



Review of Charging Methodology

Statement of review during
RY2021-2022

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1 Purpose

The purpose of this statement is to confirm that DCC has, in Regulatory Year (RY) 2020/21, reviewed the Charging Methodology for Service Charges in accordance with Part A: condition 18.7 of the Smart Meter Communication Licence.¹ We have carried out a general review of the Charging Methodology against the Relevant Policy Objectives; we consider that the Charging Methodology is meeting those objectives.

2 Context and Background

DCC service charges are set for each Regulatory Year and are usually refreshed to take effect in April of each year. To allow our customers to adequately plan for subsequent and outer years, we publish revenue forecasts for future years on a quarterly basis, in the Indicative Charging Statements and Indicative Budget publications.

To reset charges in April, we will usually provide three months' notice of those new charges to Ofgem and customers in December of each year. In certain circumstances, we have needed to respond to emerging issues or customer feedback by re-issuing the Charging Statement during the year. The current Charging Statement and Notice Letters to Ofgem are available on our website.²

We calculate charges in accordance with the Charging Methodology,³ which is set out in Section K of the Smart Energy Code (SEC). To recover costs for services relevant to Charging Groups, DCC levies a Fixed Charge, Fixed Alt HAN Charge, and Fixed Communications Hub (CH) Charge. An overview of these charges can be found in Section C of our Charging Statements, whilst the calculations are prescribed by SEC Sections K3-K6. Explicit Charges, set out in Section K7, enable DCC to charge for a range of User-specific or ad hoc services.

2.1 Stakeholder Engagement

We have hosted live Quarterly Finance Forums from March 2021 to March 2022. These have continued to be fully remote for colleagues' safety, and in line with national restrictions/recommendations. In these sessions we explain and discuss the quarterly updates to the forecasts, both at an overall and project/programme level, whilst also inviting questions and feedback from our customers. Customer attendance has continued to be higher this past year than in previous years; this is because of the efforts we have made to reach out to customers, and customers seeking to engage on our forecasts directly.

This is part of our ongoing commitment to engage more effectively and be more transparent with customers on cost forecasts and spending decisions. You can register interest for the next quarterly event by contacting our Stakeholder Engagement team (customerengagement@smartdcc.co.uk).

2.2 Summary of Charging Statement Publications during RY2021/22

The following summary of Charging Statement publications provides an overview of the required changes and context, however more detail can be found in the Notice Letters to Ofgem.⁴

¹ Smart Meter Communication Licence: <https://epr.ofgem.gov.uk/Content/Documents/Smart%20DCC%20limited%20-%20Smart%20Meter%20Communication%20Consolidated%20Licence%20Conditions%20-%20Current%20Version.pdf>

² Document Centre | Smart DCC

³ DCC, 'Charging Methodology issue 12.0': <https://www.smartdcc.co.uk/document-centre/charging-methodology-statements-budgets/charging-methodology/>

⁴ Document Centre | Smart DCC

2.2.1 Charging Statement RY2021/22 Issue 1.0

The RY2021/22 Charging Statement (Issue 1.0) came into effect on 1 April 2021. The key changes made to the Charging Statement from the previous year were the updates to DCC costs, revenue, and Service Charges.

2.2.2 Charging Statement RY2021/22 Issue 2.0

On 25 August 2021, we published Issue 1.1 of the Charging Statement, in which we proposed to reduce the monthly Fixed Alt HAN Charges for the final five months, to return costs Alt HAN no longer expected to invoice DCC for in RY2021/22.

The RY2021/22 Charging Statement (Issue 2.0) came into effect on 25 November 2021.

2.2.3 Charging Statement RY2021/22 Issue 3.0

On 2 February 2021, we published Issue 2.1 of our Charging Statement for RY2021/22. The key change was to reduce the monthly Fixed Charge for the final two months of RY2021/22 to effectively return costs to consumers that DCC no longer expected to incur.

On 2 March 2022 we published Issue 3.0 of our Charging Statement for RY2021/22.

