



DP218 'Review of the SEC Charging Methodology'

Summary of responses to the
the SEC Charging Methodology RFI

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Table of Contents

| | |
|--|-----------|
| 1. Introduction..... | 3 |
| 1.1. Purpose of this document..... | 3 |
| 1.2. Context | 3 |
| 1.3. Previous engagement | 3 |
| 1.4. RFI scope and next steps | 4 |
| 2. Analysis of responses | 5 |
| 2.1. Summary of stakeholder responses | 5 |
| 2.2. Questions on key drivers for change and guiding principles | 5 |
| 2.3. Scope of the charges under review | 8 |
| 2.4. Questions on the charging basis | 10 |
| 2.5. Questions on data capture requirements on future demand | 11 |
| 2.6. Questions on setting a materiality threshold | 14 |
| 2.7. The impact of ‘Read and store’ capabilities on DCC’s charges..... | 16 |
| 2.8. Questions on charging option 1 – status quo | 17 |
| 2.9. Questions on charging option 2 – Rebalancing Fixed Charges across Users..... | 18 |
| 2.10. Questions on charging option 3 – Banded Fixed Charges | 21 |
| 2.11. Questions on charging option 4 – fixed and variable charges..... | 25 |
| 2.12. Questions on charging option 5 – granular variable charges | 28 |
| 2.13. Overarching questions (all charging options)..... | 30 |
| 3. DCC response and next steps..... | 34 |
| 4. Attachments | 34 |
| Appendix A – Consultation respondents..... | 35 |

1. Introduction

1.1. Purpose of this document

1. The purpose of this document is to summarise responses to the Data Communications Company's (DCC's) recent Request for Information (RFI) to assess the case for changing the way the DCC recovers the costs associated with operating the smart metering network. This document also offers clarifications to issues raised by RFI respondents where it is possible to do so.
2. The RFI represented the first step in a public consultation exercise which will run over the course of 2024 to understand the impacts of changes to DCC's charging approach. The information gathered will be shared with respondents as part of the continuing consultation exercise. It will also be shared with DCC's regulator, Ofgem, and sponsor Government Department, the Department for Energy Security and Net Zero (DESNZ), to support decision making around potential change.

1.2. Context

3. The DCC is required by its Licence to keep its charging policy under review. There are currently a range of drivers prompting a re-examination of DCC's Charging Methodology, including increasing divergence between use of the DCC Network and DCC's own charging objectives set out in Section C 'Governance' of the Smart Energy Code (SEC), as well as industry demand for change.
4. Any change to DCC's charging methodology could impact all SEC Party categories. Potential changes to charging will also be of interest to prospective DCC Users as well as organisations who use a third-party provider to access DCC services. Therefore, the RFI was open to all organisations and individuals to respond.
5. The RFI represented the next stage of the SEC modification DP218, 'Review of the SEC Charging Methodology'¹ which industry has initiated to examine reforms to DCC charging. It was issued in line with the established SEC process for industry code modifications. Production of the content was supported by Frontier Economics – a specialist economic consultancy with expertise in the energy sector and other regulated utilities. Frontier's work is focused on:
 - drawing on its expertise as a leading energy market consultancy to support the development of charging options informed by, but not limited to, precedents from other regulated sectors;
 - advising on regulatory considerations such as cost recovery and competition law;
 - analysing the impact of different charging models, including distributional impacts of any changes to approach (ongoing analysis which will be published at a later stage); and
 - helping DCC understand industry feedback on the different models proposed, providing independence of thought.

1.3. Previous engagement

6. DCC has worked closely with the Smart Energy Code Administrator and Secretariat (SECAS) to ensure industry remains updated on assessments of the current charging framework and network usage. This has culminated in several industry meetings being held to date in which DCC has presented findings and sought industry feedback as part of the DP218 process. An industry

¹ [DP218 'Review of the SEC Charging Methodology'](#)

webinar was also held during the RFI response period to give respondents an opportunity to ask any questions about the options or questions set out in the RFI, before responding.

1.4. RFI scope and next steps

7. The charging RFI sought views on:
 - The case for change, including questions for respondents soliciting further insights around the changing use of the DCC network.
 - The scope of the review including the charges under review and general design considerations.
 - The charging models under consideration including five proposed charging model options and the possible merits/demerits of each option.
 - The most viable option, and whether there are any other options which could be considered.
8. Based on the insights received from the RFI, DCC intends to publish further evidence on potential reforms through a follow-on consultation, to be published later this year. That consultation, and the responses received to it will be shared with Ofgem and DESNZ to consider the policy and regulatory implications around introducing change.

2. Analysis of responses

2.1. Summary of stakeholder responses

9. DCC received 34 written responses to this RFI:
 - Seven from Large Energy Suppliers.
 - Two from Small Energy Suppliers.
 - Nine from Network Operators (made up of both Gas and Electricity).
 - Three from Other SEC Parties (DCC Users).
 - Five from Other SEC Parties (non DCC Users).
 - One from the Department of Energy Security and Net Zero (DESNZ).
 - Seven from organisations not in the categories above.²
10. DCC and Frontier Economics have analysed the feedback provided. This section sets out a summary of the responses received to this consultation and DCC's responses.

2.2. Questions on key drivers for change and guiding principles

2.2.1. Question 1

11. DCC sought comments and insights on the drivers of change identified in chapter 1 of the RFI.

Q1

Do you have any comments and/or insights on the drivers of change identified in this chapter 1?

Respondent views

12. There were 27 responses to this question.
13. Energy Suppliers agreed with the drivers for change noting the need for a fair charging methodology, whilst ensuring the system remains efficient and responsive to evolving demand. They noted the need to understand the changing usage of different User categories, with one Supplier noting that Network Operators and Other Users are forecast to increase their usage by 2026. Furthermore, one Supplier noted the need to understand if there are any DCC Users anticipated to be working on behalf of others, and the how use of DCC User roles was changing. One Supplier commented that charges should not cover data exclusively and should instead relate to the system capacity used.
14. One Supplier disagreed that “good practice” guidance to manage traffic over the DCC network has been ineffective, noting that price change events have demonstrated that such guidance and industry coordination can deliver positive improvements. They also considered that charging being used to address issues around managing capacity might make smart metering data less attractive to businesses. They concluded that the use of thresholds or banding should not be used to reduce use of service, and instead should be used to encourage the use of scheduled requests.

² This category includes trade bodies and organisations who are clients of market intermediaries, where those market intermediaries are users of the DCC network.

15. Network Operators broadly agreed with the drivers for change. Some Network Operators argued the focus of reform should be on the rise in Other User usage of the network. They noted that certain Other User groups have placed increasing demand on the DCC system, whilst increasing Network Operator usage was forecast at the start of the roll-out. They also noted that some usage recommendations made by the DCC have increased the number of transactions required to be issued by DCC Users. They suggested that DCC explore the interactions between network traffic management tools and the charging mechanisms analysed. One Network Operator suggested the delivery of consumer benefits should be further considered as a driver for change.
16. A further Network Operator requested clarity on the governance process being followed and requested confirmation on the following:
 - a. If the intent is for DCC to follow a formal review of its charging methodology for all SEC Parties and Users, 12 months' worth of data should be used to inform user demand profiles.
 - b. If the intent is for the reasonable recovery of costs from Other Users, the refinement of the modification should continue with that original scope and objective (based on 12 months' worth of data).
 - c. The assumptions and methodology under DCC's traffic forecast, particularly the forecast that Network Operators will increase by 28% by 2026.
17. Several Other Users, Other SEC Parties and other organisations requested a comparison between the original forecast volumes and current/forecast volumes to make an informed assessment. They also noted a lack of reference to consumers within the drivers for change, noting Other Users were driving innovation in the sector, and stifling innovation at this early stage could be detrimental for consumers and for decarbonisation.
18. One respondent noted other areas in need of consideration:
 - The behavioural impact of the 4G rollout (increased demand due to more modern infrastructure).
 - The behavioural impact of replacing Smart Metering Equipment Technical Specifications 1 (SMETS1) Devices with 4G Devices (increased demand due to more modern infrastructure and replacement of dormant meters).
 - Functional and behavioural changes driven by energy policies, consumer behaviour and technology developments which could lead to Other User traffic.
 - The broader need for energy data linked to the points above.

