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K CHARGING METHODOLOGY

K1. INTRODUCTION

K1.1 This Section K constitutes the Charging Methodology that the DCC is required to have in force in accordance with the DCC Licence.

K1.2 The Charges payable to the DCC by the other Parties from time to time are those Charges set out in the Charging Statement at that time, which are payable in accordance with Section J.

K1.3 The DCC is obliged under the DCC Licence to prepare the Charging Statement in accordance with this Charging Methodology.

K1.4 This Charging Methodology is subject to modification in accordance with Section D (Modification Process), by reference to the Charging Objectives. This Section K is included in this Code in order to allow for such modification. This Section K is not intended to, and does not, create any contractual obligations between the Parties.

K1.5 This Charging Methodology provides for Fixed Charges, Fixed CH Charges, Fixed Alt HAN Charges, Explicit Charges and Additional Charges. The methodology for calculating:

(a) Fixed Charges differ as between:

(i) the UITMR Period and the COMR Period (as set out in Section K5); and

(ii) the period which falls after the COMR Period (as set out in Section K6);

(b) Fixed Alt HAN Charges differ as between:

(i) the UITMR Period; and

(ii) the period which falls during and after the COMR Period (as set out in Sections K5A, K5B and K6B respectively).

K1.6 The DCC shall act reasonably and in a manner consistent with the Charging Objectives in undertaking all calculations and estimations required pursuant to this Charging Methodology.

K1.7 The expressions used in this Charging Methodology shall have the meanings given to them in Section K11.

K2. ESTIMATED REVENUES

Estimated Recovered Revenue

K2.1 In respect of each Regulatory Year, the DCC shall estimate the Recovered Revenue for that Regulatory Year. Such estimate for each Regulatory Year shall be the "**Estimated Recovered Revenue**" for that Regulatory Year.

Estimated Additional Service Revenue

K2.2 In respect of each Regulatory Year, the DCC shall estimate the amount that will be payable to it in respect of the provision of Additional User Services during that Regulatory Year. Such estimation shall be based on the Charges payable under the relevant Bilateral Agreements, the DCC's estimate of the frequency at which the DCC will provide such Services (to the extent such Charges are payable on that basis), and any other relevant factors.

K2.3 The DCC's estimate in accordance with Section K2.2 for each Regulatory Year shall be the "**Estimated Additional Service Revenue**" for that Regulatory Year.

Estimated Explicit Charges Revenue

K2.4 In respect of each Regulatory Year, the DCC shall estimate the amount that will be payable to it in respect of the Explicit Charging Metrics during that Regulatory Year, based on the Explicit Charges (calculated in accordance with Section K7) and the DCC's estimate of the frequency at which the Explicit Charging Metrics will occur during that year.

K2.5 The DCC's estimate in accordance with Section K2.4 for each Regulatory Year shall be the "**Estimated Explicit Charges Revenue**" for that Regulatory Year.

Estimated Fixed Revenue

K2.6 In respect of each Regulatory Year (t), the "**Estimated Fixed Revenue**" shall be calculated as follows:

$$EFR_t = ERR_t - EASR_t - EECR_t$$

Where:

EFR_t = the Estimated Fixed Revenue for the Regulatory Year t;
ERR_t = the Estimated Recovered Revenue for the Regulatory Year t;
$EASR_t$ = the Estimated Additional Services Revenue for the Regulatory Year t;
$EECR_t$ = the Estimated Explicit Charges Revenue for the Regulatory Year t.

K2.7 In respect of each Regulatory Year, the DCC shall estimate the number of CH Replacement Reimbursement Events that will occur and the resulting amount that will be payable by it to Supplier Parties by way of CH Replacement Reimbursement Amounts. Where the DCC has entered into a CHRR Finance Facility in respect of some or all of the CH ReplacementReimbursement Amounts, then the DCC's estimate for a Regulatory Year shall not include those amounts, and shall instead include the debt service cost under that facility during that Regulatory Year.

K2.8 The DCC shall then, for each Regulatory Year, calculate an amount of revenue equal to the costs under Section K2.7, being the "Estimated CH Replacement Reimbursement Revenue" for that Regulatory Year.

For clarity, this Estimated CH Replacement Reimbursement Revenue is part of the Estimated Fixed Revenue, and is to be recovered as partof the Fixed Charges.

K3. FIXED CHARGE, FIXED CH CHARGE AND FIXED ALT HAN CHARGE CALCULATIONS

Introduction

K3.1 The DCC will determine the Fixed Charges, the Fixed CH Charges and the Fixed Alt HAN Charges for each Regulatory Year using the Estimated Fixed Revenue determined in accordance with Section K2, which is to be translated into:

(a) Fixed Charges in accordance with Section K5 (if the Regulatory Year occurs during either the UITMR Period or the COMR Period) or Section K6 (if the Regulatory Year occurs after the COMR Period);

(b) Fixed CH Charges in accordance with Section K6A (which are payable in respect of Smart Metering Systems); and

(c) Fixed Alt HAN Charges in accordance with Sections K5A, K5B and K6B (depending upon whether the Regulatory Year occurs during the UITMR Period or during or after the COMR Period).

K3.2 The Fixed Charges and Fixed Alt HAN Charges are payable in respect of:

(a) during the UITMR Period, Mandated Smart Metering Systems for Domestic Premises and Enrolled Smart Metering Systems for Non-Domestic Premises;

(b) during the COMR Period, Mandated Smart Metering Systems for Domestic Premises, and Mandated Non-Domestic Smart Metering Systems for Non-Domestic Premises; and

(c) after the COMR Period, Enrolled Smart Metering Systems (whether for Domestic Premises or Non-Domestic Premises),

and each reference in this Section K3 (or in the definitions of defined terms used directly or indirectly in this Section K3) to '**Smart Metering Systems**' shall accordingly be construed as a reference to Mandated Smart Metering Systems, Mandated Non-Domestic Smart Metering Systems or Enrolled Smart Metering Systems (as applicable).

K3.3 As further described in this Section K3, the Fixed Charges potentially differ so as to distinguish between Smart Metering Systems for Domestic Premises and for Non-Domestic Premises, and between persons within different Charging Groups.

Domestic or Non-Domestic Premises

K3.4 The Charging Objectives require the DCC to impose Fixed Charges and Fixed CH Charges in respect of Smart Metering Systems: (a) for Domestic Premises that do not distinguish (whether directly or indirectly) between Domestic Premises located in different parts of Great Britain; and (b) for Non-Domestic Premises that do not distinguish (whether directly or indirectly) between Non-Domestic Premises located in different parts of Great Britain. However, consistent with the Charging Objectives, the methodology provides for different means of calculating the Fixed Alt HAN Charges depending upon whether a Smart Metering System is for Domestic Premises or for Non-Domestic Premises. The DCC shall estimate the numbers of Domestic Premises and Non-Domestic Premises based on Registration Data (using profile class in the case of Smart Metering Systems associated with an MPAN and market sector code in the case of Smart Metering Systems associated with an MPRN, or some other sensible

proxy to the extent that the Registration Data does not readily identify whether a premises is a Domestic Premises and Non-Domestic Premises).

Cost-reflectivity

K3.5 One of the Charging Objectives is that the Charges are cost reflective (insofar as reasonably practicable in the circumstances of the case, having regard to the cost of implementing the methodology and subject to the objective referred to in Section K3.4). Consistent with the Charging Objectives, the methodology provides (subject to Section K3.4) for:

(a) the Fixed Charges in respect of a Smart Metering System to be set proportionately to the costs and expenses of providing the Services (other than the Communications Hub Services, the Additional User Services and the Explicit Charging Metrics) in respect of that Smart Metering System by Charging Group;

(b) the Fixed CH Charges in respect of a Smart Metering System to be set proportionately to the costs and expenses of providing the Communications Hub Services (other than the Explicit Charging Metrics) in respect of that Smart Metering System by Charging Group; and

(c) the Fixed Alt HAN Charges in respect of a Smart Metering System to be set proportionately to the costs of reimbursing AltHANCo for the Alt HAN Costs (other than the Explicit Charging Metrics) in respect of that Smart Metering System by Charging Group,

in each case as set out in the remainder of this Section K3.

Regions

K3.6 The costs and expenses of providing the Services (ignoring the Additional User Services and ignoring the costs and expenses designed to be recovered pursuant to the Explicit Charges) in respect of a Smart Metering System for a premises may vary depending upon the Region in which such premises is located. For the reasons described in Section K3.4, the Fixed Charges and Fixed CH Charges in respect of Smart Metering Systems will not differ by Region.

K3.7 In order to provide a degree of transparency of costs, the DCC must split the Estimated Fixed Revenue for Regulatory Year (t) between:

(a) revenue relating to the cost and expenses of providing the Services that should be recovered on a uniform basis across all the Regions (the **National Fixed Revenue**);

(b) revenue relating to the reimbursement of Alt HAN Costs (the **Alt HAN Fixed Revenue**); and

(c) revenue relating to the cost and expenses of providing the Services that should be recovered on a basis that differentiates between Regions (for each Region, the **Regional Fixed Revenue**).

K3.8 In order to provide a degree of transparency of costs, the DCC shall apportion the Estimated Fixed Revenue between:

(a) the National Fixed Revenue, the Alt HAN Fixed Revenue and the Regional Fixed Revenue for each Region so as to reflect the relative proportion of the cost and expenses that the DCC incurs across all Regions or in particular Regions in providing the Services and in reimbursing the Alt HAN Costs

(ignoring the Communications Hub Services, the Test CH Services and the Additional User Services and ignoring the costs and expenses designed to be recovered pursuant to the Explicit Charges);

(b) the Regional Communications Hub Fixed Revenue for each Region so as to reflect the cost and expenses that the DCC incurs in providing, in respect of that Region, the Communications Hub Services and the Test CH Services (ignoring the incremental costs and expenses incurred in providing individual Communications Hubs, and also ignoring the costs and expenses designed to be recovered pursuant to the Explicit Charges); and

(c) the Regional Communications Hub Device Revenue for each Region so as to reflect the incremental cost and expenses that the DCC incurs in providing, in respect of that Region, each individual Communications Hub which is available for that Region (ignoring the costs and expenses designed to be recovered pursuant to the Explicit Charges),

in each case, so that any revenue restriction correction factor adjustment contained within the Estimated Fixed Revenue is apportioned between (a), (b) or (c) above on the basis of the extent to which it arose in relation either to the Services referred to in (a), (b) or (c) respectively. To add a further layer of transparency, the DCC shall identify the amount of the National Fixed Revenue which equates to the Estimated CH Replacement Reimbursement Revenue.

