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Ayena Gupta
Head of DCC Oversight and Regulatory Review
Retail Systems Transformation
Ofgem

Enc: CS RY2526 Issue 2.0 (draft).pdf

By email only

18 December 2025

Dear Ayena

Re: Notice of proposed reduction to Service Charges for Regulatory Year ending 31 March 2026

Summary

In accordance with Condition 19.9(a) and 19.11 of the Licence (Smart Meter Communication Licence) DCC (Smart DCC Ltd) hereby gives Notice to the Authority of an amendment to DCC Service Charges for RY (Regulatory Year) ending 31 March 2026.

This letter is a request for a proposal of reduced notice period of four weeks. The reduced notice period will be issued on 14 January 2026, enabling the revised Charging Statement to take effect from 1 February 2026. This Notice proposes to reduce the monthly Fixed Charges, monthly Alt HAN Charges, monthly Unitary Fixed Communications Hub Charges for the final three months of RY2025/26.

Background

In accordance with the Licence, we must set Service Charges¹ no less than once a year. The current Service Charges are set out in the Charging Statement RY2025/26 (Issue 1.0), which came into effect on 1 April 2025².

DCC is committed to holding a reasonable level of funds. With this in mind, we further propose to return correction factors relating to the RY24/25 for Fixed Charges in the SECCO budget, and RY 25/26 Alt HAN Charges, and RY25/26 Communications Hub Charges as a proportion of allowed revenue to customers early by reducing the remainder of our charges for RY25/26.

In total, this will result in a £55.1m reduction in charges.

In accordance with clause 19.9 of the Licence, DCC is obliged to give Notice to the Authority of changes to Service Charges. The Notice cannot be less than three months before changes take effect, except where the Authority consents otherwise.

¹ Service Charges means the charges levied by and payable to DCC in connection with the operation or provision of Mandatory Business Services under the SEC

²Charging Statement RY2526 Issue 1.0 (smartdcc.co.uk).

Financing arrangements during handover

Ofgem has recently proposed that the Parent Company Guarantee should be increased and that funds should be ring-fenced to ensure financial stability during the transition from DCC1 and DCC2 in the face of unspecified potential liabilities. In that context, Ofgem may want to consider whether indeed charges to customers should be reduced at this point in time, or whether these funds should be ring-fenced.

This would require consequential regulatory changes to ensure that DCC1 can hold on to these funds. We would also look to Ofgem for support in communicating to DCC customers why charges are not being reduced.

Proposal

Alt HAN Reduction:

Alt HAN has revised its budget downward by £2.0m (from £20.2m to £18.2m). Consequently, we propose reducing the Fixed Alt HAN Charge from 0.031p to 0.019p per meter for the final three months of the regulatory year.

Fixed Charge reduction through SECCO:

To account for a £3.1m SECCO overcharge in RY24/25 that has been returned to DCC, we will reduce the National & Regional Fixed Revenue from £535.9m to £532.9m. Based on the forecasted reduction in meter volumes, the Fixed Charge per meter will remain as follows:

- Import Suppliers: 0.936p
- Export Suppliers: 0.154p
- Gas Suppliers: 0.706p
- Electricity Distributors: 0.104p

Communications Hubs Reduction:

Prior to agreeing our 4G Comms Hubs finance facility we were forecasting Communications Hub Device Revenue to be £230.6m against the £217.3m originally stated in the Charging Statement Issue 1.0. This is driven by high customer demand for the new 4G Comms Hubs. The 4G Comms Hub finance facility enables Smart DCC to reduce its revenue target to £180.6m. We will therefore pass on a £50.0m reduction to customers, this is a net reduction from the original budget.

The Unitary Charges per meter for the final three months will be as follows:

- Import Suppliers: 0.806p to 0.155p
- Export Suppliers: 0.140p to 0.027p
- Gas Suppliers: 0.605p to 0.116p

In tandem, we will reduce the monthly CH stock level charge from £1.19 to £0.53 per Communications Hub.

Smart DCC will continue to monitor the customer demand and estimated charges to determine if any further cash reduction is possible this regulatory year.

Next steps

Should this request be accepted, we plan to submit the Notice letter outlining our changes to charges on **14 January 2026**, with the revised Charging Statement coming into effect from **1 February 2026**. As we charge in arrears, customers will see the revised charges take effect in:

- the invoice issued on 4 February 2026 relating to all activity in January 2026; and
- the remaining invoices for February and March 2026.

DCC will make a copy of this Notice available on the DCC website.

If you have any questions on any part of this letter, please contact finance@smartdcc.co.uk.

Yours sincerely

Leath Al Obaidi

Senior Manager Regulatory Finance