoice £37,291.50 both including VAT. The total amount will be supported by a supplementary schedule detailing charges for each customer.

Charging group	Premises type	GSE actual MSMS volume	Published DCC rates	Total charge
g1 - Import Suppliers	Domestic	3,600,000	£0.913	£3,286,800.00
g1 - Import Suppliers	Non-domestic	300,000	£0.913	£273,900.00
<b>Monthly Fixed Charge</b>				<b>£3,560,700.00</b>

Charging group	Premises type	GSE actual MSMS volume	Published DCC rates	Total charge
g1 - Import Suppliers	Domestic	3,600,000	£0.000	£0.00
g1 - Import Suppliers	Non-domestic	300,000	£0.000	£0.00
<b>Monthly Fixed Alt HAN Charge</b>				<b>£0.00</b>

Charging group	Premises type	GSE actual ESMS volume (SBCH)	Published DCC rates	Total charge
g1 - Import Suppliers	Domestic	300,000	£0.326	£97,800.00
g1 - Import Suppliers	Non-domestic	75,000	£0.326	£24,450.00
<b>Monthly Fixed CH Charge (SBCH)</b>				<b>£122,250.00</b>

Charging group	Premises type	GSE actual ESMS volume (DBCH)	Published DCC rates	Total charge
g1 - Import Suppliers	Domestic	100,000	£0.589	£58,900.00
g1 - Import Suppliers	Non-domestic	25,000	£0.589	£14,725.00
<b>Monthly Fixed CH Charge (DBCH)</b>				<b>£73,625.00</b>

Charge name	Charge type	Basis of charge	Units	Published DCC rates	Total Charge
CH stock level charge (SBCH)	Explicit Charge	Per SBCH	15,000	£0.47	£7,050.00
CH stock level charge (DBCH)	Explicit Charge	Per DBCH	5,000	£0.85	£4,250.00
CH auxiliary equipment: low-gain cellular aerial	Explicit Charge	Per unit	100	£4.82	£482.00
<b>Monthly Explicit Charge</b>					<b>£11,782.00</b>

		Total charge
<b>Total monthly charge (excluding VAT)</b>		<b>£3,799,557.00</b>
<b>Less secondary invoice (see below)</b>		<b>(£31,076.25)</b>
<b>Net total (excluding VAT)</b>		<b>£3,768,480.75</b>
<b>VAT @ 20%</b>		<b>£753,696.15</b>
<b>Total monthly charge (including VAT) - principal</b>		<b>£4,522,176.90</b>

Table 14 – Principal monthly invoice under Example 1

	Total charge
Communication Hub Finance Charge e.g. 15%	£31,076.25
VAT @ 20%	£6,215.25
<b>Total monthly charge (including VAT) - secondary</b>	<b>£37,291.50</b>

Table 15 – Secondary monthly invoice under Example 1

### Example 2: Dual fuel supplier (GSDF)

160. This example illustrates how charges will be calculated each month for a fictional customer, Get Smart Dual Fuel Ltd (GSDF). GSDF is an Import Supplier and a Gas Supplier.

161. At the end of the charging period which is the 15<sup>th</sup> day of the month GSDF has:

- 3,600,000 Smart Metering Systems in Domestic Premises
  - 1,800,000 electricity MSMS
  - 1,500,000 gas MSMS
  - 200,000 electricity ESMS
    - 150,000 connected to SBCH
    - 50,000 connected to DBCH
  - 100,000 gas ESMS
    - 75,000 connected to SBCH
    - 25,000 connected to DBCH
- 400,000 Smart Metering Systems in Non-Domestic Premises
  - 180,000 electricity MSMS
  - 120,000 gas MSMS
  - 60,000 electricity ESMS
    - 45,000 connected to SBCH
    - 15,000 connected to DBCH

- 40,000 gas ESMS
  - 30,000 connected to SBCH
  - 10,000 connected to DBCH
- 15,000 SBCH in stock at the end of the Charging period
- 5,000 DBCH in stock at the end of the Charging period
- 100 Auxiliary cellular mesh aerials were accepted in the Charging Period.