2.2.2. Question 2

19. DCC sought views on the guiding principles detailed in figure 4 of the RFI.

Q2

Do you have any comments on the guiding principles detailed at figure 4?

Respondent views

20. There were 28 responses to this question.
21. Most respondents broadly agreed with the guiding principles. Some Suppliers argued that all users of the network should be paying to use it. Certain Suppliers also questioned the principle that the approach should seek a solution consistent with other regulated markets given the specific context of the smart metering market.

22. Three respondents made comments regarding the link between the principles and the regulatory aspects of the charging methodology. They noted that Licence Condition 18 and the relevant Clauses in SEC Section C 'Governance' should form the key principles for the review. One respondent highlighted DCC's Licence requirement not to distort sector competition as key to avoiding cross subsidy between user groups for the same service.
23. Several respondents suggested adding a principle focused on ensuring that consumer impacts are considered throughout the review. These included the following:
 - Avoidance of increased direct or indirect costs to energy consumers.
 - Support and encourage consumer choice in accessing smart meter data.
24. One respondent also suggested adding the following principles:
 - Support fairness and flexibility for consumer.
 - Be flexible to continue to support continued evolution/change as the market develops.
25. DESNZ did not agree with DCC's interpretation of distortion of competition citing DCC's statement that, 'DCC cannot charge different DCC Users differently for the same service'. Instead, they considered that DCC should not be charging different DCC Users **acting in the same User role** differently for the same service. They proposed the Ramsey Pricing Principle as a way to avoid market distortions. They added that fixed costs should be recovered predominantly from Suppliers or Network Operators on a non-transactional basis, noting Other Users have more elastic demands. Any charges levied on Other Users should therefore reflect the marginal costs they impose on the DCC network.
26. One respondent considered the link with Market wide Half-Hourly Settlement (MHHS) and stated that Suppliers should not be penalised for working with a Meter Data Retriever (MDR). Another respondent disagreed with the principle of supporting small scale innovators and not for profits, arguing that the rest of the market would need to subsidise these organisations, providing them an unfair advantage.
27. One respondent advised that growing a viable commercial business may lead to conflict between the principles identified. They noted that 'new services' are likely to be subject to 'cross-subsidy' by 'existing services', and that there is no guiding principle on how this should be addressed.

2.2.3. DCC response – Questions 1 and 2

28. There was overall support from respondents for a review of DCC's charging methodology, although support levels varied across respondent categories. Both charging parity (i.e. the view that all user groups should make a contribution to DCC's costs) as well as network traffic management considerations are both key drivers for reform amongst respondents.
29. We note the suggestions made to include more of a focus on consumers in the guiding principles. We will reflect this in the next consultation.
30. Respondents have also made clear that the DCC environment is dynamic and changing. Any changes considered to DCC charging need therefore to be sufficiently flexible to evolve in the future and DCC should continue to review its charging methodology regularly, in line with its Licence requirements.
31. DCC will provide further analysis regarding projected network volumes as part of its follow-on consultation later this year. It will also set out the steps being taken to better manage network demand (outside of charging) and explain the interactions with potential changes to charging.
32. DCC is mindful of the direction provided by DESNZ, that DCC fixed costs should not be re-allocated to other DCC User Categories. As part of the next phase of work, DCC and Frontier

Economics are analysing DCC's variable cost base, which could form the basis from which any potential changes to charging will be modelled and assessed.

2.3. Scope of the charges under review

2.3.1. Question 3

33. DCC sought views on the scope of the charges under review.

Q3

Do you agree with the scope of this review given the proportion of costs recovered through Fixed Charges in DCC's cost structure, including the need to better understand and categorise costs (e.g. transaction costs). If not, please explain why.

Respondent views

34. There were 34 responses to this question, of which 17 agreed, 6 partially agreed and 6 disagreed.
35. Of those respondents who disagreed, they considered that there was a lack of information to suggest that the position taken by DCC in 2014 to recover costs through fixed charges had changed. One Network Party said that there was a lack of detailed data or significant sample size to justify the exploration of the charging options.
36. Of those respondents who partially agreed, they added that they would like charges to account for non-domestic consumers having different needs via the DCC network than domestic users. One respondent raised concern about the complexity of any changes proposed, which would result in paying for the implementation and ongoing management of a billing system which would not improve the service being provided but would increase charges. A further respondent observed the scope of charges is dependent on other cost elements such as Alternative Home Area Network (Alt HAN) and Communications Hub costs remaining the same proportion of overall costs (~10%). They advised the RFI did not confirm if this was the case. Another respondent considered that the scope of the charges under review failed to recognise the opportunity to seek greater separation of unavoidable 'fixed costs' from those costs over which choices can be made.
37. One respondent argued it is sensible to focus on Fixed Charges but suggested exploring the impact of changes in usage patterns and the relevance of devices that are not currently commonly used in premises (e.g. HAN Connected Auxiliary Load Control Switch (HCALCS)). They suggested reconsidering the per meter metric as additional types of devices for different purposes are rolled out. They added there could be an element of cost attributed to non-energy companies that benefit from the existence and operability of devices paid for and maintained by other parties.

2.3.2. Question 4

38. DCC sought views on the approach of uniform charging.

Q4

Do you agree that future DCC's charges for the provision of mandated services should continue to be uniform across the country and across SMETS1 and SMETS2 meters?

Respondent views

39. There were 27 responses to this question, of which 19 agreed, 6 partially agreed and 2 did not agree.

40. Both respondents in disagreement were Network Operators who advised that the service delivered to DCC Users varied across the country. They both cited the difference in functionality between SMETS1 and SMETS2 Devices as well as the difference in service provision between the Communications Service Provider (CSP) North and the CSP Central & South. In the case of the regional difference in service, they both noted the DCC's Scaling and Optimisation programme would not address this. They therefore argued that any charging mechanism should take these regional and technical differences into consideration.
41. Those who partially agreed also noted the difference in service and functionality between SMETS1 and SMETS2 Devices and geographically. One respondent noted the need for a contingency plan if Suppliers do not upgrade all their consumers from SMETS1 to SMETS2 Devices by 2029. They suggested these Suppliers should be charged an increased or different amount due to the additional strain on the DCC network. One respondent agreed that the uniform pricing rule should remain for Mandatory Business. However, they suggested that the service be paid at a different uniform price based on User banding in charging option 3 of the RFI, with this reviewed periodically due to uncertainty around future use of the DCC.