K3.9 The apportionment described in Sections K3.7 and K3.8 shall be such that:

$$EFR_t = NFR_t + AHFR_t + \sum_{\forall r} RFR_{rt} + \sum_{\forall r} RCHFR_{rt} + \sum_{\forall r} RCHDR_{rt}$$

Where:

EFR_t = the Estimated Fixed Revenue (estimated in accordance with Section K2) for Regulatory Year (t).

NFR_t = the National Fixed Revenue (estimated in accordance with Section K3.7 and K3.8) for Regulatory Year (t).

$AHFR_t$ = the Alt HAN Fixed Revenue (estimated in accordance with Section K3.7 and K3.8) for Regulatory Year (t).

RFR_{rt} = the Regional Fixed Revenue (estimated in accordance with Section K3.7 and K3.8) within each Region (r) for Regulatory Year (t).

$RCHFR_{rt}$ = the Regional Communications Hub Fixed Revenue (estimated in accordance with Section K3.7 and K3.8) within each Region (r) for Regulatory Year (t).

$RCHDR_{rt}$ = the Regional Communications Hub Device Revenue (estimated in accordance with Section K3.7 and K3.8) within each Region (r) for Regulatory Year (t).

Charging Groups

K3.10 The methodology recognises the following five categories for Smart Metering Systems. The Fixed Charges are payable by Parties in all five categories (each a **Charging Group**). The Fixed CH Charges are payable by Parties in only the first three categories (each a **CH Charging Group**). The Fixed Alt HAN Charges are payable by Parties in only the first and third categories (each an **Alt HAN Charging Group**):

(a) the Import Suppliers (**Charging Group g1**);

(b) the Export Suppliers (**Charging Group g2**);

(c) the Gas Suppliers (**Charging Group g3**);

(d) the Electricity Distributors (**Charging Group g4**); and

(e) the Gas Transporters (**Charging Group g5**).

Application of Charging Group Weighting Factors

K3.11 For the reasons described in Section K3.5, the Fixed Charges, Fixed CH Charges and Fixed Alt HAN Charges payable by each Charging Group may need to differ. This is achieved through the Charging Group, CH Charging Group and Alt HAN Charging Group Weighting Factors.

K3.12 The Weighting Factors are designed:

(a) to reflect the relative proportion of the costs and expenses likely to be incurred by the DCC in providing the Services and in reimbursing the Alt HAN Costs (ignoring the Additional User Services and ignoring the costs and expenses designed to be recovered pursuant to the Explicit Charges) to the persons in each Charging Group;

(b) to specify the ratio of the costs and expenses to be incurred in respect of each Smart Metering System (without regard to the number of Smart Metering Systems); and

(c) so that the sum of the Charging Group, CH Charging Group and Alt HAN Charging Group Weighting Factors shall in each case be equal to one (1).

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

K3.14 For Fixed CH Charges, the "**CH Charging Group Weighting Factors**" to apply to each CH Charging Group in respect of each Regulatory Year are to be determined by the DCC on the basis of the relative proportion of their Charging Group Weighting Factors, such that:

$$\beta_{gt} = \frac{\alpha_{gt}}{\sum_{g=1}^{3} \alpha_{gt}}$$

Where:

β_{gt} = = the CH Charging Group Weighting Factor for applicable to Regulatory Year (t) and each Charging Group (g)

α_{gt} = = the Charging Group Weighting Factor applicable to Regulatory Year (t) and each Charging Group (g).

K3.15 For Fixed Alt HAN Charges, the **"Alt HAN Charging Group Weighting Factors"** to apply to each Alt HAN Charging Group in respect of each Regulatory Year are to be determined by the DCC on the basis of an expectation of equal use of Alt HAN services per Enrolled Smart Metering System by Import Suppliers and Gas Suppliers, such that:

γ_{gt} 0.5 where g =1 or 3

γ_{gt} 0 where g =2, 4 or 5.

Where:

γ_{gt} = the Alt HAN Charging Group Weighting Factor for applicable to Regulatory Year (t) and each Charging Group (g).

Determining the Fixed Charges

K3.15A In determining the Fixed Charges, the DCC shall have regard to the need, for the purposes of making a prudent estimate in accordance with the DCC Licence, to provide for the availability at all times of a contingency fund in respect of the 4G DBT/DSP DBT/CHRR Finance Charges relating to each 4G DBT/DSP DBT/CHRR Finance Facility that is equal to the DCC's estimate of three months of the 4G DBT/DSP DBT/CHRR Finance Costs relating to that facility.

Determining Fixed CH Charges

K3.16 In determining the Fixed CH Charges, the DCC shall have regard to the need, for the purposes of making a prudent estimate in accordance with the DCC Licence, to provide for the availability at all times of a contingency fund in respect of the Communications Hub Finance Charges relating to each Communications Hub Finance Facility that is equal to the DCC's estimate of three months of the Communications Hub Finance Costs relating to that facility.

Description of Approach to Determining Fixed Alt HAN Charges for Smart Metering Systems for Domestic Premises and Non-Domestic Premises during the UITMR Period and during and after the COMR Period

K3.17 The "**Alt HAN Cost Domestic Allocation**" is a factor between zero and one that is determined by the DCC based on information provided by AltHANCo to reflect the proportion of usage of Alt HAN Equipment in Domestic Premises expressed as a fraction of the total usage across both Domestic Premises and Non-Domestic Premises and is represented by *t* for Regulatory Year (t) such that:

$$\mu_t = \frac{DAHU_t}{DAHU_t + NAHU_t}$$

Where:

$DAHU_t$ is the number of MPANs and MPRNs associated with the use of Alt HAN Equipment in Domestic Premises, derived by the DCC from the data provided to it by AltHANCo in accordance with Section Z4.35 (Provision of Information to the DCC) and available to it one month prior to the issue of the most recent Charging Statement and the Registration Data prevailing at that time.

$NAHU_t$ is the number of MPANs and MPRNs associated with the use of Alt HAN Equipment in Non-Domestic Premises, derived by the DCC from the data provided to it by AltHANCo in accordance with Section Z4.35 (Provision of Information to the DCC) and available to it one month prior to the issue of the most recent Charging Statement and the Registration Data prevailing at that time.

K4. NO LONGER USED

K5. DETERMINING FIXED CHARGES DURING THE UITMR PERIOD AND DURING THE COMR PERIOD

Introduction

K5.1 The DCC will determine the Fixed Charges for each Regulatory Year during the UITMR Period and during the COMR Period in accordance with this Section K5, using:

(a) the National Fixed Revenue, the Regional Fixed Revenue and the Regional Communications Hub Fixed Revenue for that Regulatory Year determined in accordance with Section K3;

(b) (in the case of the UITMR Period only) an estimate, in accordance with this Section K5, of the number of Smart Metering Systems for Non-Domestic Premises that will have been (and remain) Enrolled as at the beginning of that Regulatory Year;

(c) an estimate, in accordance with this Section K5, of the number of Mandated Smart Metering Systems for Domestic Premises that will exist as at the beginning of that Regulatory Year;

(d) the Charging Group Weighting Factors and other relevant matters described in Section K3; and

(e) (in the case of the COMR Period only) an estimate, in accordance with this Section K5, of the number of Mandated Non-Domestic Smart Metering Systems for Non-Domestic Premises that will exist as at the beginning of that Regulatory Year.

Estimates: Non-Domestic Premises (UITMR Period)

K5.2 In respect of Regulatory Years occurring during the UITMR Period:

(a) the DCC must estimate the total number of Smart Metering Systems for Non- Domestic Premises that will have been (and remain) Enrolled as at the beginning of that Regulatory Year;

(b) the DCC must estimate the number of persons in each Charging Group for such Smart Metering Systems;

(c) the DCC must break down its estimate pursuant to Section K5.2(b) by reference to the number of Smart Metering Systems in each Region; and

(d) the estimate pursuant to Section K5.2(c) in respect of a Regulatory Year (t), each Charging Group (g) and each Region (r), shall be represented as $RENSMS_{grt}$.

Estimates: Non-Domestic Premises (COMR Period)

K5.2A In respect of Regulatory Years occurring during the COMR Period:

(a) the DCC must estimate the aggregate number of Mandated Non-Domestic Smart Metering Systems that will exist as at the beginning of that Regulatory Year;

(b) the DCC must estimate the number of persons in each Charging Group for such Mandated Non-Domestic Smart Metering Systems;

(c) the DCC must break down its estimate pursuant to Section K5.2A(b) by reference to the number of Mandated Non-Domestic Smart Metering Systems in each Region; and

(d) the estimate pursuant to Section K5.2A(c) in respect of a Regulatory Year (t), each Charging Group (g) and each Region (r), shall be represented as $RENSMS_{grt}$.

Estimates: Domestic Premises

K5.3 In respect of Regulatory Years occurring during the UITMR Period and the COMR Period:

(a) the DCC must estimate the aggregate number of Mandated Smart Metering Systems that will exist as at the beginning of that Regulatory Year;

(b) the DCC must estimate the number of persons in each Charging Group for such Mandated Smart Metering Systems;

(c) the DCC must break down its estimate pursuant to Section K5.3(b) by reference to the number of Mandated Smart Metering Systems in each Region; and

(d) the estimate pursuant to Section K5.3(c) in respect of a Regulatory Year (t), each Charging Group (g) and each Region (r), shall be represented as . $REDSMS_{grt}$.