162. Tables 16 and 17 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 this worked example, that the Communications Hub Finance Costs are 15% of total Communications Hub charges.

163. In this example, GSDF will pay a total amount of £3,725,048.40. DCC will email two invoices to GSDF; principal Invoice £3,697,284.30 and secondary Invoice £27,764.10 both including VAT. The total amount will be supported by a supplementary schedule detailing charges for each customer.

Charging group	Premises type	GSDF actual MSMS volume	Published DCC rates	Total charge
g1 - Import Suppliers	Domestic	1,800,000	£0.913	£1,643,400.00

g3 - Gas Suppliers	Domestic	1,500,000	£0.689	£1,033,500.00
g1 - Import Suppliers	Non-domestic	180,000	£0.913	£164,340.00
g3 - Gas Suppliers	Non-domestic	120,000	£0.689	£82,680.00
<b>Monthly Fixed Charge</b>				<b>£2,923,920.00</b>

Charging group	Premises type	GSDf actual MSMS volume	Published DCC rates	Total charge
g1 - Import Suppliers	Domestic	1,800,000	£0.000	£0.00
g3 - Gas Suppliers	Domestic	1,500,000	£0.000	£0.00
g1 - Import Suppliers	Non-Domestic	180,000	£0.000	£0.00
g3 - Gas Suppliers	Non-Domestic	120,000	£0.000	£0.00
<b>Monthly Fixed Alt HAN Charge</b>				<b>£0.00</b>

Charging group	Premises type	GSDf actual ESMS volume (SBCH)	Published DCC rates	Total charge
g1 - Import Suppliers	Domestic	150,000	£0.326	£48,900.00
g3 - Gas Suppliers	Domestic	75,000	£0.244	£18,300.00
g1 - Import Suppliers	Non-Domestic	45,000	£0.326	£14,670.00
g3 - Gas Suppliers	Non-Domestic	30,000	£0.244	£7,320.00
<b>Monthly Fixed CH Charge (SBCH)</b>				<b>£89,190.00</b>

Charging group	Premises type	GSDf actual ESMS volume (DBCH)	Published DCC rates	Total charge
g1 - Import Suppliers	Domestic	50,000	£0.589	£29,450.00
g3 - Gas Suppliers	Domestic	25,000	£0.442	£11,050.00
g1 - Import Suppliers	Non-Domestic	15,000	£0.589	£8,835.00
g3 - Gas Suppliers	Non-Domestic	10,000	£0.442	£4,420.00
<b>Monthly Fixed CH Charge (DBCH)</b>				<b>£53,755.00</b>

Charge name	Charge type	Basis of charge	Units	Published DCC rate	Total charge
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CH stock level charge (SBCH)	Explicit Charge	Per SBCH	15,000	£0.47	£7,050.00
CH stock level charge (DBCH)	Explicit Charge	Per DBCH	5,000	£0.85	£4,250.00
CH auxiliary equipment: low-gain cellular aerial	Explicit Charge	Per unit	100	£4.82	£482.00
<b>Monthly Explicit Charge</b>					<b>£11,782.00</b>

<b>Total charge</b>	
<b>Total monthly charge (excluding VAT)</b>	£3,104,207.00
<b>Less secondary invoice (see below)</b>	(£23,136.75)
<b>Net total (excluding VAT)</b>	£3,081,070.25
<b>VAT @ 20%</b>	£616,214.05
<b>Total monthly charge (including VAT) - principal</b>	<b>£3,697,284.30</b>

Table 16 – Principal monthly invoice under Example 2

<b>Total charge</b>	
<b>Communication Hub Finance Charge e.g. 15%</b>	£23,136.75
<b>VAT @ 20%</b>	£4,627.35
<b>Total monthly charge (including VAT) - secondary</b>	<b>£27,764.10</b>

Table 17 – Secondary monthly invoice under Example 2

### Example 3: Electricity distributor (GSED)

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

165. At the end of the charging period which is the 15th day of the month GSED has:

- 2,000,000 MSMS in Domestic Premises
- 60,000 MSMS in Non-Domestic Premises.