2.3.3. DCC response – Questions 3 and 4

42. DCC is required to provide quarterly demand forecasts under the SEC. This process includes a forecast-on-forecast variance report (required by Section H3.24 of the SEC) to the SEC Panel and all DCC Users with an assessment and clear commentary on forecast deviation from actuals. This mature process should give confidence in DCC forecasting capability. Additionally, DCC is implementing best practices in data modelling and evolving its capability to ensure continuous improvement in forecasting accuracy. DCC continues to have regular engagements with the DCC User community on its approach to forecasting.
43. DCC notes the comments made by some respondents in relation to the case for differential pricing for SMETS1 and SMETS2 Devices/services. Any change to DCC's requirement to recover costs on a uniform basis would require a change to the DCC licence and would need to be supported by Ofgem. Based on the fact this issue was raised by only a minority of respondents, we do not consider it a priority for further work at this stage. However, all such insights gained as part of this RFI exercise will be shared with Ofgem who are working separately on DCC Licence Renewal.
44. The scope of the RFI relates to Fixed charges only. Fixed Alt HAN Charges and Fixed CH Charges are explicitly designed to directly recover the costs of discrete activities undertaken by Suppliers. We consider that these charges remain consistent with DCC's charging objectives and therefore do not need to be reviewed at this stage. The proportion of Fixed Charges to total DCC charges increased to over 91% in RY24/25 Charges and in subsequent Indicative Charging Statements published.

2.4. Questions on the charging basis

2.4.1. Question 5

45. DCC sought views on the metrics that could be used to set charges for different User Categories.

Q5

In your view, what would be a suitable metric to set charges for different User Categories (e.g. Energy Suppliers, Network Operators, Other SEC Parties)?

Respondent views

46. There were 23 responses to this question.
47. The majority of respondents believed the current method of charging on a per meter basis should be retained, although some respondents raised caveats. Several Other Users and other organisations not falling within a User category suggested that the existing metrics associated with Suppliers and Network Operators should remain unchanged. However, they advised that it is still too early to tell which metric is appropriate for Other Users without fear of compromising the success of this user segment. Two respondents noted that whilst the current method remains fit for purpose, change is needed to charge Users who are currently excluded from the charges.
48. Two respondents considered the impact of MDRs and Registered Supplier Agents (RSAs). One respondent considered that User categories/bands based on allowed usage of On-demand Service Requests during peak times might be an alternative way forward. However, they highlighted that MDRs and RSAs can only operate by a Supplier appointing them and so are not truly discretionary end organisations. Another respondent suggested that MDRs and RSAs could be charged on a per-meter basis.
49. One respondent suggested a hybrid model could be considered which includes shared cost for the same data and a separate structure for high-volume on-demand data. They proposed that when multiple parties require the same data, it could be cached for users needing only a daily snapshot, with costs shared among those users. Meanwhile, those requiring on-demand data could pay on a per-service-request basis.

2.4.2. Question 6

50. DCC sought views on any risks or barriers in respect of the potential changes in DCC's monitoring capabilities.

Q6

Do you identify any risks or barriers in respect of the potential changes in DCC's monitoring capabilities that might be required to set the basis on which Users are charged?

Respondent views

51. There were 28 responses to this question.
52. Three respondents advised there are no additional risks or barriers in respect of DCC's monitoring capability.
53. Six respondents consisting of Other Users and other organisations not belonging to a category advised the same risks and barriers exist today as they did when the DCC originally decided to include costs within fixed charges. They noted additional risks associated with costs such as:
- Cost of implementation.

- Cost of billing.
- Cost of reconciliation.
- Cost of message errors and failure management.
- Cost of failures of meter compliance.
- Cost of billing disputes.

54. Eight respondents noted risks in terms updating DCC's monitoring capabilities and the cost of this with DCC needing to be able to accurately track users' usage of the DCC network. They noted the technical complexity associated with this as well as the stability of new metrics leading to fluctuating charges due to the varied nature of the businesses that operate under the DCC 'Other User' Role. Other risks were raised with monitoring such as resource requirements within DCC and the need for robust and transparent data.
55. A small number of respondents noted the risk of deterring Users from using the DCC network by making access to DCC's system unaffordable. This could in turn outweigh the benefits delivered to consumers, given charges are ultimately passed onto consumers.
56. One respondent identified possible issues with identification of third parties for billing purposes.
57. A further respondent suggested DCC would need to expand its current Service Request forecasting process as well as the Anomaly Detection Threshold (ADT) processes. They also considered there may be a need for some intricate logic to support the sharing of costs across parties.

2.4.3. DCC response – Questions 5 and 6

58. Based on the responses received to these questions, the only route identified by which Other Users of the DCC network could be charged would be based on network usage. Moving to usage-based charging for some users would represent a shift in the way DCC conducts charging today and would result in system level costs as well as wider considerations around potential cost over/under recovery.
59. These are all key considerations which will need to be explored further as part of the next steps of this review.
60. Points were also raised about whether RSA and MDR user roles should be in scope of this charging review. DCC proposes to keep this issue under review.

2.5. Questions on data capture requirements on future demand

2.5.1. Question 7

61. DCC sought views on DCC collecting information on future demand across DCC Users.

Q7

Do you have views on the process through which DCC should collect information on future demand across DCC Users?

Respondent views

62. There were 27 responses to this question.

63. Network Operators generally supported the current method of charging on a per-meter basis with this being stable and predictable. However, one Network Operator noted that this has a dependency on provision of accurate smart meter roll-out volumetrics which has proved to be challenging to date.
64. Four respondents made up of Other Users and other organisations not belonging to a user category noted that use of the DCC system will evolve significantly over the next decade with the changing energy market. They considered DCC should continue to engage with users to refine a collective forecast.
65. Three respondents considered engagement with Users to be key to understanding future usage. One respondent added that almost all demand comes from Suppliers (including indirectly from MDRs) and Network Operators in demand forecasts and so engagement with these sectors should enable a better collective forecast. One respondent suggested DCC should implement a comprehensive and collaborative process for collecting information on future demand across DCC Users. This process could involve regular surveys, consultations, and workshops with stakeholders to gather insights into their anticipated network usage and demand patterns.
66. Suppliers questioned the reliance on forecasts from Users. Two Suppliers noted DCC had previously relied on demand forecasts from Users, but these were inaccurate and so the obligation was removed by MP116 'Service Request Forecasting'.³ They highlighted the difficulty in predicting future demand and considered that providing five-year demand forecasts would be problematic and a backwards step.
67. However, in contrast one non-SEC Party suggested two SEC Modifications could be raised to improve data collection on future demand:
 - A SEC modification to require the provision of forecasts for mandatory services by each User role.
 - A SEC modification to require submission of forecasts for non-mandatory/commercial services with a greater tolerance in forecasts once this sector has stabilised.
68. Two respondents suggested that DCC should put a mechanism in place that allows them to accurately track usage per DCC User. Users should be encouraged to change their demand and usage to save costs or shift non-essential traffic to other times.
69. One respondent advised a more dynamic approach to forecasting demand, monitoring consumption and sharing the costs across parties. They considered this would also require a better two-way flow of conversations and information between DCC and its current and future users.
70. Five respondents had no comments against this question.

2.5.2. Question 8

71. DCC sought views on any barriers to providing DCC with data on future demand.

Q8

Are there any barriers to providing DCC with such information?