Determining the Fixed Charges

K5.4 For each Regulatory Year (t), the DCC will determine the Fixed Charge payable in respect of each month (or part month) of Regulatory Year (t) by each person within each Charging Group (g) in respect of:

(a) (during the UITMR Period) each Enrolled Smart Metering System for a Non-Domestic Premises; or

(b) (during the COMR period) each Mandated Non-Domestic Smart Metering System for a Non-Domestic Premises; and

(c) (in either case) each Mandated Smart Metering System for a Domestic Premises (RFC_{gt}), as follows:

$$RFC_{gt} = \frac{\left(NFR_t + \sum_{\forall r} RFR_{rt}\right)}{NM_t} \times \frac{\alpha_{gt}}{\sum_{\forall g}\left(\alpha_{gt} \times \sum_{\forall r} RESMS_{grt}\right)} + \frac{\sum_{\forall r} RCHFR_{rt}}{NM_t} \times \frac{\beta_{gt}}{\sum_{\forall g}\left(\beta_{gt} \times \sum_{\forall r} RESMS_{grt}\right)}$$

Where:

α_{gt} =the Charging Group Weighting Factor (as set out in Section K3) applicable to Regulatory Year (t) and each Charging Group (g)

β_{gt} =the CH Charging Group Weighting Factor (as set out in Section K3) applicable to Regulatory Year (t) and each Charging Group (g)

NM_t =the number of months (or part months) in Regulatory Year (t)

NFR_t =the National Fixed Revenue (estimated in accordance with Section K3) for Regulatory Year (t)

RFR_{rt} =the Regional Fixed Revenue (estimated in accordance with Section K3) for Regulatory Year (t) and Region (r)

$RCHFR_{rt}$ = the Regional Communications Hub Fixed Revenue (estimated in accordance with Section K3) for Regulatory Year (t) and Region (r)

$\forall g \forall r$ $RESMS_{grt} = REDSMS_{grt} + RENSMS_{grt}$

$RENSMS_{grt}$ = either:

i. (during the UITMR Period) the estimate pursuant to Section K5.2(d) for Regulatory Year (t), each Charging Group (g) and each Region (r); or

ii. (during the COMR Period) the estimate pursuant to Section K5.2A(d) for Regulatory Year (t), each Charging Group (g) and each Region (r).

$REDSMS_{grt}$ = the estimate pursuant to Section K5.3(d) for Regulatory Year (t), each Charging Group (g) and each Region (r).

K5.5 [Not used]

(UITMR Period only) Calculating number of ESMSs for Fixed Charge Payment: Non-Domestic Premises

K5.6 Following the end of each month (or part month) occurring during each Regulatory Year during the UITMR Period, the DCC will:

(a) determine the actual number of Smart Metering Systems for Non-Domestic Premises that have been (and remain) Enrolled as at the end of the 15th day of that month (or, in the case of a part month that ends on or prior to the 15th day of that month, at the end of that part month), whether Enrolled during that month or previously;

(b) calculate the number of persons within each Charging Group for those Enrolled Smart Metering Systems; and

(c) break down these calculations by reference to each Party.

K5.7 The calculations in accordance with Section K5.6 of the number of Enrolled Smart Metering Systems for Non-Domestic Premises as at the end of each month (m) during Regulatory Year (t) within each Charging Group (g) broken down by reference to each Party (p), shall be represented as $ANSMS_{pgmt.}$

Calculating number of MSMSs for Fixed Charge Payment: Domestic Premises

K5.8 Following the end of each month (or part month) occurring during each Regulatory Year during the UITMR Period and during the COMR Period, the DCC will:

(a) determine (insofar as it is able) the actual number of Mandated Smart Metering Systems for Domestic Premises as at the end of the 15th day of that month (or, in the case of a part month that ends on or prior to the 15th day of that month, at the end of that part month);

(b) calculate the number of persons within each Charging Group for those Mandated Smart Metering Systems; and

(c) break down these calculations by reference to each Party.

K5.9 The calculations in accordance with Section K5.8 of the number of Mandated Smart Metering Systems as at the end of each month (or part month) (m) during Regulatory Year (t) within each Charging Group (g) broken down by reference to each Party (p) shall be represented as $ADSMS_{pgmt.}$

(COMR Period only) Calculating number of MNSMSs for Fixed Charge Payment: Non-Domestic Premises

K5.10 Following the end of each month (or part month) occurring during each Regulatory Year during the COMR Period, the DCC will:

(a) determine (insofar as it is able) the actual number of Mandated Non-Domestic Smart Metering Systems for Non-Domestic Premises as at the end of the 15th day of that month (or, in the case of a part month that ends on or prior to the 15th day of that month, at the end of that part month);

(b) calculate the number of persons within each Charging Group for those Mandated Non-Domestic Smart Metering Systems; and

(c) break down these calculations by reference to each Party.

K5.11 The calculations in accordance with Section K5.10 of the number of Mandated Non-Domestic Smart Metering Systems as at the end of each month (or part month) (m) during Regulatory Year (t) within each Charging Group (g) broken down by reference to each Party (p) shall be represented as $ANSMS_{pgmt.}$

K5A DETERMINING FIXED ALT HAN CHARGES DURING THE UITMR PERIOD

Introduction

K5A.1 The DCC will determine the Fixed Alt HAN Charges for each Regulatory Year during the UITMR Period in accordance with this Section K5A, using:

(a) the Alt HAN Fixed Revenue for that Regulatory Year estimated in accordance with Section K3;

(b) an estimate, in accordance with Section K5, of the number of Smart Metering Systems for Non-Domestic Premises that will have been (and remain) Enrolled as at the beginning of that Regulatory Year;

(c) an estimate, in accordance with Section K5, of the number of Mandated Smart Metering Systems for Domestic Premises that will exist as at the beginning of that Regulatory Year; and

(d) the Alt HAN Charging Group Weighting Factors and other relevant matters described in Section K3.

Determining the Fixed Alt HAN Charges (UITMR Period)

K5A.2 For each Regulatory Year (t), the DCC will determine the Fixed Alt HAN Charges payable in respect of each month (or part month) of Regulatory Year (t) by each person within each Alt HAN Charging Group (g) in respect of each Mandated Smart Metering System and each Enrolled Smart Metering System for a Non-Domestic Premises (*RAHFCgt*), as follows:

$$RAHFC_{gt} = \frac{AHFR_t}{NM_t} \times \frac{\gamma_{gt}}{\sum_{\forall g}\left(\gamma_{gt} \times \sum_{\forall r} RESMS_{grt}\right)}$$

Where:

γ_{gt} =the Alt HAN Charging Group Weighting Factor (as set out in Section K3) applicable to Regulatory Year (t) and each Charging Group (g);

NM_t =the number of months (or part months) in Regulatory Year (t);

$AHFR_t$ =the Alt HAN Fixed Revenue (estimated in accordance with Section K3) for Regulatory Year (t);

$\forall g \forall r \quad RESMS_{grt} = REDSMS_{grt} + RENSMS_{grt}$

$RENSMS_{grt}$ = the estimate pursuant to Section K5.2(d) for Regulatory Year (t), each Charging Group (g) and each Region (r);

$REDSMS_{grt}$ = the estimate pursuant to Section K5.3(d) for Regulatory Year (t), each Charging Group (g) and each Region (r).

K5B DETERMINING FIXED ALT HAN CHARGES DURING THE COMR PERIOD

Introduction

K5B.1 The DCC will determine the Fixed Alt HAN Charges for each Regulatory Year during the COMR Period in accordance with this Section K5B, using:

(e) the Alt HAN Fixed Revenue for that Regulatory Year estimated in accordance with Section K3;

(f) an estimate, in accordance with Section K5, of the number of Mandated Non-Domestic Smart Metering Systems for Non-Domestic Premises that will exist as at the beginning of that Regulatory Year;

(g) an estimate, in accordance with Section K5, of the number of Mandated Smart Metering Systems for Domestic Premises that will exist as at the beginning of that Regulatory Year; and

(h) the Alt HAN Charging Group Weighting Factors and other relevant matters described in Section K3.

Determining the Fixed Alt HAN Charges (COMR Period)

K5B.2 For each Regulatory Year (t), the DCC will determine the Fixed Alt HAN Charges payable in respect of each month (or part month) of Regulatory Year (t) by each person within each Alt HAN Charging Group (g) in respect of each Mandated Smart Metering System and each Mandated Non-Domestic Smart Metering System $(RAHFC_{gt})$, as follows:

$$RAHFC_{gt} = \frac{AHFR_t}{NM_t} \times \frac{\gamma_{gt}}{\sum_{\forall g}\left(\gamma_{gt} \times \sum_{\forall r} RESMS_{grt}\right)}$$

Where:

γ_{gt} = the Alt HAN Charging Group Weighting Factor (as set out in Section K3) applicable to Regulatory Year (t) and each Charging Group (g);

NM_t = the number of months (or part months) in Regulatory Year (t);

$AHFR_t$ = the Alt HAN Fixed Revenue (estimated in accordance with Section K3) for Regulatory Year (t);

$\forall g \forall r \quad RESMS_{grt} = REDSMS_{grt} + RENSMS_{grt}$

$RENSMS_{grt}$ = the estimate pursuant to Section K5.2A(d) for Regulatory Year (t), each Charging Group (g) and each Region (r);

$REDSMS_{grt}$ = the estimate pursuant to Section K5.3(d) for Regulatory Year (t), each Charging Group (g) and each Region (r).

K6. DETERMINING FIXED CHARGES AFTER THE COMR PERIOD (ENDURING)

Introduction

K6.1 The DCC will determine the Fixed Charges for each Regulatory Year following the COMR Period in accordance with this Section K6, using:

(a) the National Fixed Revenue, the Regional Fixed Revenue and the Regional Communications Hub Fixed Revenue for that Regulatory Year determined in accordance with Section K3;

(b) an estimate, in accordance with this Section K6, of the number of Smart Metering Systems that will have been (and remain) Enrolled as at the beginning of that Regulatory Year; and

(c) the Charging Group Weighting Factors and other relevant matters described in Section K3.

Estimates

K6.2 In respect of Regulatory Years occurring after the COMR Period, the DCC will estimate the number of Smart Metering Systems that will have been (and remain) Enrolled as at the beginning of that Regulatory Year. The DCC shall undertake such estimates for Domestic Premises and Non-Domestic Premises separately (being *EDSMS* and *ENSMS* respectively). For each such Regulatory Year (t), the DCC will estimate the average number of persons within each Charging Group (g) for such Smart Metering

Systems, and break down such estimates by reference to the Region (r) in which the premises is located, such that:

$$\forall g \forall r \quad ESMS_{grt} = EDSMS_{grt} + ENSMS_{grt}$$

Where:

$EDSMS_{grt}$ = the DCC's estimate of the number of persons within each Charging Group (g) for Smart Metering Systems for Domestic Premises that will have been (and remain) Enrolled as at the beginning of that Regulatory Year (t), broken down by Region (r); and

$ENSMS_{grt}$ = the DCC's estimate of the number of persons within each Charging Group (g) for Smart Metering Systems for Non-Domestic Premises that will have been (and remain) Enrolled as at the beginning of that Regulatory Year (t), broken down by Region (r).

