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Ayena Gupta
Head of DCC Oversight and Regulatory Review

Retail Systems Transformation
Ofgem

By email only

07 February 2024

Dear Ayena

Re: Notice of proposed reduction to Service Charges for Regulatory Year ending 31 March 2025

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 2025.

This letter is a request for a proposal of reduced notice period of two weeks. The reduced notice period will be issued on 17 February, thus allowing the revised Charging Statement to come into effect 3 March 2025. 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 two months of RY2024/25.

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 RY2024/25 (Issue 2.0), which came into effect on 1 May 2024².

DCC is committed to holding a reasonable level of funds. With this in mind, we further propose to return correction factors relating to RY23/24 for SBCH, DBCH, and a proportion of allowed revenue to customers early by reducing the remainder of our charges for RY24/25.

In total, this will result in a **£43.7m** 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-ry2324-issue-20.pdf (smartdcc.co.uk).

Proposal

By reducing our charges, during the final two monthly invoices of the Regulatory Year, and returning the identified underspend, and main correction factor, to customers now, we will reduce the published National & Regional Fixed Revenue amount from £590.3m to £553.3m which will reduce the Fixed Charges per meter for all customer groups in Table 1:

- Import Suppliers (per meter) from £0.937 to £0.505;
- Export Suppliers (per meter) from £0.154 to £0.083;
- Gas Suppliers (per meter) from £0.707 to £0.381;
- Electricity Distributors (per meter) from £0.103 to £0.057.

DCC will also reduce CH device revenue from £118.5m to £111.8m. Revenue from Fixed CH charge is expected to be £93.9m plus Stock Level charge expected revenue of £17.9m. This will result in lower Fixed CH Charges per meter for all customer groups in Table 3: SBCH Import Suppliers (per ESMS) from £0.482 to £0.011; SBCH Export Suppliers (per ESMS) from £0.083 to £0.002 and SBCH Gas Suppliers (per ESMS) from £0.362p to £0.009 during the final two monthly invoices of the Regulatory Year.

Similarly for DBCH Import Suppliers (per ESMS) from £1.080 to £0.020; DBCH Export Suppliers (per ESMS) from £0.187 to £0.004; DBCH Gas Suppliers (per ESMS) from £0.810 to £0.015 during the final two monthly invoices of the Regulatory Year.

The SBCH and DBCH Stock Level charge (per CH) in Table 4 will also be reduced. The SBCH Stock Level Charge will be reduced from £0.70 to £0.02; and the DBCH Stock Level charge will be reduced from £1.63 to £0.29 during the final two monthly invoices of the Regulatory Year.

Next steps

Should this request be accepted, we plan to submit the Notice letter outlining our changes to charges on **17 February 2025**, with the revised Charging Statement coming into effect from **3 March 2025**. As we charge in arrears, customers will see the revised charges take effect in:

- the invoice issued on 5 March 2025; and
- all remaining invoices for the remainder of RY24/25.

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