Respondent views

72. There were 26 responses to this question.

³ [Service Request Forecasting - Smart Energy Code \(smartenergycodecompany.co.uk\)](https://www.smartenergycodecompany.co.uk)

73. Suppliers considered commercial barriers to providing such information given this information could be commercially sensitive. One Supplier suggested DCC consider Centralised Switching Service (CSS) as an example, where there have been mechanisms and criteria for notifying periods of 'High Demand'. They considered that there may be value in exploring an approach where similar criteria are introduced for DCC Users to notify the DCC of periods of high network demand.
74. Suppliers also noted the difficulty in predicting new projects and innovations over the next five years as well as the risk of over-estimating volumes that could result in costly decisions being made by Industry.
75. Network Operators generally had concern around the volatility and predictability of forecasts with reasons such as unplanned events, subjectivity of forecasts and the performance of the network and smart meters themselves further complicating demand forecasting. One Network Operator noted that while they did not foresee any barriers, as Network Operators build use cases for smart data, any provision for future demand could potentially hinder the ability to conduct trials.
76. Seven respondents, mostly from Other Users or other organisations not belonging to a category, considered that there were no barriers to providing DCC with future demand data. However, they noted the accuracy of such information was variable given the fast-changing market.
77. Five respondents made up of Other SEC Parties and organisations not belonging to a category identified barriers. One noted that for early-stage companies, it would be extremely challenging to provide an accurate five-year forecast on the expected use of the network. One respondent suggested that a DCC/SEC reporting portal to facilitate data entry would mitigate these challenges.

2.5.3. DCC response – Questions 7 and 8

78. DCC appreciates the risk around fluctuations of forecasting versus actuals. As noted in our response to questions 3 and 4, this is managed via the quarterly demand forecasts and forecast-on-forecast variance report required under Section H3.24 of the SEC. This process should give confidence in DCC forecasting capability.
79. DCC agrees that engagement with Users to refine a collective forecast is key and we will continue to hold bilateral engagement with Users via our service management teams. We appreciate that in a fast-paced market there will likely be variance from Users' own forecasts against their actual usage. DCC is investigating ways of improving the overall insight gathering approach. This includes a SEC modification, as well as working with Users to ensure demand insight is gathered in a timely manner to protect the network, its Users and end consumers. However, we are aware as with all forecasts there will always be volatility, and this uncertainty grows with long-term forecasting. DCC is committed to continuous improvements in techniques and our data forecasting algorithms to improve accuracy and highlight risks, while acknowledging that a forecast is also inherently subject to change.

2.6. Questions on setting a materiality threshold

2.6.1. Question 9

80. DCC sought views on a materiality threshold.

Q9

Do you agree that a materiality threshold would need to be set to continue to enable innovation on the DCC Network, particularly under the DCC Other User role?

Respondent views

81. There were 27 responses to this question.
82. The majority of respondents agreed with the need for a materiality threshold to be set to enable innovation under the Other User role, while nine respondents (mostly Other Users and other organisations) partially agreed. The Other Users and other organisations noted the cost of DCC is borne by consumers through their energy bills. Today, the value of Other Users is largely provided to the energy consumer through services, often free to the consumer. However, they advised this situation would be reconsidered if changes to charging were introduced.
83. One of the respondents in agreement with the use of a materiality threshold suggested an alternative approach that would incentivise innovation while avoiding market distortions. They proposed a "Sandbox EUI-64"⁴ for each Other User which would enable Other Users to access the live DCC without incurring DCC charges. They noted this could be capped at an appropriate limit and only used for the purposes of trialling the DCC prior to signing up as a DCC User and facing DCC charges.
84. These respondents also questioned whether it is appropriate for DCC to provide free access to organisations who are able to fund initial costs as well as a large number of transitory users who fail to progress to become a full DCC User.
85. Six respondents disagreed with the need for a materiality threshold. Three respondents suggested it could stifle innovation because it would present a barrier to scaling, and innovators can only secure funding if they are able to scale. One noted that whilst smart metering was designed to enable innovation, the costs of using the DCC are too high to be borne by smaller organisations. They suggested that setting a materiality threshold based on the nature of the organisation and whether data is used for commercial purposes, would be more applicable than just being based on usage. Three respondents believed that all users of the DCC network should be charged.

2.6.2. Question 10

86. DCC sought views on the level any threshold should be set.

Q10

In your view, how low should a threshold based on usage be set to avoid market distortions?

Respondent views

87. There were 26 responses to this question.

⁴ EUI-64 is a special mapping technique that converts common network hardware addresses into interface identifiers that can be used to create IPv6 addresses.

88. Four respondents reaffirmed their response to question 9 of the RFI and advised against the use of a materiality threshold.
89. One respondent suggested that for non-profitable, early-stage companies, the first 100,000 meters connected should not be charged. This would enable these businesses to prove their product/business without incurring additional costs, beyond the hardware and audit expenses they face. Another organisation not belonging to a category suggested that DCC costs be recovered through a minimum charge to early-stage users, adding that a government grant could help fund innovative users.
90. One respondent, referring to their proposed “Sandbox EUI-64” approach (detailed at question 9 above), suggested 10,000 MPxNs could be set as the upper limit. They considered it would have minimal material impact on the DCC network but provide sufficient capacity for an Other User to trial the system.
91. One respondent suggested that any threshold should be scaled by the size of the organisation.
92. Two respondents advised that this was a difficult question to answer, with one noting that DCC is better placed to understand the level Users' traffic starts to have a material impact on the DCC network.
93. One respondent suggested the threshold should be aligned to the current invoicing rules set out in SEC Section J ‘Charges’ with a minimum monthly charge of £27.33.⁵
94. 13 respondents did not comment, with many requesting further analysis be undertaken before a view could be expressed.

2.6.3. Question 11

95. DCC sought views on the type of organisations that should be exempt from paying network usage charges.

Q11

In your view, which type of organisations should be exempt from paying charges for their intended use of the network?

Respondent views

96. There were 26 responses to this question.
97. 13 respondents considered that those using the network for non-commercial purposes such as educational and charitable organisations should be exempt, whilst others also suggested small innovators should be exempt as well.
98. Six respondents stated they felt no organisations should be exempt from paying charges for usage. This was from a mix of Suppliers, Network Operators and an organisation not belonging to a SEC Party category. One respondent suggested the introduction of a trial period could work for innovators whereby innovators can use the DCC’s Systems outside of peak times for non-critical Service Requests. Following this they could either subscribe and pay for access or be removed as a DCC User. Alternatively, they also suggested a smart meter repository for organisations such as universities and research organisations that do not need live data. However, they felt they should still be charged for this service.

⁵ In accordance with SEC Section J Clause 1.3, DCC is not obliged to invoice customers if charges incurred are less than this amount. In that instance, the charge shall be carried forward to the subsequent invoicing period.

99. Six respondents had either no comments or sought more analysis before responding.

2.6.4. DCC response – Questions 9, 10 and 11

100. In the event charges are introduced for Other Users of the DCC network, it is evident there is strong majority support for the introduction of some form of materiality threshold, to ensure innovation in the market is supported. The RFI response provided by DESNZ also stressed the importance of supporting innovative Other Users – DCC will need to be mindful of this Government policy priority.
101. There is, however, no consensus view amongst respondents on how such a materiality threshold should be set. DCC will need to consider, what approach (if changes to charging are proposed) would be most appropriate and consistent with its Licence obligations, as well as potential future changes in the market, such as the introduction of a Smart Meter Energy Data Repository.