Determining the Fixed Charges

K6.3 For each Regulatory Year (t), the DCC will determine the Fixed Charge payable in respect of each month (or part month) of Regulatory Year (t) by each person within each Charging Group (g) in respect of each Enrolled Smart Metering System for a Non-Domestic Premises and for a Domestic Premises (EFCgt) as follows:

$$EFC_{gt} = \frac{\left(NFR_t + \sum_{\forall r} RFR_{rt}\right)}{NM_t} \times \frac{\alpha_{gt}}{\sum_{\forall g}\left(\alpha_{gt} \times \sum_{\forall r} ESMS_{grt}\right)} + \frac{\sum_{\forall r} RCHFR_{rt}}{NM_t} \times \frac{\beta_{gt}}{\sum_{\forall g}\left(\beta_{gt} \times \sum_{\forall r} ESMS_{grt}\right)}$$

Where:

α_{gt} =the Charging Group Weighting Factor (as set out in Section K3) applicable to Regulatory Year (t) and each Charging Group (g)

β_{gt} =the CH Charging Group Weighting Factor (as set out in Section K3) applicable to Regulatory Year (t) and each Charging Group (g)

NM_t =the number of months (or part months) in Regulatory Year (t)

NFR_t =the National Fixed Revenue (determined in accordance with Section K3_ for Regulatory Year (t)

$ESMS_{grt}$ = the estimated number of persons within each Charging Group (g) for Enrolled Smart Metering Systems determined in accordance with Section K6.2 for Regulatory Year (t) and each Region (r)

RFR_{rt} = the Regional Fixed Revenue (determined in accordance with Section K3) for Regulatory Year (t) and each Region (r)

$RCHFR_{rt}$ = the Regional Communications Hub Fixed Revenue (estimated in accordance with Section K3) for Regulatory Year (t) and Region (r)

K6.4 [Not used]

Calculating number of ESMSs for Fixed Charge Payment

K6.5 Following the end of each month (or part month) during each Regulatory Year occurring after the COMR Period, the DCC will:

(a) determine the actual number of Smart Metering Systems that have been (and remain) Enrolled as at the end of the 15th day of that month (or, in the case of a part month that ends on or prior to the 15th day of that month, at the end of that part month), whether Enrolled during that month or previously, and shall do so for Domestic Premises and for Non-Domestic Premises separately;

(b) calculate the number of persons within each Charging Group for such Enrolled Smart Metering Systems; and

(c) break down these calculations by reference to Parties (p), and (in the case of Smart Metering Systems for Non-Domestic Premises only) by reference to the Region in which such premises are located.

K6.6 The calculations in accordance with Section K6.5 of the number of Enrolled Smart Metering Systems as at the end of each month (or part month) (m) during Regulatory Year (t) within each Charging Group (g) broken down by reference to each Party (p), and (in the case of Non-Domestic Premises only) by reference to each Region (r), shall:

(a) in respect of Domestic Premises, be represented as $\mathrm{ADSMS}_{\mathrm{pgmt}}$; and

(b) in respect of Non-Domestic Premises, be represented as $\mathrm{ANSMS}_{\mathrm{pgrmt}}$.

K6A DETERMINING FIXED CH CHARGES

Introduction

K6A.1 The DCC will determine the Fixed CH Charges for each Regulatory Year during the UITMR Period or during or after the COMR Period in accordance with this Section K6A, using:

(a) the Regional Communications Hub Device Revenue for that Regulatory Year determined in accordance with Section K3;

(b) an estimate, in accordance with this Section K6A, of the average number of Smart Metering Systems that there will be during that Regulatory Year; and

(c) the CH Charging Group Weighting Factors and other relevant matters described in Section K3.

Estimates

K6A.2 In respect of each Regulatory Year occurring during the UITMR Period or during or after the COMR Period, the DCC will estimate the average number of Smart Metering Systems that there will be during the Regulatory Year. The DCC shall undertake such estimates for Domestic Premises and Non-Domestic Premises separately (being *EDCH* and *ENCH* respectively). For each such Regulatory Year (t), the DCC will estimate the average number of persons within each CH Charging Group (g) for such Smart Metering Systems, and break down such estimates by reference to the Region (r) in which the premises is located, such that:

$$\forall g \forall r ECH_{grt} = EDCH_{grt} + ENCH_{grt}$$

Where:

$EDCH_{grt}$ = the DCC's estimate of the average number of persons within each CH Charging Group (g) for Smart Metering Systems for Domestic Premises during that Regulatory Year (t), broken down by Region (r); and

$ENCH_{grt}$ = the DCC's estimate of the average number of persons within each CH Charging Group (g) for Smart Metering Systems for Non-Domestic Premises during that Regulatory Year (t), broken down by Region (r).

Determining the Fixed CH Charges

K6A.3 For each Regulatory Year (t), the DCC will determine the Fixed CH Charge payable in respect of each month (or part month) of Regulatory Year (t) by each person within each CH Charging Group (g) in respect of each Smart Metering System for a Non-Domestic Premises or for a Domestic Premises (CHC_{gt})as follows:

Where:

$$(CHC_{gt}) = \frac{\sum_{\forall r} RCHDR_{rt}}{NM_t} \times \frac{\beta_{gt}}{\sum_{\forall g}(\beta_{gt} \times \sum_{\forall r} ECH_{grt})}$$

β_{gt} =the CH Charging Group Weighting Factor (as set out in Section K3) applicable to Regulatory Year (t) and each Charging Group (g)

NM_t =the number of months (or part months) in Regulatory Year (t)

$RCHDR_{rt}$ = the Regional Communications Hub Device Revenue (determined in accordance with Section K3) for Regulatory Year (t) and Region (r)

ECH_{grt} = the estimated number of persons within each Charging Group (g) for Smart Metering Systems determined in accordance with Section K6A.2 for Regulatory Year (t) and each Region (r).

K6A.4 [Not used]

Calculating number of CHs for Fixed CH Charge Payment

K6A.5 Following the end of each month (or part month) during each Regulatory Year occurring during the UITMR Period or during or after the COMR Period, the DCC will:

(d) determine the actual number of Smart Metering Systems that there are as at the end of the 15th day of that month (or, in the case of a part month that ends on or prior to the 15th day of that month, at the end of that part month), and shall do so for Domestic Premises and for Non-Domestic Premises separately;

(e) calculate the number of persons within each CH Charging Group for such Smart Metering Systems; and

(f) break down these calculations by reference to Parties (p), and (for transparency in the case of Smart Metering Systems for Non-Domestic Premises only) by reference to the Region in which such premises are located.

K6A.6 The calculations in accordance with Section K6A.5 of the number of Smart Metering Systems as at the end of each month (or part month) (m) during Regulatory Year (t) within each Charging Group (g) broken down by reference to each Party (p), and (for transparency in the case of Non-Domestic Premises only) by reference to each Region (r), shall:

(g) in respect of Domestic Premises, be represented as $\mathrm{ADCH}_{\mathrm{pgmt}}$; and

(h) in respect of Non-Domestic Premises, be represented as $\mathrm{ANCH}_{\mathrm{pgrmt}}$.

K6B DETERMINING FIXED ALT HAN CHARGES AFTER THE COMR PERIOD (ENDURING)

K6B.1 The DCC will determine the Fixed Alt HAN Charges for each Regulatory Year after the COMR Period in accordance with this Section K6B, using:

(i) the Alt HAN Fixed Revenue, for that Regulatory Year estimated in accordance with Section K3;

(j) an estimate, in accordance with Section K6, of the number of Smart Metering Systems that there will have been (and remain) Enrolled at the beginning of that Regulatory Year; and

(k) the Alt HAN Charging Group Weighting Factors and other relevant matters described in Section K3.

Determining the Alt HAN Fixed Charges: Domestic

K6B.2 For each Regulatory Year (t) following the COMR Period, the DCC will determine the Alt HAN Fixed Charges payable in respect of each month (or part month) of Regulatory Year (t) by each person within each Alt HAN Charging Group (g) in respect of each Enrolled Smart Metering System for a Domestic Premises (*DAHFCgt*) as follows:

$$DAHFC_{gt} = \frac{AHFR_t}{NM_t} \times \frac{\mu_t \times \gamma_{gt}}{\sum_{\forall g}\left(\gamma_{gt} \times \sum_{\forall r} EDSMS_{grt}\right)}$$

Where:

μ_t =the Alt HAN Central Cost Domestic Allocation applicable to Regulatory Year (t) (set out in Section K3);

γ_{gt} =the Alt HAN Charging Group Weighting Factor (as set out in Section K3) applicable to Regulatory Year (t) and each Charging Group (g);

NM_t =the number of months (or part months) in Regulatory Year (t);

$EDSMS_{grt}$ =the estimated number of persons within each Charging Group (g) for Enrolled Smart Metering Systems for Domestic Premises determined in accordance with Section K6.2 for Regulatory Year (t) and each Region (r);

$AHFR_t$ =the Alt HAN Fixed Revenue (estimated in accordance with Section K3) for Regulatory Year (t).

Determining the Alt HAN Fixed Charges: Non-Domestic

K6B.3 For each Regulatory Year (t) following the COMR Period, the DCC will determine the Alt HAN Fixed Charges payable in respect of each month (or part month) of Regulatory Year (t) by each person within each Alt HAN Charging Group (g) in respect of each Enrolled Smart Metering System for a Non-Domestic Premises $(NAHFC_{gt})$ as follows:

$$NAHFC_{gt} = \frac{AHFR_t}{NM_t} \times \frac{(1-\mu_t)\times\gamma_{gt}}{\sum_{\forall g}\left(\gamma_{gt}\times\sum_{\forall r} ENSMS_{grt}\right)}$$

Where:

μ_t =the Alt HAN Central Cost Domestic Allocation (set out in Section K3);

γ_{gt} =the Alt HAN Charging Group Weighting Factor (as set out in Section K3) applicable to Regulatory Year (t) and each Charging Group (g);

NM_t =the number of months (or part months) in Regulatory Year (t);

$ENSMS_{grt}$ =the estimated number of persons within each Alt HAN Charging Group (g) for Enrolled Smart Metering Systems for Non-Domestic Premises determined in accordance with Section K6.2 for Regulatory Year (t) and each Region (r);

$AHFR_t$ =the Alt HAN Fixed Revenue (estimated in accordance with Section K3) for Regulatory Year (t).

K7. DETERMINING EXPLICIT CHARGES

Introduction

K7.1 The Explicit Charges for each Regulatory Year are payable in respect of the Explicit Charging Metrics for that Regulatory Year.

K7.2 The Explicit Charging Metrics from time to time are as set out in this Section K7.