167.

166. Table 18 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 £266,976.00 including VAT. This invoice will be supported by a supplementary schedule detailing charges for each customer. Charges associated with Communications Hubs are not applicable in this example.

Charging group	Premises type	GSED actual MSMS volume	Published DCC rates	Total charge
g4 - Electricity Distributors	Domestic	2,000,000	£0.108	£216,000.00
g4 - Electricity Distributors	Non-Domestic	60,000	£0.108	£6,480.00
<b>Monthly Fixed Charge</b>				<b>£222,480.00</b>

		Total charge
<b>Total monthly charge (excluding VAT)</b>		£222,480.00
<b>VAT @ 20%</b>		£44,946.00
<b>Total monthly charge (including VAT) – principal</b>		<b>£266,976.00</b>

Table 18 – Principal monthly invoice under Example 3

## Appendix B – Publications timetable

168. In accordance with J4 of the SEC, within the first five working days of April, July, October and January in each year, we must create and publish:
- an indicative Charging Statement for the first Regulatory Year due to start thereafter;
  - a budget for the second and third Regulatory years due to start thereafter;
169. In addition, we are required under the Licence to refresh the Charging Statement at least once in each Regulatory Year.
170. That combined timetable for the upcoming 12 months is summarised below. All publications are available on the DCC website ([www.smartdcc.co.uk](http://www.smartdcc.co.uk)).
- 171.

Publication date	Charging Statement	Indicative Charging Statement	Indicative Budget	
<b>October 2021 (Q3)</b>		RY2022/23	RY2023/24	RY2024/25
<b>November 2021</b>	RY2021/22 – issue 2.0 (final)			
<b>December 2021</b>	RY2022/23 – issue 0.1 (draft)			
<b>January 2022</b>		RY2022/23	RY2023/24	RY2024/25
<b>March 2022</b>	RY2022/23 – issue 0.2 (draft)			
<b>March 2022</b>	RY2022/23 – issue 1.0 (final)			
<b>April 2022 (Q1)</b>		RY2023/24	RY2024/25	RY2025/26
<b>July 2022 (Q2)</b>		RY2023/24	RY2024/25	RY2025/26

Table 19 – Timetable for Charging Statements and indicative budgets

## Appendix C – Acronyms

Acronym	Definition
<b>Alt HAN</b>	Alternative Home Area Network
<b>BEIS</b>	Department for Business, Energy and Industrial Strategy (formerly known as DECC – Department for Energy and Climate Change)
<b>CH</b>	Communications Hub
<b>COMR</b>	Completion of Mass Rollout
<b>CPI</b>	Consumer Price Index
<b>CSP</b>	Communications Services Provider
<b>DBCH</b>	Dual Band Communications Hub
<b>DB ITCH</b>	Dual Band Instrumented Test Communications Hub
<b>DB TCH</b>	Dual Band Test Communications Hub
<b>DCC</b>	Smart DCC Ltd
<b>DECC</b>	Department of Energy and Climate Change (now known as BEIS)
<b>DSP</b>	Data Services Provider
<b>ESMS</b>	Enrolled Smart Metering System
<b>FSP</b>	Fundamental service provider
<b>GBCS</b>	Great Britain Companion Specification
<b>g1</b>	Import Suppliers (Charging Group g1)
<b>g2</b>	Export Suppliers (Charging Group g2)
<b>g3</b>	Gas Suppliers (Charging Group g3)
<b>g4</b>	Electricity Distributors (Charging Group g4)
<b>g5</b>	Gas Transporters (Charging Group g5)
<b>HAN</b>	Home Area Network
<b>HV</b>	High-Volume
<b>ITCH</b>	Instrumented Test Communications Hub
<b>LC</b>	Licence Condition
<b>LV</b>	Low-Volume