2.2.4 Draft Charging Statement RY2022/23 Issue 0.2

On 18 March 2022, we published our draft Charging Statement for RY2022/23 (Issue 0.2), to take effect from 1 April 2022. Aside from the updated costs, revenue, and Service Charges (reflecting the RY20/21 Price Control decision), we proposed the following changes to the form of the document:

- Setting of Explicit Charges for DCC Boxed in Table 4, with prices set for two device types.
- Introduction of Explicit Charges for GFI Testing and RF Testing in Table 5.
- Removal of the placeholder charge from Table 6 following to confirmation from Alt HAN that an Explicit Charge will not be required to recover Shared Service device costs.

3 RY2021/22 review and publications

We have carried out a general review of the Charging Methodology against the Relevant Policy Objectives; we consider that the Charging Methodology is meeting those objectives. A summary of this review against the Charging Objectives is set out in Appendix A of this statement.

The scope of this review has been specific to Section K of the SEC, in line with our obligation. The topics of credit cover and other Section J requirements are outside the scope of this review. DCC will continue to engage with industry in the relevant forums.

Sections 3.1-3.2 summarise the topics considered as part of this review. [Section 4](#) sets out our considerations for future changes and improvements.

We have completed a review of our DCC Charges Model and Explicit Charges Model, with regards to the calculation of the Fixed Charge, Fixed Alt HAN Charge, Fixed CH Charges and Explicit Charges. This is summarised within [Section 3.2.2](#).

3.1 Summary of changes and improvements made during RY2021/22

3.1.1 DCC Boxed

DCC Boxed was included in the February SEC release (v0.57)⁵. DCC Boxed is an integrated end-to-end DCC local physical test environment for capability development and testing purposes. The tool was initially developed for internal use but was released for external use too in November 2021⁶.

3.1.2 Explicit Charges (GFI and RF noise testing)

In November 2021, the SEC was updated to reflect two new Explicit Charges: GBCS for Industry (GFI) testing; and RF noise testing.

To better support our customers with testing activity, DCC provide GFI testing tools, comprising of software and ZigBee HAN interface to simulate DCC and Communications Hub for testing HAN Command and Responses. We have now set a defined allowance of devices per customer, with any allocation beyond this recovered through a new Explicit Charge.

DCC also now offer device manufacturers a Radio Frequency (RF) Noise Testing service through our Test Labs, to test their devices and ensure they meet the Intimate Communications Hub Interface Specification (ICHIS) and do not impact the Wide Area Network (WAN) or HAN performance. The new RF Noise Testing Explicit Charge allows cost recovery from those SEC Parties who use this product.

3.2 Other charging topics to note

3.2.1 Impact of COVID-19 Pandemic

At the beginning of RY2021/22, the UK was entering a second year in a state of national emergency in response to the COVID-19 pandemic. We monitored the effect of the pandemic on costs to DCC and industry throughout the year and found that we did not need to re-open the Charging Statement to make in-year adjustments. We have also not identified any instances of the Charging Methodology being inappropriate for the conditions.

Mediating the logistical impact to CH order delivery, we worked with industry and our suppliers to support customers who were unable to receive CH orders due to restrictions or other issues. Implemented through SEC Modification Proposal 130, customers could defer the delivery of committed CH orders for a time, on the condition that they continued to place minimum volume orders. This resulted in an estimated saving to industry of over £33m in stock level charges and cancellation charges combined.

4 Upcoming charging topics

4.1 Faster Switching Programme

As introduced in this publication last year, the enduring method for recovering Switching costs will be prescribed in the Retail Energy Code (REC)⁷ and will be managed directly by the Retail Energy Code Company (RECCo). During the past year, DCC, RECCo and Ofgem have conferred on the high-level design and principles and have recently begun more detailed development. Although it is still the case that we do not expect this transition to require modifications to SEC Section K, it is important to note

⁵ <https://smartenergycodecompany.co.uk/latest-news/sec-v57-0-published-for-the-february-2022-sec-release/>

⁶ [DCC Boxed. Where are we now? | Smart DCC](#)

⁷ Ofgem, 1 February 2019, 'Designation of the Retail Energy Code Company and related matters': https://www.ofgem.gov.uk/system/files/docs/2019/02/retail_energy_code_designation.pdf

that the change is more likely to take effect through the first publication for RY2023/24 than RY22/23, due to the Switching re-plan in November 2020.