K7.3 Part of the rationale for Explicit Charging Metrics is to allow the DCC to closely reflect the charges it pays to the DCC Service Providers in respect of certain services, to SECCo in respect of certain Recoverable Costs, and to AltHANCo in respect of the Alt HAN Costs, so as to minimise the risks for the DCC associated with uncertainty regarding the frequency with which such services are to be provided or such Alt HAN Costs are incurred. The Explicit Charging Metrics may comprise any or all of the Core Communication Services and of the Enabling Services (so they are a sub-set of all Services other than the Additional User Services) and of the Alt HAN Costs. The Explicit Charging Metrics represent those

Core Communication Services, Enabling Services and Alt HAN Costs that are to be charged for separately from the Fixed Charges, Fixed CH Charges and Fixed Alt HAN Charges.

K7.4 The DCC will determine the Explicit Charges for each Regulatory Year in accordance with this Section K7.

Explicit Charging Metrics

K7.5 The Explicit Charging Metrics for each Party and the Charging Period for each month are as follows:

(a) (*'security assessments'*) an obligation to pay arising during that Charging Period in respect of that Party pursuant to Section G8.51 (Users: Obligation to Pay Charges) in relation to User Security Assessments, Follow-up Security Assessments, User Security Assessment Reports or the activities of the Independent Security Assurance Service Provider;

(b) (*'privacy assessments'*) an obligation to pay arising during that Charging Period in respect of that Party pursuant to Section I2.40 (Users: Obligation to Pay Charges) in relation to Full Privacy Assessments, Random Sample Privacy Assessments, Privacy Assessment Reports or the activities of the Independent Privacy Auditor;

(c) (*'LV gateway connection'*) an obligation to pay arising during that Charging Period in accordance with an offer for a DCC Gateway LV Connection accepted by that Party pursuant to Section H15 (DCC Gateway Connections), including where the obligation to pay is preserved under Section H15.19(b) (Ongoing Provision of a DCC Gateway Connection);

(d) ('*HV gateway connection*') an obligation to pay arising during that Charging Period in accordance with an offer for a DCC Gateway HV Connection accepted by that Party pursuant to Section H15 (DCC Gateway Connections), including where the obligation to pay is preserved under Section H15.19(b) (Ongoing Provision of a DCC Gateway Connection);

(e) ('*gateway equipment relocation*') an obligation to pay arising during that Charging Period as a result of a request by that Party to relocate DCC Gateway Equipment under Section H15.27 (DCC Gateway Equipment);

(f) (*'additional service evaluations'*) an obligation to pay arising during that Charging Period under the terms and conditions accepted by that Party for an evaluation in respect of potential Additional User Services pursuant to Section H7 (Additional User Services);

(g) ('*P&C support*') an obligation to pay arising during that Charging Period under the terms and conditions accepted by that Party in relation to that Party's use or implementation of the Parse and Correlate Software pursuant to Section H11.12 (Provision of Support & Assistance to Users);

(h) ('*SM WAN for testing*') an obligation to pay arising during that Charging Period from the acceptance by that Party of the charges offered by the DCC to provide a connection to a simulation of the SM WAN pursuant to Section H14.31 (Device and User System Testing);

(i) (*'additional testing support'*) an obligation to pay arising during that Charging Period from the acceptance by that Party of the charges offered by the DCC to provide additional testing support to that Party pursuant to Section H14.33 (Device and User System Testing);

(j) (*'communication services'*) the number of each of the Services identified in the DCC User Interface Services Schedule which have been provided to that Party during that Charging Period;

(k) (*'CH non-standard delivery'*) an obligation to pay arising during that Charging Period as a result of the request by that Party for non-standard Communications Hub Product delivery requirements pursuant to Section F6.17 (Non-Standard Delivery Options);

(l) (*'CH stock level charge*') the number (to be measured at the end of that Charging Period) of Communications Hubs that have been delivered to that Party under Section F6 (Delivery and Acceptance of Communications Hubs) or that have been transferred to that Party under Section F6A (Transferring Communications Hubs Between Parties) and for which none of the following has yet occurred: (i) identification on the Smart Metering Inventory as 'installed not commissioned' or 'commissioned'; (ii) rejection in accordance with Section F6.10 (Confirmation of Delivery); (iii) delivery to the DCC in accordance with Section F8 (Removal and Return of Communications Hubs); (iv) notification to the DCC in accordance with Section F8 (Removal and Return of Communications Hubs) that the Communications Hub has been lost or destroyed; or (v) transfer to another Party under Section F6A (Transferring Communications Hubs Between Parties);

(m) (*'GFI Testing'*) the number of each of the types of GFI Testing tools which have been delivered to that Party during that Charging Period under Section H14 (Testing Services) and in accordance with Section 16 of Appendix J (Enduring Testing Approach Document);

(m)a (*'Out-of-Region CH*') the number of Commissioned Out-of-Region CH for which that Party was the Responsible Supplier as at the end of the previous Charging Period that are still Commissioned as at the end the Charging Period for which the metric is being calculated (whether or not that Party is still the Responsible Supplier);

(n) (*'CH auxiliary equipment'*) the number of each of the types of Communications Hub Auxiliary Equipment which have been delivered to that Party during that Charging Period under Section F6 (Delivery and Acceptance of Communications Hubs), and which have not been (and are not) rejected in accordance with Section F6.10 (Rejected Communications Hub Products) or (in the case of the Communications Hub Auxiliary Equipment to which Section F7.9 or F7.10 or both applies (Ownership of and Responsibility for Communications Hub Auxiliary Equipment)) returned, or notified as lost or destroyed, for a reason which is a CH Pre-Installation DCC Responsibility;

(o) ('*CH returned and redeployed*') the number of Communications Hubs which have been returned by that Party during that Charging Period for a reason which is a CH User Responsibility, and which have been (or are intended to be) reconditioned for redeployment pursuant to Section F8 (Removal and Return of Communications Hubs);

(p) ('*CH returned not redeployed*') the number of Communications Hubs which have been returned, or notified as lost or destroyed, by that Party during that Charging Period for a reason which is a CH User Responsibility, and which have not been (and are not intended to be) reconditioned for redeployment pursuant to Section F8 (Removal and Return of Communications Hubs), but excluding the scenario whereby a 2G/3G Communications Hub is replaced with a 4G Communications Hub;

(q) (*'CH wrong returns location'*) an obligation to pay arising during that Charging Period as a result of the return by that Party of Communications Hubs to the wrong returns location as referred to in Section F8.9 (Return of Communications Hubs);

(r) ('*test comms hubs*') the number of Test Communications Hubs delivered to that Party during that Charging Period, and which have not been (and are not) returned to the DCC in accordance with Section F10.8 (Ordering, Delivery, Rejection and Returns);

(s) ('*additional CH Order Management System accounts*') the number of additional CH Order Management System accounts made available to that Party during that Charging Period in accordance with Section F5.23 (CH Order Management System Accounts);

(t) ('*shared solution Alt HAN Equipment*') the number (as measured at the end of that Charging Period) of MPANs associated with premises supplied with electricity by that Party and of MPRNs associated with premises supplied with gas by that Party, in respect of each of which premises (except where the Alt HAN Inventory records that Party as having elected to use Opted-out Alt HAN Equipment at that time) Central Shared Solution Alt HAN Equipment is installed;

(u) ('*point-to-point Alt HAN Equipment*') the number (as measured at the end of that Charging Period) of MPANs associated with premises supplied with electricity by that Party and of MPRNs associated with premises supplied with gas by that Party, in respect of each of which premises (except where the Alt HAN Inventory records that Party as having elected to use Opted-out Alt HAN Equipment at that time) Central Point-to-Point Alt HAN Equipment is installed;

(v) ('*stock level point-to-point Alt HAN Equipment*') the number of items of Central Point-to-Point Alt HAN Equipment (as measured at the end of that Charging Period) delivered to that Party but not installed;

(w) (*'RF Noise Testing'*) an obligation to pay arising during that Charging Period from the acceptance by that Party of the charges offered by the DCC to provide RF Noise Testing pursuant to Section H14.37 (Radio Frequency Noise Testing);

(x) (*'DCC Boxed'*) the number of each of the types of DCC Boxed which have been delivered to that Party during that Charging Period under Section H14 (Testing Services) and in accordance with Clause 18 of the Enduring Testing Approach Document;

(y) (*'MAP/Manufacturer Reports'*) the number of MAP/Manufacturer reports provided to the Meter Asset Provider or Manufacturer during that Charging Period; and

(z) (*'SMDA DCC Testing'*) the quantity of SMDA Testing Services utilised by the Testing Participant based on the charging metrics described in the framework agreement under which the DCC is appointed as an SMDA Test House.

Explicit Charges

K7.6 The DCC will determine the Explicit Charges for each Explicit Charging Metric and each Regulatory Year:

(a) in the case of the Explicit Charging Metrics referred to in Section K7.5(a) and (b)('security assessments' and 'privacy assessments'), so as to pass-through to each Party the relevant expenditure incurred by the Panel in respect of the Explicit Charging Metric as notified by the Panel to the DCC for the purpose of establishing such Charges;

(b) (subject to Section K7.6(a)) in a manner consistent with the Charging Objectives referred to in Sections C1.4, C1.5 and C1.6(a), (b), and (c);

(c) (subject to Section K7.6(a) and the Charging Objective referred to in Section C1.4) on a non-discriminatory and cost reflective basis so as to recover the incremental cost to the DCC (including under the DCC Service Provider Contracts) associated with the occurrence of that Explicit Charging Metric (and disregarding any costs and expenses that would be incurred whether or not that Explicit Charging Metric occurred);

(d) in the case of the Explicit Charging Metrics referred to in Section K7.5(c) and ("LV gateway connection' and 'HV gateway connection'), the Explicit Charges may comprise an initial connection charge and an ongoing annual charge (which annual charge may be payable monthly or less frequently);

(e) in the case of the Explicit Charging Metrics referred to in Section K7.5(j) ('communication services'), in accordance with (c) above; save that (where the cost of implementing an Explicit Charge for one or more of the Services referred to in that Section would be disproportionate to the cost-reflective incremental cost) the Explicit Charge for those Services may be set at zero;

(e)a in the case of the Explicit Charging Metric referred to in Section K7.5(ma) ('Out-Of-Region CHs'):

(i) in accordance with (c) above, to reflect the additional cost to the DCC under the DCC Service Provider Contracts of providing a connection to, and communications over, the SM WAN (as compared to if the correct WAN Variant had been installed), which is to be calculated by dividing the total additional cost to the DCC by the total number of Commissioned Out-of-Region CH;

(ii) but capped at £500 (excluding VAT) per Out-of-Region CH per month;