<b>MPAN</b>	Metering Point Administration Number
<b>MPRN</b>	Meter Point Reference Number
<b>MSMS</b>	Mandated Smart Metering System
<b>RDP</b>	Registration Data Provider
<b>RPI</b>	Retail Prices Index
<b>RY</b>	Regulatory Year
<b>SBCH</b>	Single Band Communications Hub
<b>SB ITCH</b>	Single Band Instrumented Test Communications Hub
<b>SB TCH</b>	Single Band Test Communications Hub
<b>SEC</b>	Smart Energy Code
<b>SMETS1</b>	Smart Metering Equipment Technical Specification v1
<b>SMETS2</b>	Smart Metering Equipment Technical Specification v2
<b>SMKI</b>	Smart Metering Key Infrastructure
<b>SM WAN</b>	Smart Metering Wide Area Network
<b>TCH</b>	Test Communications Hub
<b>UITMR</b>	User Integration Testing and Mass Rollout

**Table 20 – Acronyms**

## Appendix D – Glossary

Defined Terms	References	Definition
<b>Advanced Meter</b>	SEC K3.2	Defined in relation to “Mandated Non-Domestic Smart Metering System” (Section K3.2): (a) an Electricity Meter, has the meaning given to that expression in standard condition 39 of the Electricity Supply Licence; and (b) a Gas Meter, has the meaning given to that expression in standard condition 33 of the Gas Supply Licence.
<b>Allowed Revenue</b>	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.
<b>Alt HAN Co</b>	SEC Z6.1	Has the meaning given to that expression in Section Z2.1 (Establishment of Alt HAN Co).
<b>Alt HAN Charges</b>	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).
<b>Alt HAN Costs</b>	SEC Z6.1	Has the meaning given to that expression in Section Z4.2 (Alt HAN Costs and Expenses).
<b>Alt HAN Fixed Revenue</b>	SEC K3.7	Revenue relating to the reimbursement of Alt HAN Costs
<b>Alt HAN Services</b>	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.
<b>Authority</b>	SEC A1.1	Means the Gas and Electricity Markets Authority as established under Section 1 of the Utilities Act 2000.
<b>Baseline Margin</b>	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.
<b>Bilateral Agreement</b>	SEC A1.1	Means an agreement entered into pursuant to Section H7 of the SEC (Elective Communication Services) between the DCC and a User.
<b>Change Request</b>	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.
<b>CH Charging Group</b>	SEC K11.1	Has the meaning given to that expression in Section K3.9.
<b>CH Charging Group Weighting Factors</b>	SEC K11.1	Has the meaning given to that expression in Section K3.13 of the SEC.
<b>CH Order Management System</b>	SEC A1.1	Means that part of the CH Ordering System described as the ‘Order Management System’ in the CH Handover Support Materials.

Defined Terms	References	Definition
<b>CH User Responsibility</b>	SEC A1.1	Has the meaning given to that expression in Section F9.6 of the SEC (Categories of Responsibility).
<b>Charging Groups</b>	SEC K11.1	Has the meaning given to that expression in Section K3.10 of the SEC.
<b>Charging Group Weighting Factors</b>	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).
<b>Charging Methodology</b>	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.
<b>Charging Period</b>	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.
<b>Charging Statement</b>	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).
<b>Communications Hubs</b>	SEC A1.1	Means a Communications Hub Function together with a Gas Proxy Function.
<b>Communications Hub Finance Charges</b>	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).
<b>Communications Hub Service</b>	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.
<b>COMR Period</b>	SEC K5	Refers to the period, during which "mass rollout" of Smart Metering Systems is to be completed.
<b>Core Communication Services</b>	LC 17 (B)	Core Communication Services relate solely to the Supply of Energy (or its use) under the Principal Energy Legislation.
<b>DCC Gateway Connection</b>	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.
<b>DCC Gateway</b>	SEC H3	The DCC User Gateway is the interface designed to allow communications to be sent between SEC Parties and DCC.
<b>DCC Internal Systems</b>	SEC A1.1	Means those aspects of the DCC Total System for which the specification or design is not set out in this Code.