2.7. The impact of ‘Read and store’ capabilities on DCC’s charges

2.7.1. Question 12

102. DCC sought views on the impact of ‘Read and store’ capabilities on DCC’s charges.

Q12

Do you have any insights on how smart meter data repositories could impact your use of DCC’s network?

Respondent views

103. There were 28 responses to this question.
104. 20 respondents were supportive of exploring smart data repositories to reduce the impact on DCC’s network. They noted that this could be a cost-effective way to reduce network overload. They envisaged that a data repository would reduce the use of the DCC System and so reduce DCC costs resulting in lower charges for DCC Users. Some respondents, whilst noting the benefits, said it would be challenging to predict their usage.
105. One respondent noted that without a regulatory requirement or a significant financial benefit, they would continue using the DCC’s network rather than switch to data repositories. However, they acknowledged data repositories would offer a solution to those who need access to smart meter data who aren’t currently able to obtain it and may be charged to do so.
106. One respondent considered that a data repository could reduce the need for a DCC User to access data, simplify processes, and shift responsibility for technical and operational issues to DCC or the appointed provider of the ‘Centralised Data Repository’. However, other Parties view this as a threat to their commercial opportunities and cost recovery and would be concerned if this hindered them from offering competing services.
107. Five respondents made up of Other Users and organisations not belonging to a SEC Party category advised that Other User Smart Meter data repositories already operate within the GB market. They noted that they create significant reduction in message volume by aggregating requests from multiple organisations to the same meter. They suggested that DCC has an opportunity to implement a system wide ‘read and store’ capability across all user categories whilst citing DP257⁶ as a significant positive step in this direction.

⁶ DP257 - DCC Management of Duplicate Messages - Smart Energy Code (smartenergycodecompany.co.uk)

108. DESNZ in its response to the RFI also advised DCC to be mindful of the potential impacts of a Smart Meter Energy Data Repository on the amount of traffic on the DCC WAN.
109. Four respondents had no comment.

2.7.2. DCC response

110. There is a clear majority view supporting the implementation of some form of Smart Meter Energy Data Repository. While DCC is involved in innovation project activity with DESNZ and other stakeholders to assess the viability of different Repository models, it is ultimately Government that will decide if and how a repository should proceed.
111. DCC will need to ensure that any proposed changes to its current charging arrangements are compatible with the potential introduction of a Smart Meter Energy Data Repository. This issue will be addressed in more detail in the next DCC charging consultation document.

2.8. Questions on the charging options

112. In the remainder of this document, we provide a summary of respondents' views regarding the five charging options under consideration. At this stage, the DCC will not provide individual responses for each charging option. Alongside Frontier Economics, we have thoroughly reviewed and considered all of the valuable insights raised by respondents. Further analysis will be provided in the follow-up consultation on areas where respondents considered additional information would be needed to inform the charging review. This will ensure that any future decisions on the design and calibration of charges are well-informed and are reflective of stakeholder feedback.

2.9. Questions on charging option 1 – status quo

2.9.1. Question 13

113. Charging option 1 was to maintain existing DCC Charging arrangements. DCC sought views on its initial assessment of the impact of this charging option.

Q13

Do you agree with our initial assessment of the impact of charging option 1?

Respondent views

114. There were 24 responses to this question.
115. 11 respondents agreed with our initial assessment of charging option 1.
116. Three respondents partially agreed with our assessment but noted the status quo is not a long-term solution.
117. Eight respondents disagreed with our assessment. Five respondents made up of Other Users and Organisations non-SEC Parties questioned whether current traffic volumes are greater than initially predicted when DCC's charging methodology was first established. They recommended not moving directly to an economic solution before other opportunities to manage the network more efficiently had been explored. One Network Party suggested a variation of Option 1. This involved extending fixed charges via weightings to Other Users. Another Network Operator considered developing a central data repository, rather than charging reform, should be the focus.

118. One respondent noted it was not possible to provide feedback on the most viable option due to a lack of information on the potential financial impact on DCC users, and ultimately consumers.

2.9.2. Question 14

119. DCC sought views on the current charging arrangements.

Q14

Do you think that the current charging arrangements should be retained or replaced, and why?

Respondent views

120. There were 25 responses to this question.
121. 16 respondents believe the current charging arrangements should be replaced. They considered the current arrangements do not fairly reflect network usage and that all users of the network should pay. They also noted the current arrangements are not sustainable.
122. Eight respondents (six made up of both Other Users and organisations not belonging to a SEC Party category and two Network Operators) considered the current charging arrangements should be retained until network usage is better understood and, potentially, stabilised. The Network Operators acknowledged there are issues with the current processes but noted the current status quo is both easy to administer and manage. They sought more evidence that any additional complexity or administrative costs would result in benefits.

2.10. Questions on charging option 2 – Rebalancing Fixed Charges across Users

2.10.1. Question 15

123. Charging option 2 was to update the charging group weighting factors. DCC sought views on its initial assessment of the impact of this charging option.

Q15

Do you agree with our initial assessment of the impact of charging option 2?

Respondent views

124. There were 24 responses to this question.
125. 13 respondents agreed with the initial assessment of charging option 2.
126. One respondent partially agreed noting that this option risks disincentivising early-stage companies in the Other SEC Parties category from interacting with the network and, therefore, from innovating.
127. Seven respondents disagreed with the initial assessment of charging option 2. Five respondents made up of Other Users and organisations not belonging to a category considered that there was insufficient analysis provided to enable them to properly assess the impact. They noted that expanding fixed charges to user groups that had not input to the original system design, and limited input to ongoing network operation, could be considered a tax on data and consumer choice. One respondent considered there was a lack of detailed analysis on the impact on Other Users and that it could prevent certain user groups from using the DCC as well as reduce innovation.

128. One respondent advised they had not undertaken a detailed analysis of charging options 2-5 but believed that Parties other than Suppliers should be charged for the use of the DCC Systems based on a proportion of their system use. They considered that the current mechanism for charging suppliers should remain as unchanged, though with a lower charge per meter to reflect the increased cost recovery from other sectors.⁷
129. One respondent advised they needed further evidence to provide a response.

2.10.2. Question 16

130. DCC sought views on how weighting factors should be calculated and updated.

Q16

How should weighting factors be calculated and updated?

Respondent views

131. There were 24 responses to this question.
132. Ten respondents gave a range of feedback. Comments focused on weighting factors being:
- updated more frequently than once a year due to the demand shifts;
 - based on usage of the system and volume of sites;
 - calculated based on a hybrid approach from each Charging Group to reflect historical and forecast data;
 - calculated based on short-term historical data and updated quarterly;
 - calculated using the proportion of system usage by each User role in the year before (including peak and off peak demand);
 - calculated on actual system usage, i.e. not forecasts;
 - based on longer term data (e.g. demand patterns over 5 years); and
 - based on transactional tracking to ensure proportionate charging (as forecasts can vary significantly).
133. Ten respondents sought more analysis to be able to answer this question.
134. Three respondents had no comments.

⁷ This respondent made this point in relation to charging options 2-5, we have opted to record it only here to avoid repetition.

2.10.3. Question 17

135. DCC sought views on any other impacts or considerations under charging option 2.

Q17

Are there any other impacts or design considerations that should be captured under charging option 2?

