



**Data Communications Company**  
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Ayena Gupta  
Head of DCC Oversight and Regulatory Review  
Retail Systems Transformation  
Ofgem

*By email only*

24 October 2023

Dear Ayena

**Re: Notice of proposed reduction to Service Charges for Regulatory Year ending 31 March 2024**

### 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 2024.

This letter is a request for a proposal of reduced notice period of four weeks. The reduced notice period will be issued on 3 November, thus allowing the revised Charging Statement to come into effect 1 December 2023. This Notice proposes to reduce the monthly Fixed Charges, monthly Fixed Alt HAN Charges, Single Band Communications Hub (SBCH) Charges, and Dual Band Communications Hub (DBCH) Charges, for the final four months of RY2023/24.

### Background

In accordance with the Licence, we must set Service Charges<sup>1</sup> no less than once a year. The current Service Charges are set out in the Charging Statement RY2023/24 (Issue 2.0), which came into effect on 1 May 2023<sup>2</sup>.

In December 2022, Alt HAN submitted their Approved AltHAN Budget RY2023/24 to DCC which was reflected in DCC's charges. Following decisions taken by the Alt HAN Board and shared with Smart DCC in September 2023, the FY23/24 Alt HAN Co Budget approved in December 2022 now exceeds Alt HAN Co's cash requirements. They have advised that they will therefore reduce their last five pass-through invoice amounts between November 2023 – March 2024 by £8.0m.

DCC is committed to holding a reasonable level of funds. With this in mind, we further propose to return correction factors relating to RY22/23 for AltHAN, SBCH, DBCH, and a proportion of allowed revenue to customers early by reducing the remainder of our charges for RY23/24.

In total, this will result in a £50.0m reduction in charges.

<sup>1</sup> 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

<sup>2</sup>[charging-statement-ry2324-issue-20.pdf](http://charging-statement-ry2324-issue-20.pdf) ([smartdcc.co.uk](http://smartdcc.co.uk)).

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.

## Proposal

By reducing the published Fixed Alt HAN Revenue amount from £26.540m to £18.029m, we can reduce the corresponding Fixed Alt HAN Charges from 0.028p per meter to 0.004p per meter during the final four monthly invoices of the Regulatory Year.

By reducing our charges and returning the identified underspend, and main correction factor, to customers now, we will reduce the published National & Regional Fixed Revenue amount from £568.1m to £533.2m which will reduce the Fixed Charges per meter for all customer groups in Table 1: Import Suppliers (per meter) from 0.936p to 0.771p; Export Suppliers (per meter) from 0.153p to 0.126p; Gas Suppliers (per meter) from 0.706p to 0.582p; and Electricity Distributors (per meter) from 0.109p to 0.089p), during the final four monthly invoices of the Regulatory Year.

Furthermore, we are also reducing our SBCH and DBCH Charges by correction factors of -£6.4m and £245k respectively, the SBCH Charges will reduce from: 0.365p to 0.315p for Import Suppliers (per meter); 0.063p to 0.055p for Export Suppliers (per meter); and 0.274p to 0.237p for Gas Suppliers (per meter). For DBCH Charges, there will be a reduction from: 1.102p to 0.967p for Import Suppliers (per meter); 0.175p to 0.167p for Export Suppliers (per meter); and 0.759p to 0.725p for Gas Suppliers (per meter).

## Next steps

Should this request be accepted, we plan to submit the Notice letter outlining our changes to charges on **3 November 2023**, with the revised Charging Statement coming into effect from **1 December 2023**. As we charge in arrears, customers will see the revised charges take effect in:

1. the invoice issued on 5 December 2023 relating to all spend in November 2023
2. all remaining invoices for the remainder of RY23/24.

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](mailto:finance@smartdcc.co.uk).

Yours sincerely

**Jon Helyer**

**Director of Financial Control**

Cc Adhir Ramdarshan (Director of Regulation)