



Making a positive difference  
for energy consumers

The Data Communications

Company

2<sup>nd</sup> Floor Ibex House

42-47 Minories

London

EC3N 1DY

Tel: 020 7901 7000

Email: [DCCregulation@ofgem.gov.uk](mailto:DCCregulation@ofgem.gov.uk)

Date: 28 February 2024

Dear Company Secretary,

Smart Meter Communication Licence<sup>1</sup> ("the Licence") Direction to amend the Service Charges in respect to price control determinations for Regulatory Year (RY) 2022/23.<sup>2</sup>

Part D of Condition 19 of the Licence sets out the procedure for amending any of the Service Charges. Conditions 19.9 and 19.10 of the Licence prohibit Smart DCC Ltd ("the Licensee") from amending its Service Charges in respect of any Agreement for Services unless it has given Notice in the specified manner to the Gas and Electricity Markets Authority ("the Authority"). That Notice must be given not less than three months before the date when the Licensee proposes to amend its Service Charges,<sup>3</sup> except where the Authority otherwise consents.<sup>4</sup>

Condition 19.11 allows the Licensee to only amend Service Charges more than once in a Regulatory Year when the respective requirements are met. In particular, Condition 19.11 (b) of the Licence provides the Authority with the power to direct the Licensee to make an additional amendment to the Service Charges, as a consequence of a decision made by the Authority under Part B of Condition 37 (Assessment of Mandatory Business costs) to exclude certain costs from any future calculations of the Licensee's revenues.

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<sup>1</sup> The Smart Meter Communications Licences granted to the Licensee pursuant to Section 7AB(2) and (4) of the Gas Act 1986 and Sections 6(1A) and (1C) of the Electricity Act 1989 (such licences together referred to as 'the Licence').

<sup>2</sup> All terms used in this Notice shall have the meaning given to them under the Licence, unless expressly stated otherwise.

<sup>3</sup> Defined under Licence Condition 1.4 of the Licence

<sup>4</sup> Pursuant to condition 19.10 of the Licence

Licence Condition 19.13 requires that before making any amendment of the Service Charges pursuant to Part D of the Licence that the Licensee must give the Authority a revised Charging Statement that sets out the amended Service Charges and specifies the date from which they will have effect.

On 22 December 2023, the Licensee submitted Notice to the Authority of DCC's Service Charges for the Regulatory Year 1 April 2024 to 31 March 2025.

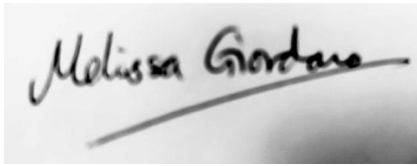
On 28 February 2024, the Authority made a decision under Part B of Licence Condition 37 to exclude certain costs from any future calculations of the Licensee's Allowed Revenue. The Authority determined an adjustment to the Baseline Margin Values specified in Licence Condition 36 Appendix 1, which has the effect of increasing the total sum by £4.172 million (in RY 2013/14 prices) over Regulatory Year 2024/25. The Authority determined the Baseline Margin Performance Adjustment term (BMPPA<sub>t</sub>) in RY22/23 to take a value of negative £7.825 million<sup>5</sup> due to DCC's performance under the Operational Performance Regime (BMOPA<sub>t</sub> term) and its performance under the SMETS1 Baseline Margin Project Performance Scheme (BMPPA<sub>t</sub> term) this year. The value for the BMOPA<sub>t</sub> term for RY22/23 is negative £0.70 million and the value of the BMPPA<sub>t</sub> term for RY22/23 is negative £6.995 million. The Authority also determined an adjustment to the External Contract Gain Share term in accordance with Licence Condition 39, which has the effect of increasing Allowed Revenue by total of £5.156 million for Regulatory Year 2024/25.

In accordance with Licence Condition 19.11 (b) the Authority hereby directs the Licensee to make an additional amendment to the Service Charges for the Regulatory Year 1 April 2024 to 31 March 2025 to reflect our determinations under the Price Control decision for Regulatory Year 2022/23 published on 28 February 2024, and according to Licence Condition 19.12 to submit the revised Charging Statement to the Authority prior to it taking effect.

Yours sincerely

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<sup>5</sup> Please note that, unless otherwise specified, values in this document should be understood to be in nominal prices.

A black and white image of a handwritten signature, "Melissa Giordano", written in cursive. A horizontal line is drawn underneath the signature.