4.2 Charging Group Weighting Factors

As advised in our statement of review last year, we will continue to use the Charging Groups and Weighting Factors that were determined by government prior to the rollout period but will consider a review when the data becomes available, after the COMR period closes.

4.3 Alt HAN

The anticipated AltHAN-specific Explicit Charges have faced further delays. We will continue to work closely with AltHANCo to determine how and when these charges will be levied⁸.

5 Next Steps

DCC will continue to review the Charging Methodology to ensure its compliance with the Relevant Policy Objectives. If you would like to discuss any part of this statement, please contact finance@smartdcc.co.uk. This statement is available to download from DCC's website (www.smartdcc.co.uk).

⁸ [AltHANCo Charging Methodology Consultation – Alt HAN Company](#)

Appendix A - Assessment of charging methodology against objectives

Table 1 below sets out the assessment of the Charging Methodology against the charging objectives in the Licence.

Licence ref	Objective	Evidence that Charges are consistent
First relevant objective - 18.15 (a)	applies in relation to Smart Metering Systems installed (or to be installed) at Domestic Premises and Non-Domestic Premises	As set out in the Charging Statement, charges are set for a given charging group across all domestic and non-domestic premises
First relevant objective - 18.15 (b)	requires the Charging Methodology to ensure that Service Charges imposed under or pursuant to the SEC in respect of the operation or provision of Mandatory Business Services (excluding Elective Communication Services) for the purposes of such Smart Metering Systems do not distinguish (whether directly or indirectly) between Energy Consumers at Domestic Premises in different parts of Great Britain	As set out in the Charging Statement, charges are set for a given charging group across all domestic and non-domestic premises, and therefore do not distinguish between energy consumers at domestic premises in different parts of Great Britain
Second relevant objective - 18.16 (a)	result in Service Charges that are the same for SMETS1 Meters as they are for Other Smart Metering Systems, save that no Service Charges for Communications Hub Services will apply to SMETS1 Meters	We are using SMETS1 migration status data to ensure SMETS1 meters are excluded from the enrolled meter volume base (ESMS). This ensures that the Fixed CH Charge is only levied on SMETS2 meters which communicate with DCC Communications Hubs. We also levy Fixed Charges to customers to be indiscriminate of SMETS1 and SMETS2 meters i.e. customers pay the same charge for either meter type.
Second relevant objective - 18.16 (b)	notwithstanding (a) above (where the Costs of Communications for a SMETS1 Meter exceeds the Costs of Communications for an Other Smart Metering System, and where an Original Supplier for the Energy Supplier Contract relating to that SMETS1 Meter is (and has at all times since the adoption of the Energy Supplier Contract been) a supplier of Energy to the premises at which that SMETS1 Meter is installed), result in Service Charges that ensure that the excess Costs of Communications are recovered from the Original Supplier from time to time (in addition to the Service Charges referred to in (a) above)	As discussed in our Statement of Review RY2018/19, this requirement is no longer relevant, due to DCC's negotiation of new SMETS1 SMSO contracts.
Third relevant objective - 18.17 (a)	facilitate effective competition in the Supply of Energy (or its use) under the Principal Energy Legislation	Charges are set according to the charging group weighting factors which are determined in accordance with K3 of the SEC. This ensures that charges are not above what a party can/should bear and therefore should not prevent the facilitation of effective competition in the supply of energy
Third relevant objective - 18.17 (b)	do not restrict, distort, or prevent competition in Commercial Activities that are connected with the Supply of Energy under that legislation	As above
Third relevant objective - 18.17 (c)	do not deter the full and timely installation by Energy Suppliers of Smart Metering Systems at Energy Consumers' premises in accordance with their obligations under the Energy Supply Licence	As above
Third relevant objective - 18.17 (d)	do not unduly discriminate in their application and are reflective of the costs incurred by the Licensee, as far as is reasonably practicable in all of the circumstances of the case, having regard to the costs of implementing the Charging Methodology.	We regularly review the appropriateness of charges and always consider the costs of implementing changes against the other licence objectives. An example of this is the decision not to levy an explicit charge based on service request volume, and CH installer training.

Table 1 – Assessment of charging methodology against objectives