Defined Terms	References	Definition
<b>DCC Total System</b>	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"> <li>• neither installed nor in the possession of the dcc; or</li> <li>• installed but are not Commissioned.</li> </ul>
<b>DCC User Gateway Catalogue</b>	DSP/CSP Contracts	Has the meaning given in Schedule 6.3 (Development Process) of the DSP/CSP contracts.
<b>DCC User Interface Services Schedule</b>	SEC A1.1	Means the SEC Subsidiary Document identified as the 'DCC User Gateway Interface Specification' set out in Appendix [F].
<b>Detailed Evaluation</b>	SEC A1.1	Has the meaning given to that expression in Section H7.7 of the SEC (Detailed Evaluation of Elective Communication Services).
<b>Device</b>	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.
<b>Domestic Premises</b>	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.
<b>Elective Communication Services</b>	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.
<b>Electricity Distributors</b>	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.
<b>Enabling Services</b>	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.
<b>Enrolled Smart Metering Systems</b>	K11.1	Means a Smart Metering Systems that has been Enrolled
<b>Enrolment</b>	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.
<b>Enrolment Service</b>	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.



Defined Terms	References	Definition
<b>Estimated Allowed Revenue</b>	SEC K11.1	Has the meaning given to that expression in Section K2.1 of the SEC.
<b>Estimated Elective Service Revenue</b>	SEC K11.1	Has the meaning given to that expression in Section K2.3 of the SEC.
<b>Estimated Explicit Charges Revenue</b>	SEC K11.1	Has the meaning given to that expression in Section K2.5 of the SEC.
<b>Estimated Fixed Revenue</b>	SEC K11.1	Has the meaning given to that expression in Section K2.6 of the SEC.
<b>Elective Charges</b>	SEC K11.1	Means the Charges payable in respect of Elective Communication Services.
<b>Elective Communication Services</b>	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).
<b>Explicit Charges</b>	SEC K11.1	Means the Charges calculated in accordance with Section K7 of the SEC, and payable in respect of the Explicit Charging Metrics.
<b>Explicit Charging Metrics</b>	Explicit Charging Metrics	Has the meaning given to that expression in Section K7 of the SEC.
<b>Export Supplier</b>	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).
<b>Extensible Markup Language</b>	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.
<b>External Costs</b>	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.
<b>External Service Provider</b>	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.
<b>First Relevant Policy</b>	LC 18.15	As set out in Condition 18.15 of the Licence.
<b>Fixed Charges</b>	SEC A1.1	Has the meaning given to that expression in the Charging Methodology in Section K of the SEC.
<b>Fixed CH Charge</b>	SEC K	As set out in Section K3 of the SEC.

Defined Terms	References	Definition
<b>Follow-up Security Assessment</b>	SEC A1.1	Has the meaning given to that expression in Section G8.17 of the SEC (Categories of Security Assurance Assessment).
<b>Full User Security Assessment</b>	SEC A1.1	Has the meaning given to that expression in Section G8.14 of the SEC (Categories of Security Assurance Assessment).
<b>Fundamental Service Capability</b>	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).
<b>Fundamental service provider (FSP)</b>		These are all External Service Providers that provide Fundamental Service Capability
<b>Gas Supplier</b>	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.
<b>Gas Transporter</b>	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.
<b>Great Britain Companion Specification</b>	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.
<b>HAN Variant</b>	K11	For the purposes of Section K there shall be only two HAN Variants: Single Band and Dual Band, as further described in Appendix I (CH Installation and Maintenance Support Materials)
<b>Impact Assessment</b>	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.
<b>Import Supplier</b>	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.
<b>Internal Costs</b>	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).