Respondent views

136. There were 24 responses to this question.

137. Respondents gave a range of feedback. Comments included:

- A risk that the costs may be far too excessive for it to be commercially viable for some users.
- Careful monitoring to ensure users do not under forecast their usage to pay less.
- Double charging or penalising a Supplier for using an independent MDR needs to be avoided.
- Use of shorter-term forecasts for small innovators and long-term forecasts for more established Users.
- The need for strategic consideration to avoid constantly changing traffic profiles as the market changes quickly.

138. One respondent considered this change could be introduced quickly compared with the other charging options and could be followed by more complex models later on.

139. One Network Operator noted that some of the reads from Network Operators are reactive to incidents and cannot be planned in advance. Therefore, they have little flexibility to adjust traffic to a low-volume time.

140. Six respondents made up of Other Users and organisations not belonging to a category advised that insufficient analysis had been presented to properly consider the following impacts and design considerations:

- impact on indirect consumer costs;
- impact on innovation;
- impact on decarbonisation and progress to net zero;
- impact on the operating model and offerings for those DCC Users that offer gateway access to the DCC network for other organisations; and
- discouragement of using the smart meter network by other organisations.

141. Four respondents sought more analysis of charging option 2, including visibility of DCC's own fixed and variable costs.

142. Three respondents had no comments.

2.10.4. Question 18

143. DCC sought views on the risk of under/over recovery under charging option 2.

Q18

How should the risk of under/over recovery be addressed under charging option 2?

Respondent views

144. There were 23 responses to this question.
145. Respondents provided a range of views. Some respondents considered the risk to be minimal while others advised reconciliations should occur annually. One respondent commented that the risk should be managed without passing the burden to consumers or Suppliers. Another respondent suggested that under-recovery should be picked up by Users responsible while in the case of over-recovery, monies should be paid back directly to Users.
146. With regard to over recovery, one respondent suggested this could be mitigated by offsetting existing charges with new charges to Other Users, MDRs and RSAs and/or by disapplying fixed charges for Import/Export Suppliers where a MDR is appointed.
147. One respondent noted that charges should be based on actual data and not on estimates. Periodic adjustments would be needed to ensure that under or over recovery is minimised.
148. One respondent suggested that all consumers of DCC-sourced data could be mandated to become DCC Users, with scaled down onboarding processes for those that connect via DCC User gateways (via managed service providers (MDRs) for example). This would allow for better forecasting at the consumer-user level.
149. Nine respondents had no comments or sought more information to be able to answer this.

2.11. Questions on charging option 3 – Banded Fixed Charges

2.11.1. Question 19

150. Charging option 3 was to introduce banded fixed charges. DCC sought views on its initial assessment of the impact of this charging option.
151. DCC sought views on how it should design bands of fixed charges.

Q19

In your view, how should DCC design bands of fixed charges and should they be the same across all User Categories? You can refer to any of the stylised examples described above to answer this question or propose alternative approaches that you would like DCC to consider.

Respondent views

152. There were 23 responses to this question.
153. Four respondents raised concerns with the use of bands. One considered they could make charging commercially unsuitable for some Users, while another respondent believed the use of bands would be too complex as too many variables would be involved. One respondent noted that if banding is not done at a company level, any incentive this option is intended to encourage could be diluted. Another respondent considered the banding under option 3 had more optionality and appeared more equitable fee, but also came with higher complexity.

- 154. Three respondents advised that bands should be based upon volume and the nature of traffic, noting that this would encourage the most efficient use of the DCC network.
- 155. Three respondents proposed the use of different bands for different user categories with one suggesting that they would have to be at different levels for regulated entities (Suppliers and Network Operators) and non-regulated entities (e.g. flexibility service companies).
- 156. One respondent advised they supported the fixed band charging model. They noted each DCC Service User Role should have its own MPxN charging table due to their varying requirements in functionality, with each role only paying for the functionality available to them. However, they considered there should be economies of scale. For example, if a Service User has 1,000,000 MPxNs, the overall DCC charge per MPxN should be less than that for a Service User with 100,000 MPxNs. Therefore, there should be volume bands where the charge per MPxN associated with a volume band is lower for the higher bands. They provided the following illustrative example:

| MPxN Band | Charge per MPxN per year |
|-------------|--------------------------|
| <50,000 | £0.50 |
| <500,000 | £0.30 |
| <1,000,000 | £0.15 |
| <5,000,000 | £0.10 |
| <10,000,000 | £0.05 |

- 157. Based on the above example, they proposed a charging calculation for a DCC User with 1,500,000 MPxNs within a month period:
 - $(49,999 * £0.50) + (450,000 * £0.30) + (500,000 * £0.15) + (500,001 * £0.10) = £284,999.6 / 12 = £23,749.97$ per month
- 158. Other suggestions included bands being based on cost reflective charges and banding based on access to peak time usage.
- 159. Five respondents made up of Other Users and organisations not belonging to a Party category considered that insufficient data had been presented to determine the value or impact of charging options 2-5. They suggested a holistic network optimisation strategy to better manage costs of the DCC before proposing a variety of charging options.

2.11.2. Question 20

160. DCC sought views on the number of bands to set charges.

Q20

What would be a reasonable number of bands to set charges (at least initially)?

Respondent views

161. There were 23 responses to this question.
162. The majority of respondents had no comments, some of which suggested this should be discussed during the Refinement stage of the Modification Process.
163. Six respondents all agreed that a minimum of three and a maximum of five bands would be suitable. One respondent considered the number of bands needed to be sufficiently small to discourage operational impact when transitioning. Another respondent disagreed with charging bands being set for Electricity Network Operators or DCC User categories that have critical network requirements e.g. services supporting customers with smart meters using pre-payment functionality.
164. One respondent noted the complexity of the different banding options is increased the more variables are introduced, which in turn could destabilise the charging process.
165. One respondent advised the number of bands can only be determined once it has been costed out fully for all MPxN volumes and Service User roles. However, referring to their proposed approach at question 19 above, they further considered it should permit any number of bands provided the costs are calculated by DCC at each maximum volume of MPxNs associated with the band.

2.11.3. Question 21

166. DCC sought views on how to determine the differential of charges between bands.

Q21

How should the differential of charges between bands be determined?

Respondent views

167. There were 19 responses to this question.
168. Two respondents suggested the differential should be based on volume. They suggested the differential should be based on DCC network impact, particularly on peak network capacity. They also noted DCC needed to be mindful of the core operational requirements of Suppliers, such as reads during Change of Supply, and to ensure suppliers were not penalised for these types of reads.
169. One respondent considered the differential should correlate with additional network costs but sought more analysis.
170. One respondent suggested that if the focus is on cost recovery, then complex differentials are not needed. However, if the aim is to encourage efficient use, then the impact needs careful consideration.
171. One respondent considered the internal DCC costs should be calculated at each band to determine an appropriate annual price per MPxN, per Service User role.
172. Two respondents agreed with the examples provided at Figure 6 and Table 3 of the RFI.

173. Ten respondents had no comments.

2.11.4. Question 22

174. DCC sought views on its initial assessment of the impact of this charging option.

Q22

Do you agree with our initial assessment of the impact of charging option 3?

Respondent views

175. There were 22 responses to this question.

176. Eight respondents agreed with the initial assessment of charging option 3. Four respondents partially agreed. Their comments included concerns that Option 3 may hinder innovation if the outcome of the bandings was such that those wishing to innovate may not afford it. One respondent raised concern that some Users may also 'game the system'. One Network Operator referring to paragraph 100 of the RFI, noted it was not possible to schedule all of their traffic. Therefore, they considered that DCC should be investing in network expansion regardless of whether it could incentivise Users to allow DCC to schedule a greater volume of Service Requests at times when there is surplus capacity on the DCC network.