(f) in the case of the Explicit Charging Metrics referred to in Sections K7.5(l), (n), (o) and (p) ('CH stock level charge', 'CH auxiliary equipment', 'CH returned and redeployed', and 'CH returned not redeployed'), so as to ensure they are uniform across each month of a Regulatory Year and across each Region and do not make any distinction linked to use at Domestic Premises or Non- Domestic Premises;

(g) in the case of the Explicit Charging Metric referred to in Sections K7.5, (o) and (p) ('CH returned and redeployed' and 'CH returned not redeployed'), on the basis that there can be different charges for each HAN Variant (including depending on the circumstances of the return of the HAN Variant);

(h) so that the Explicit Charging Metric referred to in Section K7.5(o) ('CH returned and redeployed') for each HAN Variant is not more than the Explicit Charging Metric for that HAN Variant referred to in Section K7.5(p) ('CH returned not redeployed');

(i) in the case of the Explicit Charging Metric referred to in Section K7.5(p) ('CH returned not redeployed'), in accordance with (c) above, for which purpose the incremental cost to DCC shall include any early termination fee payable in relation to the Communications Hub, or (if applicable) the net present value of the ongoing costs likely to be incurred by the DCC notwithstanding the fact that the Communications Hub has been removed, lost or destroyed;

(i)a in the case of the Explicit Charging Metric referred to in Sections K7.5(r) ('test comms hubs'), on the basis that there can be different charges for different types of Test Communications Hubs (including by reference to the HAN Variant to which they correspond);

(j) in the case of the Explicit Charging Metrics referred to in Section K7.5(t), (u) and (v) ('shared solution Alt HAN Equipment', 'point-to-point Alt HAN Equipment' and 'stock level point-to-point Alt

HAN Equipment), so as to pass- through to each Party the relevant costs of AltHANCo in respect of the Explicit Charging Metric as notified by AltHANCo to the DCC for the purpose of establishing such Charges; and

(k) in the case of the Explicit Charging Metric referred to in Sections K7.5(z) (*'SMDA DCC Testing'*), in accordance with the charges described in the framework agreement under which the DCC is appointed as an SMDA Test House.

K7.7 This Section K7.7 applies only in respect of the Explicit Charging Metrics referred to in Sections K7.5(f) and (g) ('additional service evaluation' and 'P&C support'). Where the DCC is simultaneously considering requests for an Explicit Charging Metric from two or more Parties, and where it would be advantageous to all such Parties for the DCC to do so, the DCC shall offer the Explicit Charging Metrics both conditionally on all the Parties taking up the Explicit Charging Metric and without such condition. In respect of the Explicit Charges to apply in respect of the conditional offer, the DCC shall calculate the Explicit Charges for each Party on the assumption that the other Parties accept the offers and shall accordingly apportion any common costs between the Parties on a non-discriminatory and cost-reflective basis.

Second-Comer Contributions

K7.8 This Section K7.8 applies only in respect of the Explicit Charging Metrics referred to in Sections K7.5(f) and (g) ('additional service evaluation' and 'P&C support'). Subject to Section K7.10, where:

(a) the DCC makes an offer in respect of any proposed Explicit Charging Metric to a person (the "**subsequent person**"); and

(b) prior to such offer being made to the subsequent person, another person (the "**initial contributor**") was obliged to pay Explicit Charges designed to recover any costs (the "**relevant costs**") that would otherwise (in accordance with this Charging Methodology) have been recoverable from the subsequent person,

then the DCC shall make an offer to the subsequent person that requires that subsequent person to pay by way of Explicit Charges such a contribution to the relevant costs as may be reasonable in all the circumstances.

K7.9 Subject to Section K7.10, where an offer made by the DCC that includes an element of relevant costs is accepted by the subsequent person, the DCC shall (following payment by the subsequent person) offer such rebate to the initial contributor as may be reasonable in all the circumstances.

K7.10 Sections K7.8 and K7.9 shall not apply:

(a) where the relevant costs are less than £20,000;

(b) where the relevant costs are between £20,000 and £500,000 (inclusive), and the initial contributor's offer for the Explicit Charging Metric was accepted more than 5 years before the offer to the subsequent contributor is made;

(c) where the relevant costs are more than £500,000, and the initial contributor's offer for the Explicit Charging Metric was accepted more than 10 years before the offer to the subsequent contributor is made; and/or

(d) where the initial contributor no longer exists or cannot be contacted by the DCC following reasonable enquiry.

K7.11 All references to an initial contributor in this Section K7 shall, in respect of any subsequent person, be interpreted so as to include any person that was previously a subsequent person in respect of the relevant costs in question and that paid Explicit Charges designed to recover an element of those relevant costs.

K8. DETERMINING ADDITIONAL CHARGES

Introduction

K8.1 The Additional Charges for each Regulatory Year are payable in accordance with the relevant Bilateral Agreement.

K8.2 The terms and conditions of each Bilateral Agreement (including those in respect of the Additional Charges payable thereunder) are to be agreed or determined in accordance with Section H7 (Additional User Services) and the DCC Licence.

Determining the Elective Charges

K8.3 Where the DCC makes any offer to enter into a Bilateral Agreement in respect of an Additional User Service, the DCC shall offer Additional Charges in respect of each such Additional User Service determined by the DCC:

(a) in a manner consistent with the Charging Objectives referred to in Sections C1.6(a), (b), and (c);

(b) in a non-discriminatory and cost-reflective manner, so as to recover the total costs to the DCC (including under the DCC Service Provider Contracts) associated with that Bilateral Agreement (including so as to recover a reasonable proportion of any standing costs that would be incurred whether or not that Additional User Service was provided); and

(c) so that such proportion of such standing costs is recovered by way of a standing charge that is payable whether or not the service is requested or provided.

K8.4 Where the DCC is simultaneously considering requests for a formal offer to provide Additional User Services from two or more Parties, and where it would be advantageous to all such Parties for the DCC to do so, the DCC shall make the offer both conditionally on all the Parties accepting the offer and without such condition. In respect of the Additional Charges to apply in respect of the conditional offer, the DCC shall calculate the Additional Charges for each Party on the assumption that the other Parties accept the offers, and shall accordingly apportion any common costs between the Parties on a non-discriminatory and cost-reflective basis.

Second-Comer Contributions

K8.5 Subject to Section K8.7, where:

(a) the DCC makes an offer in respect of any proposed Additional User Service to a person (the "**subsequent person**"); and

(b) prior to such offer being made to the subsequent person, another person (the "**initial contributor**") was obliged to pay Additional Charges designed to recover any costs (the "**relevant costs**") that

would otherwise (in accordance with this Charging Methodology) have been recoverable from the subsequent person,

then the DCC shall make an offer to the subsequent person that requires that subsequent person to pay by way of Additional Charges such a contribution to the relevant costs as may be reasonable in all the circumstances.

K8.6 Subject to Section K8.7, where an offer made by the DCC that includes an element of relevant costs is accepted by the subsequent person, the DCC shall (following payment by the subsequent person) offer such rebate to the initial contributor as may be reasonable in all the circumstances.

K8.7 Sections K8.5 and K8.6 shall not apply:

(a) where the relevant costs are less than £20,000;

(b) where the relevant costs are between £20,000 and £500,000 (inclusive), and the initial contributor's offer for the Additional User Service was accepted more than 5 years before the offer to the subsequent contributor is made;

(c) where the relevant costs are more than £500,000, and the initial contributor's offer for the Additional User Service was accepted more than 10 years before the offer to the subsequent contributor is made; and/or

(d) where the initial contributor no longer exists or cannot be contacted by the DCC following reasonable enquiry.

K8.8 All references to an initial contributor in this Section K8 shall, in respect of any subsequent person, be interpreted so as to include any person that was previously a subsequent person in respect of the relevant costs in question and that paid Additional Charges designed to recover an element of those relevant costs.

K9. WITHIN-YEAR ADJUSTMENTS

Introduction

K9.1 The revenue restriction contained in the DCC Licence allows the DCC to carry forward any under or over recovery in respect of one Regulatory Year to the following Regulatory Year. Therefore, there is no absolute need for the DCC to alter the Charges part way through a Regulatory Year.

K9.2 Nevertheless, subject to compliance with the Charging Statement for Service Charges of the DCC Licence, the DCC may alter the Charges part way through a Regulatory Year, including in one of the following two ways:

(a) where this Charging Methodology is amended and the amendment has effect part way through a Regulatory Year; or

(b) where the requirements of this Section K9 are met, by applying within-year adjustments for the matters set out in this Section K9.

Amending this Charging Methodology

K9.3 Where the Authority consents in accordance with the Charging Statement for Services Charges Condition of the DCC Licence, the DCC may recalculate the Charges in accordance with this Charging Methodology (including so as to take into account any modification of this Charging Methodology). In such circumstances, the references herein to a Regulatory Year shall be interpreted as meaning the remaining period of such Regulatory Year from the time at which the modified Charges in question are to apply.

Within-Year Adjustment for Bad Debt

K9.4 Where a Party fails to pay to the DCC an amount due by way of Charges such that an Event of Default has occurred, and provided the DCC has complied with its obligations under Section J (Charges) in respect of the same, the DCC may (where it reasonably considers it appropriate to do so, taking into account the matters referred to in Section K9.1) determine the **Unrecovered Bad Debt Payment** $(\mathrm{UBDP}_{\mathrm{pemt}})$ to be paid by every Compliant Party (p) in respect of that Event of Default (e) in one or more subsequent months (m) of such Regulatory Year (t) as the DCC may determine. $(\mathrm{UBDP}_{\mathrm{pemt}})$ shall be calculated as follows:

$$UBDP_{pemt} = \frac{UBP_e \times DS_{pe}}{BM_e}$$

Where:

BM_e is the number of months in the balance of the Regulatory Year over which the DCC decides it is to recover the amount owing in respect of the Event of Default

UBP_e is the amount owing in respect of the Event of Default (e) or such smaller amount as DCC decides to recover over the remainder of the Regulatory Year (t)

DS_{pe} is the share of the debt owing in respect of the Event of Default (e) to be paid by each Compliant Party (p), which is to be calculated as follows.

$$DS_{pe} = \frac{TMP_{pe}}{\sum_{\forall p} TMP_{pe}}$$

where TMP_{pe} is the total amount paid or payable by way of Charges by each Compliant Party (p) in respect of the 12 months preceding the month in respect of which the Event of Default (e) occurred

$\sum_{\forall p}$ represents a sum over all Compliant Parties for the Event of Default.