Defined Terms	References	Definition
<b>Mandated Smart Metering Systems</b>	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).
<b>Mandatory Business Services</b>	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.
<b>National Fixed Revenue</b>	SEC K3.7	Is the revenue that should be recovered on a uniform basis across all the Regions.
<b>Non-Domestic Premises</b>	A1.1	Means premises other than Domestic Premises
<b>Notice</b>	LC 1.4	Means prior notice given directly to a person in Writing (and includes a notification).
<b>Other Enabling Service</b>	SEC A1.1	Means the Services other than the Enrolment Services, the Communications Hub Services and the Communication Services.
<b>Party</b>	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).
<b>Pass-Through Costs</b>	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.
<b>Parse and Correlate Software</b>	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.
<b>Price Control Condition</b>	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).
<b>Privacy Assessments</b>	SEC A1.1	Means a Full Privacy Assessment, Random Sample Privacy Assessment or User Privacy Self-Assessment.
<b>Privacy Assessment Report</b>	SEC A1.1	Has the meaning given to that expression in Section I2.17 of the SEC (The Privacy Assessment Report).
<b>Project</b>	CSP/DSP Contracts	As set out in Schedule 8.8 to the DSP/CSP contracts.

Defined Terms	References	Definition
<b>Public Key Infrastructure</b>	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.
<b>Recoverable Cost</b>	SEC A1.1	Has the meaning given to that expression in Section C8.2 of the SEC (SEC Costs and Expenses).
<b>Region</b>	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.
<b>Regional Communications Hub Revenue</b>	SEC K11.1	Has the meaning given to that expression in Section K3.8 of the SEC.
<b>Registration Data Provider</b>	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.
<b>Regional Fixed Revenue</b>	SEC K11.1	Has the meaning given to that expression in Section K3.8 of the SEC.
<b>Regulated Revenue</b>	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.
<b>Regulatory Instructions and Guidance</b>	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).
<b>Regulatory Year</b>	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.
<b>Relevant Service Capability</b>	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.
<b>User Security Assessment</b>	SEC A1.1	Means either a Full User Security Assessment or a Verification User Security Assessment.
<b>Service Charges</b>	SEC J1.1	Service Charges are determined in accordance with the Charging Statement applicable from time to time.
<b>Service Desk</b>	SEC A1.1	Has the meaning given to that expression in Section H8.19 of the SEC (Service Desk)
<b>Service Requests</b>	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).

Defined Terms	References	Definition
<b>Smart Metering Key Infrastructure</b>	SEC L	A Smart Metering Key Infrastructure is the equivalent of a Public Key Infrastructure hierarchy for an end-to-end Smart Metering System.
<b>Smart Metering System</b>	LC 1.4	Means either: <ul style="list-style-type: none"> <li>(a) an Electricity Smart Meter together with the Communications Hub Function with which it is Associated, together with the Type 1 Devices (if any) that may from time to time be Associated with that Electricity Smart Meter; or</li> <li>(b) a Gas Smart Meter together with the Communications Hub Function with which it is Associated and an Associated Gas Proxy Function, together with the Type 1 Devices (if any) that may from time to time be Associated with that Gas Proxy Function.</li> </ul>
<b>Test Communications Hub</b>	SEC A	Means: <ul style="list-style-type: none"> <li>(a) until such date as the DCC may determine (or such earlier date as the Secretary of State may designate for the purposes of this definition), a Prototype Communications Hub; and</li> <li>(b) after such date, a device that is equivalent to a Communications Hub, but which contains such variations in functionality as the DCC reasonably considers appropriate to enable the device to be used for the purposes of testing, which device is provided (or to be provided) for the purpose</li> </ul>
<b>Testing Participant</b>	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).
<b>Unacceptable Costs</b>	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**