177. One respondent noted it was not clear whether charging option 3 represents a fair allocation of costs.

178. Eight respondents did not agree with the initial assessment. One respondent repeated their view that the development of a central data repository, rather than charging reform, should be used to address this issue. One Other SEC Party and two organisations not belonging to a Party category noted that Option 3 would hinder innovation. One respondent whose organisation focuses on enabling access for smaller digital innovators noted this could have a negative impact on them. This is considering they aggregate demand and so they could be penalised with higher pricing per meter, which would disproportionately impact early-stage companies. Another respondent noted innovators would be prevented from being able to scale their solutions.

2.11.5. Question 23

179. DCC sought views on the wider design considerations of option 3.

Q23

Are there any other impacts or design considerations that should be captured under charging option 3?

Respondent views

180. There were 21 responses to this question.

181. Eight respondents made up of a variety of user categories considered that charging option 3 would hinder innovation and brings considerable complexity. Other Users and organisations not belonging to a SEC Party category advised that many users of the DCC network work through intermediaries to access smart meter data. They considered charging option 3 would likely penalise all indirect users (large and small).

182. Two respondents felt there was a lack of consideration given to Network Operators given they are unable to schedule some of their usage due to unplanned events. Therefore, charging with time bands would be inappropriate and impact customer service levels.

183. Eight respondents had no comments, some of which sought more information.

2.11.6. Question 24

184. DCC sought views on the cost impact of charging option 3.

Q24

Do you have any comments on the costs your organisation may incur in implementing charging option 3?

Respondent views

185. There were 24 responses to this question.

186. Six respondents made up of Other Users and organisations not belonging to a SEC Party category noted that consumer costs would likely increase two to five times which would significantly impact users' business models and likely discourage participation. They highlighted the following points:

- Cost of implementation.
- Cost of billing / cost recovery.
- Cost of reconciliation.
- Cost of message errors and failure management.
- Cost of failures of meter compliance.
- Cost of billing disputes.
- Cost of legal.

187. Other respondents provided a range of feedback. Suppliers were unsure on the potential costs they would incur. One noted it would likely require changes to their validation processes, but these were unlikely to be significant. One Network Operator noted the costs could be prohibitive to innovation and use of the DCC network. One respondent also suggested that rising band charges could be a disincentive to larger Users wishing to deliver broader market services to their customers, or the introduction of new smart tariffs and market services.

188. Eight respondents had no comments, one of which felt more analysis needed to be carried out.

2.12. Questions on charging option 4 – fixed and variable charges

2.12.1. Question 25

189. Charging option 4 was to introduce a suite of fixed and variable charges, with the split between these based on the nature of costs incurred by DCC. DCC sought views on its initial assessment of the impact of this charging option.

Q25

Do you agree with our initial assessment of the impact of charging option 4?

Respondent views

190. There were 20 responses to this question.

- 191. Five respondents agreed with the assessment of charging option 4.
- 192. Three respondents partially agreed with the assessment of charging option 4. One Supplier considered that it would require a stable charge per meter to relay to the customer, adding that variable fluctuations in charging per month caused issues for forecasting, recovery and explanation to end customers. One Other SEC Party noted that if the Fixed Charge element is extended to MDRs then there should be offsetting, or disapplication of import/export charges related to the MDR. One respondent noted the complexity of this option posing a risk, adding that it could still hinder innovation. However, they also considered that this option could encourage innovation, with the innovators paying for the additional costs they generate (but not the costs associated with historical decisions) while delivering significant value to the energy system.
- 193. Nine respondents disagreed with the assessment of charging option 4. Four Suppliers raised concerns that this option is overly complex and may negatively impact certain customer segments especially prepayment. One Supplier added that this option must be avoided and noted their obligations to not create a variation in costs for customers who choose to be on a prepayment solution. Another Supplier raised concern that the baseline for capacity is not stable, given the rollout was still underway and the DCC was progressing programmes such as 4G. Two respondents sought more information to assess charging option 4.

2.12.2. Question 26

- 194. DCC sought views on the costs that should be recovered through a standing charge.

Q26

What type of costs do you think should be recovered through the standing charge?

Respondent views

- 195. There were 20 responses to this question.
- 196. Respondents raised a range of comments. Four respondents agreed with the proposed approach of recovering DCC's Internal costs through the standing charge. One respondent raised concerns that DCC was unlikely to have variable costs for several years and the charging model would not change significantly from the current status quo.
- 197. Two Network Operators raised concerns, noting that variable charges deter innovation and the inherent complexity of Option 4.
- 198. Ten respondents had no comments.

2.12.3. Question 27

- 199. DCC sought views on the impacts and design considerations under charging option 4.

Q27

Are there any other impacts or design considerations that should be captured under charging option 4?

Respondent views

- 200. There were 20 responses to this question.
- 201. Three respondents considered option 4 to be too complex, not cost-efficient and required too long of an implementation timeline.

202. Six respondents provided a range of considerations. One organisation not belonging to a category noted option 4 would be detrimental for small innovators as they were cash constrained. They added it would be too burdensome for innovators to monitor usage. Suppliers noted the potentially disproportionate implementation costs and the introduction of a methodology where Users are penalised for sending Service Requests at periods of high network demand when these were outside of their control. They also noted that DCC needed a stable baseline to work from under this option. Therefore, the smart meter rollout, upgrade to 4G and other improvements all needed to be complete so the capacity baseline is measurable and variable costs for marginal capacity can be calculated and charged from that point.
203. Ten respondents had no comments, some sought more information.

2.12.4. Question 28

204. DCC sought views on the costs organisations may incur in implementing charging option 4.

Q28

Do you have any comments on the costs your organisation may incur in implementing charging option 4?

Respondent views

205. There were 23 responses to this question.
206. Eight respondents representing each of the Party categories noted the significantly high implementation and ongoing costs of this solution, including the implementation of internal changes, changes to orchestration and additional resources. As with option 3, they also highlighted the following cost elements for consideration:
- Implementation.
 - Billing / cost recovery.
 - Reconciliation.
 - Message errors and failure management.
 - Failures of meter compliance.
 - Billing disputes.
 - Legal.
207. Other respondents noted the need for a detailed audit trail and transparency of what had been charged in order to validate and reconcile costs.
208. One respondent noted paragraph 123 of the RFI referring to 'reflecting the unit cost of sending one message'. They highlighted they had not seen the element of DCC overall costs that would be reflected in this to be able to understand the impact it might have.
209. Ten respondents had no comments, some of which sought more information.

2.13. Questions on charging option 5 – granular variable charges

2.13.1. Question 29

210. Charging option 5 was to recover DCC's costs entirely through variable charges based on the volume of Service Requests made by each User. DCC sought views on its initial assessment of the impact of this charging option.
211. DCC sought views on its initial assessment of the impact of charging option 5.

Q29

Do you agree with our initial assessment of the impact of charging option 5?