K9.5 Where the DCC:

(a) has levied a charge for an Unrecovered Bad Debt Payment; and

(b) subsequently recovers from the defaulting Party any or all of the unpaid debt to which the Unrecovered Bad Debt Payment related,

then the DCC shall return the money it has recovered from the defaulting Party to the Compliant Parties in proportion to their contributions to $UBDP_{pemt}$. In order to return such money, the DCC shall include a negative $UBDP_{pemt}$ amount in the Charges for the month following the month in which the DCC received payment (or part payment) from the defaulting Party.

Within-Year Adjustment for Liability Events

K9.6 If a Liability Event arises, the DCC may (where it reasonably considers it appropriate to do so, taking into account the matters referred to in Section K9.1 and having consulted with the Authority and the Panel) determine the **Liability Payment** (LP_{plmt}) to be paid by (or, in the case of negative Liability Sums, paid to) every other Party (p) in respect of that Liability Event (l) in one or more subsequent months (m) of such Regulatory Year (t) as the DCC may determine LP_{plmt} shall be calculated as follows:

$$LP_{plmt} = \frac{TLP_l \times LS_{pl}}{BM_l}$$

Where:

BM_l is the number of months in the balance of the Regulatory Year over which the DCC decides it is to recover the amount owing in respect of the Liability Event

TLP_l is the Liability Sum arising in respect of the Liability Event (l) or such smaller amount as DCC decides to recover over the remainder of the Regulatory Year (t)

LS_{pl} is the share of the liability owing in respect of the Liability Event (l) to be paid by (or, in the case of negative Liability Sums, paid to) each Party (p), which is to be calculated as follows.

$$LS_{pl} = \frac{TMP_{pl}}{\sum_{\forall p} TMP_{pl}}$$

where TMP_{pl} is the total amount paid or payable by way of Charges by each Party (p) in respect of the 12 months preceding the month in which the Liability Sum for the Liability Event (l) is payable to or by the DCC Service Providers $\sum_{\forall p}$ represents a sum over all Parties.

Within-Year Adjustment for Finance Acceleration Events

K9.7 For the purposes of Section K9.6:

(a) a Communications Hub Finance Acceleration Event and a 4G DBT/DSP DBT/CHRR Finance Acceleration Event are each a Liability Event;

(b) the amount due and payable by the DCC as a result of a Communications Hub Finance Acceleration Event and/or 4G DBT/DSP DBT/CHRR Finance Acceleration Event is a Liability Sum to the extent the DCC estimates that such amount will be recoverable by the DCC as Recovered Revenue;

(c) the reference to "Charges" in the definition of LS_{pl} shall (in the case of a Communications Hub Finance Acceleration Event) be interpreted as a reference to "Communications Hub Charges" and in the case of a 4G DBT/DSP DBT/CHRR Finance Acceleration Event be interpreted as a reference to "Fixed Charges"; and

(d) the amount payable by each Party in respect of such Liability Event shall (for the purposes of invoicing and payment under Section J (Charges) or Section M11.5(b) (Third Party Rights)) be treated as an amount due by way of Communications Hub Finance Charges relating to the Communications Hub Finance Facility in respect of which the Communications Hub Finance Acceleration Event has occurred and/or as an amount due by way of 4G DBT/DSP DBT/CHRR Finance Charges in respect of which the 4G DBT/DSP DBT/CHRR Finance Acceleration Event has occurred (as the case may be).

K10. CALCULATING MONTHLY PAYMENTS

Introduction

K10.1 The monthly payment of Charges payable by each Party shall be calculated in accordance with this Section K10, based on:

(a) the Fixed Charges determined in accordance with Section K5 or K6 (as applicable);

(b) the Fixed CH Charges determined in accordance with Section K6A;

(c) the Fixed Alt HAN Charges determined in accordance with Section K5A, K5B or K6B (as applicable);

(d) the Explicit Charges determined in accordance with Section K7;

(e) the Additional Charges determined in accordance with Section K8; and

(f) any within-year adjustments determined in accordance with Section K9.

Calculating Fixed Charges

K10.2 The Fixed Charges, Fixed CH Charges and Fixed Alt HAN Charges payable by each person in respect of any month (or part month) during a Regulatory Year shall be calculated following the end of that month based on the calculations in accordance with Section K5, K5A, K5B, K6, K6A or K6B (as applicable).

K10.3 The Fixed Charges and Fixed CH Charges are payable by the persons in each Charging Group, and the Fixed Alt HAN Charges are payable by the persons in the Alt HAN Charging Groups. The Fixed Charges and Fixed CH Charges payable by any Party that is not in a Charging Group shall be zero, and the Fixed Alt HAN Charges payable by any Party that is not in an Alt HAN Charging Group shall be zero.

Calculating Explicit Charges and Additional Charges Payments

K10.4 The Explicit Charges payable by each Party in respect of any month (or part month) during a Regulatory Year shall be calculated following the end of that month based on the Explicit Charging Metrics incurred by that Party during the Charging Period for that month.

K10.5 The Additional Charges payable by each Party in respect of any month (or part month) during a Regulatory Year shall be calculated following the end of that month based on the relevant Bilateral Agreement.

Calculating Monthly Payments (UITMR Period)

K10.6 No longer used.

K10.7 For each month (or part month) (m) during a Regulatory Year (t) during the UITMR Period, the rollout monthly payment (*RMP*) in respect of the Charges payable by each Party (p) shall be calculated as follows:

$$RMP_{pmt} = \sum_{\forall g}\left(RFC_{gt} \times \left(ADSMS_{pgmt} + \sum_{\forall r} ANSMS_{pgrmt}\right)\right) + \sum_{\forall g \forall h}\left(CHC_{ght} \times \left(ADCH_{ght} + \sum_{\forall r} ANCH_{ghrt}\right)\right) + \sum_{\forall g}\left(RAHFC_{gt} \times ADSMS_{pgmt}\right) + \sum_{\forall g}\left(RAHFC_{gt} \times \sum_{\forall r} ANSMS_{pgrmt}\right) + \sum_{i=1}^{i=n}\left(EC_{it} \times ECM_{ipmt}\right) + TAP_{pmt} + \sum_{e \in m} UBDP_{pemt} + \sum_{l \in m} LP_{plmt}$$

Where:

RFC_{gt} = the Fixed Charges payable in respect of months (or part months) during Regulatory Year (t) by persons in Charging Group (g) in respect of Mandated Smart Metering Systems for Domestic Premises and Enrolled = the Fixed Charges payable in respect of months (or part months) during Regulatory Year (t) by persons in Charging Group (g) in respect of Mandated Smart Metering Systems for Domestic Premises and Enrolled Smart Metering Systems for Non-Domestic Premises, calculated in accordance with Section K5;

$ADSMS_{pgmt}$ = the amount described as such in Section K5.9;

$ANSMS_{pgrmt}$ = the amount described as such in Section K5.7;

CHC_{ght} = the Fixed CH Charge payable in respect of months (or part months) during Regulatory Year (t) by persons in CH Charging Group (g), for HAN Variant (h) in respect of Smart Metering Systems for both Non- Domestic Premises and Domestic Premises;

$ANCH_{ghrt}$ = the amount described in Section K6A.6;

$ADCH_{ght}$ = the amount described in Section K6A.6;

$RAHFC_{gt}$ = the Fixed Alt HAN Charge payable in respect of months (or part months) during Regulatory Year (t) by persons in Alt HAN Charging Group (g) in respect of Mandated Smart Metering Systems for Domestic Premises and Smart Metering Systems for Non-Domestic Premises calculated in accordance with Section K5A;

EC_{it} = the Explicit Charge for an Explicit Charging Metric (i) and a Regulatory Year (t);

ECM_{ipmt} = the Explicit Charging Metrics incurred by a Party (p) during the Charging Period for that month (m) in a Regulatory Year (t);

TAP_{pmt} = the total amount payable by a Party (p) in respect of Additional Charges and a month (m) in a Regulatory Year (t);

$UBDP_{pemt}$ = the Unrecovered Bad Debt Payment in respect of a month (m) in a Regulatory Year (t) and each Event of Default (e), as calculated in accordance with Section K9;

LP_{plmt} = the Liability Payment in respect of a month (m) in a Regulatory Year (t) and each Liability Event (l), as calculated in accordance with Section K9.

Calculating Monthly Payments (COMR Period)

K10.7A For each month (or part month) (m) during a Regulatory Year (t) during the COMR Period, the rollout monthly payment (RMP) in respect of the Charges payable by each Party (p) shall be calculated as follows:

$$RMP_{pmt} = \sum_{\forall g}\left(RFC_{gt} \times \left(ADSMS_{pgmt} + \sum_{\forall r} ANSMS_{pgrmt}\right)\right) + \sum_{\forall g}\left(CHC_{gt} \times \left(ADCH_{gt} + \sum_{\forall r} ANCH_{grt}\right)\right) + \sum_{\forall g}\left(DAHFC_{gt} \times ADSMS_{pgmt}\right) + \sum_{\forall g}\left(NAHFC_{gt} \times \sum_{\forall r} ANSMS_{pgrmt}\right) + \sum_{i=1}^{i=n}\left(EC_{it} \times ECM_{ipmt}\right) + TAP_{pmt} + \sum_{e \in m} UBDP_{pemt} + \sum_{l \in m} LP_{plmt}$$

Where:

RFC_{gt} = the Fixed Charges payable in respect of months (or part months) during Regulatory Year (t) by persons in Charging Group (g) in respect of Mandated Smart Metering Systems for Domestic Premises and Mandated Non-Domestic Smart Metering Systems for Non-Domestic Premises, calculated in accordance with Section K5;

$ADSMS_{pgmt}$ = the amount described as such in Section K5.9;

$ANSMS_{pgrmt}$ = the amount described as such in Section K5.11;

CHC_{gt} = the Fixed CH Charge payable in respect of months (or part months) during Regulatory Year (t) by persons in CH Charging Group (g) in respect of Smart Metering Systems for both Non-Domestic Premises and Domestic Premises;

$ANCH_{grt}$ = the amount described in Section K6A.6;

$ADCH_{gt}$ = the amount described in Section K6A.6;

$RAHFC_{gt}$ = the Fixed Alt HAN Charge payable in respect of months (or part months) during Regulatory Year (t) by persons in Alt HAN Charging Group (g) in respect of Mandated Smart Metering Systems for Domestic Premises and Mandated Non-Domestic Smart Metering Systems for Non-Domestic Premises calculated in accordance with Section K5B;

EC_{it} = the Explicit Charge for an Explicit Charging Metric (i) and a Regulatory Year (t);

ECM_{ipmt} = the Explicit Charging Metrics incurred by a Party (p) during the Charging Period for that month (m) in a Regulatory Year (t);

TAP_{pmt} = the total amount payable by a Party (p) in respect of Additional Charges and a month (m) in a Regulatory Year (t);

$UBDP_{pemt}$ = the Unrecovered Bad Debt Payment in respect of a month (m) in a Regulatory Year (t) and each Event of Default (e), as calculated in accordance with Section K9;

LP_{plmt} = the Liability Payment in respect of a month (m) in a Regulatory Year (t) and each Liability Event (l), as calculated in accordance with Section K9.

