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cc. SEC Parties

Enc: CS23 v0.2 (draft).pdf

18 March 2022

Dear Ayena,

## **Notice of Service Charges for Regulatory Year ending 31 March 2023**

### **Notice**

In accordance with Condition 19.9 (a) of the Smart Meter Communication Licence (the "Licence") and Section J4.2 of the Smart Energy Code ("SEC"), Smart DCC Ltd ("DCC") hereby gives Notice to the Authority of DCC Service Charges for the Regulatory Year ending 31 March 2023 (RY 2022/23).

In accordance with Condition 19.5 of the Licence, DCC formally requests the Authority's approval of the form of the Charging Statement.

We explain the updated Service Charges in the draft Charging Statement version 0.2, which is enclosed with this Notice. In accordance with Condition 19.13 of the Licence, we propose that this draft Charging Statement comes into effect on 1 April 2022.

Since the first draft of the RY22/23 Charging Statement was published (in December 2021), Ofgem has directed<sup>1</sup> changes to reflect its final Price Control

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<sup>1</sup> Ofgem, Notice of Price Control Decisions, Determinations and Directions Regulatory Year 2020/21: <https://www.ofgem.gov.uk/sites/default/files/2022-02/Notice%20of%20Price%20Control%20Decisions%2C%20Determinations%20and%20Directions%20Regulatory%20Year%202020-21.pdf>

decision for RY2020/21, in which it determined, compared to its consultation position:

- an additional £2.96m of External Contract Gain Share;
- a reduction in the disallowed costs of £0.22m; and
- an additional £0.05m of Baseline Margin (in RY22/23 prices)
- a reduction in the Baseline Margin of £0.44m to reflect missed R2.0 milestones<sup>2</sup>.

The resultant total cost estimate for RY2022/23 is £613.4m.

A high-level summary of the changes to the form of the charging statement are set out in Table 1 in [Appendix A](#).

### Next steps

A copy of the enclosed draft Charging Statement will be shared with those with whom DCC has entered into an Agreement for Services, pursuant to Licence Condition 19.9(b). Currently, this means all SEC Parties.

We look forward to receiving your approval of the form of this Charging Statement.

If you have any questions in relation to this letter or its enclosure, please contact us at [finance@smartdcc.co.uk](mailto:finance@smartdcc.co.uk). The draft Charging Statement will also be made available on the DCC website ([www.smartdcc.co.uk](http://www.smartdcc.co.uk)).

Yours sincerely,

**Ekta Sareen**

Head of Regulatory Finance and Pricing, DCC

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<sup>2</sup> This value was not included in Ofgem's published direction; however we have reflected this loss consistent with the RIGs template submitted to Ofgem in July 2021.

## Appendix A: Summary of Charging Statement changes

Table 1 below sets out a summary of the changes to the Charging Statement.

| Place in document   | Change  |
|---|---|
| Table 1 – Monthly Fixed Charges by Charging Group for RY2022/23 (excluding VAT) | Charges updated to reflect Ofgem’s Price Control decision for RY20/21 |
| Table 7 – Estimated Allowed Revenue for RY2022/23 (excluding VAT)               | Updated to reflect Ofgem’s Price Control decision for RY20/21         |
| Table 8 – Estimated Fixed Revenue for RY2022/23 (excluding VAT)                 | Updated to reflect Ofgem’s Price Control decision for RY20/21         |
| Table 9 – Estimated Fixed Revenue by category for RY2022/23 (excluding VAT)     | Updated to reflect Ofgem’s Price Control decision for RY20/21         |
| Appendix D – Worked examples  | Revised worked examples to reflect changes to charges (see above)     |

**Table 1 – Summary of Charging Statement amendments (Mar 2022)**