**Deputy Director, Retail**

**Duly authorised on behalf of the Gas and Electricity Markets Authority**

**28 February 2024**

**Direction given by the Gas and Electricity Markets Authority ( the “Authority”) pursuant to Licence Condition 19.11 (b) (Charging Statement for Service Charges) of the Smart Meter Communication Licences granted pursuant to Sections 7AB(2) and (4) of the Gas Act 1986 and Sections 6(1A) and (1C) of the Electricity Act 1989 to Smart DCC Ltd (“the Licence”).**

Whereas:

1. Smart DCC Ltd<sup>6</sup> (the “Licensee”) is the holder of the Licence.
2. On 22 December 2023 the Licensee published its Service Charges for Regulatory Year 2024/25. These will be in effect between 1 April 2024 and 31 March 2025
3. Under Condition 19.11 (b) of the Licence, the Authority may direct the Licensee to make an additional amendment to the Service Charges as a consequence of a decision made by the Authority under Part B of Condition 37 (Assessment of Mandatory Business costs) to exclude certain costs from any future calculations of the Licensee’s revenues.
4. On 28 February 2024 the Authority gave its Price Control decision in relation to Regulatory Year 2022/23 (the “2022/23 Price Control”). This found that:
  - a. £11.212 million of Internal Costs and £3.714 million of External Costs were not economically and efficiently incurred (the “Unacceptable Costs”);
  - b. the proposed Relevant Adjustment to the Baseline Margin Values specified in Licence Condition 36 Appendix 1 shall be amended such that those Values are adjusted by increasing the total sum of £4.172 million (in RY 2013/14 prices) over RY 2024/25, (the “Baseline Margin Adjustment”);
  - c. DCC’s Baseline Margin Performance Adjustment term (BMPA<sub>t</sub>) in RY22/23 should have a value of £7.825 million, due to DCC’s performance under the Operational Performance Regime and the SMETS1 Baseline Margin Project Performance Adjustment Scheme (BMPPAS); and
  - d. the proposed Relevant Adjustment to the External Contract Gain Share term in accordance with Licence Condition 39, which has the effect of increasing Allowed Revenue by total of £5.156 million for RY 2024/25.

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<sup>6</sup> Registered as a Company in England and Wales under Company Number 08641679.

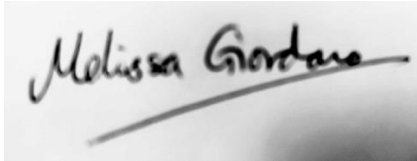
5. As a consequence of the 28 February 2024 Price Control decision the Authority directed the Licensee to:
  - a. exclude the Unacceptable Costs from the calculation of its Allowed Revenue under Licence Condition 36. This affects the value of the Allowed Revenue for Regulatory Year 2022/23, which in turn affects the calculation of Allowed Revenue for subsequent Regulatory Years;
  - b. reflect the Baseline Margin Adjustment in the calculation of Allowed Revenue in Regulatory Year 2024/25;
  - c. reflect the Baseline Margin Performance Adjustment in the calculation of Allowed Revenue in Regulatory Year 2024/25; and
  - d. reflect the proportion of the External Contract Gain Share adjustment in the calculation of Allowed Revenue in Regulatory Year 2024/25.
6. The Authority notes that the Licensee has not been able to adjust its Service Charges for Regulatory Year 2023/24 to reflect these Price Control decisions of the Authority. The Authority therefore considers that direction should be given to the Licensee to amend the Service Charges in Regulatory Year 2024/25 to reflect these decisions.
7. The Authority also requests the Licensee to submit the revised Charging Statement that sets out the amended Service Charges and specifies the date from which they will have effect before making any amendment of its Service Charges pursuant to Part D of the Licence.

**Now** the Authority directs as follows:

8. Pursuant to Licence Condition 19.11 (b) of the Licence, the Licensee must make additional amendments to the Service Charges for Regulatory Year 2024/25 to reflect the outcome of the Authority's decisions in respect of the 2022/23 Price Control.
9. Pursuant to Licence Condition 19.13 the Licensee must submit a revised Charging Statement to the Authority which sets out the amended Service Charges and specifies the date from which they will have effect before making any amendment of its Service Charges pursuant to Part D of the Licence.
10. Pursuant to Licence Condition 19.12 this direction shall have effect on and from the date it is issued.

11. This document also constitutes a notice under section 38A of the Gas Act 1986 and section 49A Electricity Act 1989 of the reasons for the decision of the Authority to give this direction pursuant to the Condition.

Dated: 28 February 2024

A handwritten signature in black ink that reads "Melissa Giordano". The signature is written in a cursive style and is underlined with a single horizontal stroke.

**Deputy Director, Retail**

**Duly authorised on behalf of the Gas and Electricity Markets Authority**