Calculating Monthly Payments (Enduring)

K10.8 For each month (or part month) (m) during a Regulatory Year (t) after the COMR Period, the monthly payment (*MP*) in respect of the Charges payable by each Party (p) shall be calculated as follows:

Where:

$$MP_{pmt} = \sum_{\forall g}\left(EFC_{gt} \times \left(ADSMS_{pgmt} + \sum_{\forall r} ANSMS_{pgrmt}\right)\right)$$
$$+ \sum_{\forall g}\left(CHC_{gt} \times \left(ADCH_{gt} + \sum_{\forall r} ANCH_{grt}\right)\right)$$
$$+ \sum_{\forall g}\left(DAHFC_{gt} \times ADSMS_{pgmt}\right) + \sum_{\forall g}\left(NAHFC_{gt} \times \sum_{\forall r} ANSMS_{pgrmt}\right)$$
$$+ \sum_{i=1}^{i=n}\left(EC_{it} \times ECM_{ipmt}\right) + TAP_{pmt} + \sum_{e \in m} UBDP_{pemt} + \sum_{l \in m} LP_{plmt}$$

Where:

EFC_{gt} = the Fixed Charges payable in respect of months (or part months) during Regulatory Year (t) by persons in Charging Group (g) in respect of Enrolled Smart Metering Systems for both Non-Domestic Premises and Domestic Premises, calculated in accordance with Section K6;

$ADSMS_{pgmt}$ = the amount described as such in Section K6.7;

$ANSMS_{pgrmt}$ = the amount described as such in Section K6.7;

CHC_{gt} = the Fixed CH Charge payable in respect of months (or part months) during Regulatory Year (t) by persons in CH Charging Group (g) in respect of Smart Metering Systems for both Non- Domestic Premises and Domestic Premises;

$ANCH_{grt}$ = the amount described in Section K6A.6;

$ADCH_{gt}$ =the amount described in Section K6A.6;

$DAHCFC_{gt}$ = the Domestic Fixed Alt HAN Charge payable in respect of months (or part months) during Regulatory Year (t) by persons in Alt HAN Charging Group (g) in respect of Enrolled Smart Metering Systems for Domestic Premises calculated in accordance with Section K6B;

$NAHFC_{gt}$ = the Non-Domestic Fixed Alt HAN Charge payable in respect of months (or part months) during Regulatory Year (t) by persons in Alt HAN Charging Group (g) in respect of Enrolled Smart Metering Systems for Non-Domestic Premises calculated in accordance with Section K6B;

EC_{it} =the Explicit Charge for an Explicit Charging Metric (i) and a Regulatory Year (t);

ECM_{ipmt} = the Explicit Charging Metrics incurred by a Party (p) during the Charging Period for that month (m) in a Regulatory Year (t);

TAP_{pmt} =the total amount payable by a Party (p) in respect of Additional Charges and a month (m) in a Regulatory Year (t);

$UBDP_{pemt}$ = the Unrecovered Bad Debt Payment in respect of a month (m) in a Regulatory Year (t) and each Event of Default (e), as calculated in accordance with Section K9;

LP_{plmt} =the Liability Payment in respect of a month (m) in a Regulatory Year (t) and each Liability Event (l), as calculated in accordance with Section K9.

K11. DEFINITIONS

K11.1 In this Charging Methodology, except where the context otherwise requires, the expressions in the left hand column below shall have the meanings given to them in the right hand column below:

Additional Charges	means the Charges payable in respect of Additional User Services.
Advanced Meter	has the meaning given to that expression in: a. with respect to the supply of electricity, standard licence condition 39 of the Electricity Supply Licence; b. with respect to the supply of gas, standard licence condition 33 of the Gas Supply Licence.
Allowed Revenue	has the meaning given to that expression in the revenue restriction conditions of the DCC Licence.
Alt HAN Charging Group	has the meaning given to that expression in Section K3.10.
Alt HAN Charging Group Weighting Factors	has the meaning given to that expression in Section K3.15.
Alt HAN Cost Domestic Allocation	has the meaning given to that expression in Section K3.17.
Alt HAN Costs	has the meaning given to that expression in Section Z6.1.
Alt HAN Fixed Revenue	has the meaning given to that expression in Section K3.7.
Alt HAN Inventory	has the meaning given to that expression in Section Z6.1.
AltHANCo	has the meaning given to that expression in Section Z6.1.
Central Point-to-Point Alt HAN Equipment	has the meaning given to that expression in Section Z6.1.
Central Shared Solution Alt HAN Equipment	has the meaning given to that expression in Section Z6.1.
Charging Group	has the meaning given to that expression in Section K3.10.
Charging Group Weighting Factor	has the meaning given to that expression in Section K3.13.

Charging Period	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.
CH Charging Group	has the meaning given to that expression in Section K3.9.
CH Charging Group Weighting Factor	has the meaning given to that expression in Section K3.14.
COMR Period	means the period, during which mass rollout of Smart Metering Systems is to be completed, which for these purposes: a. commences immediately following the end of the UITMR Period; and b. ends at the end of 31 March falling in the year determined for such purposes by the Secretary of State following consultation with the Authority, Parties, and the Panel.
Compliant Party	means, in respect of any Event of Default giving rise to an Unrecovered Bad Debt Payment, all of the Parties other than: (a) the Defaulting Party in respect of that Event of Default; and (b) the Defaulting Party in respect of any other Event of Default giving rise to an Unrecovered Bad Debt Payment that is calculated under Section K9.4 during the same month as the Unrecovered Bad Debt Payment to which reference is first made in this definition.
Designated Premises	has the meaning given to that expression in: a. with respect to the supply of electricity, standard licence condition 1 (Definitions for standard conditions) of the Electricity Supply Licence; b. with respect to the supply of gas, standard licence condition 1 (Definitions for standard conditions) of the Gas Supply Licence.
Enrolled Smart Metering System	means a Smart Metering System that has been Enrolled.
Estimated Additional Service Revenue	has the meaning given to that expression in Section K2.3.
Estimated Explicit Charges Revenue	has the meaning given to that expression in Section K2.5.
Estimated Fixed Charges Revenue	has the meaning given to that expression in Section K2.6.
Estimated Recovered Revenue	has the meaning given to that expression in Section K2.1.
Exit Criteria	means the criteria that must be satisfied before testing can be considered complete.

Explicit Charges	means the Charges calculated in accordance with Section K7, and payable in respect of the Explicit Charging Metrics.
Explicit Charging Metrics	has the meaning given to that expression in Section K7.
Fixed Alt HAN Charges	means the Charges calculated in accordance with Section K5A, K5B or K6B (as applicable).
Fixed CH Charges	means the Charges calculated in accordance with Section K6A.
Fixed Charges	means the Charges calculated in accordance with Section K5 or K6 (as applicable).
HAN Variant	for the purposes of this 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).
Liability Event	means an event as a result of which either: (a) the DCC has a net liability to the DCC Service Providers collectively (excluding in respect of charges arising in the ordinary course of events); or (b) the DCC Service Providers collectively have a net liability to the DCC (excluding in respect of service credits or liquidated damages arising from poor service performance).
Liability Sum	means, in respect of a Liability Event as a result of which: (a) the DCC owes a net liability to the DCC Service Providers collectively, the amount of such net liability (having taken into account amounts recoverable by the DCC in respect of that Liability Event otherwise than pursuant to this Charging Methodology, including amounts recoverable from other Parties as a result of any breach of this Code by such Parties which caused or contributed to that Liability Event), but only to the extent that the DCC estimates that such net liability will be recoverable by the DCC as Allowed Revenue; or (b) the DCC Service Providers collectively owe a net liability to the DCC, the net amount actually received by the DCC in respect of such net liability (having taken into account amounts owed by the DCC to other Parties and to third parties in respect of that Liability Event otherwise than pursuant to this Charging Methodology), but only to the extent that the DCC estimates that such net liability will reduce the Allowed Revenue that the DCC could otherwise recover by way of the Charges (which net amount will be expressed as a negative number).
Liability Payment	has the meaning given to that expression in Section K9.6 (expressed as a negative number in the case of negative Liability Sums).
Mandated Non-Domestic Smart Metering System	means, from time to time, each MPAN or MPRN associated with a Designated 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;
b. those MPANs that do not have the status of "traded" (as identified in the REC) 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);
c. those MPANs associated with a Designated Premises at which there is installed an Advanced Meter pursuant to the provisions of standard condition 39 of the Electricity Supply Licence; and
d. those MPRNs associated with a Designated Premises at which there is installed an Advanced Meter pursuant to the provisions of standard condition 33 of the Gas Supply Licence.

Mandated Smart Metering System

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 and MPRNs that do not have an RMP Lifecycle Status of 'operational' (as recorded pursuant the REC).

National Fixed Revenue

has the meaning given to that expression in Section K3.7.

Opted-out Alt HAN Equipment

has the meaning given to that expression in Section Z6.1.

Regional Communications Hub Device Revenue

has the meaning given to that expression in Section K3.9.

Regional Communications Hub Fixed Revenue

has the meaning given to that expression in Section K3.9.

Regional Fixed Revenue

has the meaning given to that expression in Section K3.9.

Regulatory Year

means (subject to Section K9.3) a period of twelve months beginning at the start of 1 April in any calendar year and ending at the end of 31 March in the next following calendar year.

Test CH Services

means the Services provided under Section F10 (Test Communications Hubs).

UITMR Period

means the period, covering User integration testing and the mass rollout period, which for these purposes:
(a) commences at the start of the month in which the DCC is first obliged to make regular monthly payments to one or more of the DCC Service Providers;

	and (b) ends on 31 March 2021.
Unrecovered Bad Debt Payment	has the meaning given to that expression in Section K9.4.
Unrecovered Bad Debt Payment	has the meaning given to that expression in Section K9.4.
Weighting Factor	means the Charging Group Weighting Factor, the CH Charging Group Weighting Factor or the Alt HAN Charging Group Weighting Factor.