Respondent views

212. There were 20 responses to this question.
213. Six respondents agreed with the initial assessment of charging option 5. One respondent partially agreed noting that the maturity of Other User business models was not likely to make this option viable in the short/medium term. However, they also considered that where more mature organisations, such as Network Operators drive significant network demand then it could be considered. One respondent considered that in terms of fair allocation of costs based upon 'use of the system' this option would be the most compliant but would require a regular 'adjustment' mechanism.
214. Eleven respondents raised concerns with the assessment of charging option 5. Other Users and organisations not belonging to a category noted the complexity of this model would significantly outweigh any value it may provide. They considered the high cost per message this option would bring would discourage smaller Users and innovation. Suppliers also noted the complexity of this option and that charges might fluctuate, creating uncertainty in consumer pricing. They also noted the increased risk of manual error and challenges in reconciliation for Suppliers.
215. One respondent considered that given not all Service Requests are equal, they would like to understand how DCC would ensure the right Service Requests got the best associated costs. Another respondent noted option 5 did not define how costs to run the DCC would be recovered and questioned if they would be equitably split in the charge, with any changes included ex-post.

2.13.2. Question 30

216. DCC sought views on the granularity of variable charges.

Q30

Do you agree with our views on the granularity of variable charges? Are there any other characteristics that are important differentiate variable charges on?

Respondent views

217. There were 15 responses to this question.
218. Respondents again noted the complexity of this charging option as well as the risk to prepayment customers being burdened with higher costs. Respondents also advised the charges would require regular review as business processes change, new services are introduced and other factors such as the introduction of Market Wide Half Hourly Settlement (MHHS) and a Centralised Data Repository come into effect.

219. One respondent suggested that different models and outcomes needed to be presented to ensure certain User roles or organisations were not disadvantaged. They also noted that MHHS will drive demand and forecasting, especially from Other Users and needed to be considered.
220. Four respondents had no comments.

2.13.3. Question 31

221. DCC sought views on the approach to calibrating variable charges.

Q31

Do you agree with our proposed approach to calibrating variable charges?

Respondent views

222. There were 19 responses to this question.
223. Four respondents agreed with the DCC's proposed approach to calibrating variable charges. One respondent noted the percentage uplift or reduction should, as far as possible, model the cost implications.
224. Nine respondents did not agree with the approach to calibrating variable charges. Comments received echoed those made at questions 29 and 30, i.e. that this approach would be too complex.
225. One respondent noted there was a need for some form of calibration or normalisation against which transitional sensitivity could be baselined. They considered the alternative was to track all transactions, which might be necessary as new Service Requests were introduced, or system-wide changes triggered different business processes.
226. Four respondents had no comments.

2.13.4. Question 32

227. DCC sought views on the impacts and design considerations for charging option 5.

Q32

Are there any other impacts or design considerations that should be captured under charging option 5?

Respondent views

228. There were 21 responses to this question.
229. Eight respondents echoed previous comments that option 5 would be too complex, not cost-efficient and potentially hinder innovation. They also added fluctuating charges would create uncertainty for the industry. As noted above, one respondent stated that option 5 did not specify how DCC costs would be split across Users. In addition, challenges with cost reconciliations and behaviour changes required further analysis to understand option 5's impact on different user categories.

230. Four respondents made up of Other Users and organisations not belonging to a Party category noted⁸ that at present charging options 2-5 included no indication of DCC cost or wider market impact.
231. Seven respondents had no comments.

2.13.5. Question 33

232. DCC sought views on the costs organisations may incur in implementing charging option 5.

Q33 Do you have any comments on the costs your organisation may incur in implementing charging option 5?

Respondent views

233. There were 22 responses to this question.
234. Three Suppliers raised concerns. One noted they may be able to adapt to variable Service Request costs due to their Supplier duties, and that the system would push them to favour specific customer types. Another Supplier advised that option 5 would be the costliest for it to implement due to the reconciliation required and the need for better optimisation. One Supplier considered that due to the extra validation DCC may need to give longer payment terms, allow for an upfront dispute process and/or the ability to withhold funds.
235. Two Network Operators also raised concerns with the complexity of option 5 and the additional resources required to implement the changes.
236. Other Users and non-SEC Parties considered the total market cost of implementing and operating charging option 5 was likely to be multiple factors of the cost for DCC to implement option 5. One organisation highlighted that option 5 could lead to distorted charges if the charging model or calibration distorted individual User charges. To address this, they considered Users would need to develop their own reconciliation systems to dynamically track and audit charges to avoid errors.
237. 11 respondents had no comments, some of which sought more information.

2.14. Overarching questions (all charging options)

2.14.1. Question 34

238. DCC sought views on the most viable charging model.

Q34 Which charging model do you think is most viable? Please provide reasons for your response and include evidence to support this where possible.

Respondent views

239. There were 34 responses to this question. Where some respondents stated their preferred option in response to other questions in this RFI, their views have been summarised here for completeness.

⁸ This point was also made in response to question 33.

240. Nine respondents stated their preference for option 1 'status quo', the majority of which noted that Smart Meter data repositories already operate within the GB market and create significant reduction in message volume by aggregating requests from multiple organisations to the same meter. They considered that the progression of DP257 provides opportunity for DCC to implement a system wide 'read and store' capability across all User categories.
241. Five respondents, the majority of which were Network Operators, stated their preference for option 2 'rebalancing Fixed Charges across Users'.
242. Four respondents, the majority of which were Suppliers, stated their preference for option 3 'banded Fixed Charges'.
243. 16 respondents advised they had no preference for any of the charging options. Ten of these confirmed they still believe the charging arrangements need to change. Five of the 16 respondents neither stated they felt change was needed or not. However, one respondent highlighted that any review and subsequent changes needs to be conscious of leading to double charges for Users, especially where an Other User or MDR is in place for the given meter. One respondent considered the introduction of a centralised data repository would be their preference rather than a review of the charging arrangements.

2.14.2. Question 35

244. DCC sought views on any other charging models that respondents wished to raise.

Q35

Are there any other charging models that you think should be considered?

Respondent views

245. There were 24 responses to this question.
246. As noted at question 2 above, the DENSZ proposed the Ramsey pricing principle to avoid market distortions. They added that fixed costs should be recovered predominantly from Suppliers or Network Operators on a non-transactional basis. Given Other Users have more elastic demand, any charges they face should reflect the marginal costs they impose on the DCC network.
247. One respondent considered the different types of users – core users (Suppliers, Network Operators) whose usage of the network is mandatory, and non-core users, whose usage of the network is voluntary. The charges paid by core Users should cover the costs in full, while the additional charges to non-core users would provide rebates to core Users. They added the critical core functionality should be locked in for core Users, while the remaining bandwidth can be offered to non-core parties (whose usage is voluntary and not mandated), with charges scaled to encourage usage at non-peak times. The volumetric model for non-core users would reduce the burden of new data-gathering and would allow them to be charged for what they use (differentiated by peak/non-peak).
248. One respondent suggested the creation of a centralised data repository would be their preferred approach. They believed this would address the factors driving DP218. They also offered an alternative approach where Suppliers would bear 100% of DCC's costs as they are viewed as being closer to consumers and are ultimately reimbursed via consumer billing. They noted this approach is supported by the recent government assessment that Suppliers and consumers reap the overwhelming bulk of the benefits related to smart metering.
249. Five respondents made up of Other Users and organisations not belonging to a Party category noted the importance of considering the efficient operation of the network overall, including the practices and behaviours of all users before applying an economic solution.

250. Other respondents either had no additional proposals or stated their preference for one of the existing proposed charging options.

2.14.3. Question 36

251. DCC sought views on how the uncertainty of future demand affects the attractiveness of the proposed charging models.

Q36

In your view, how does uncertainty about future demand affect the attractiveness of the proposed charging models?

Respondent views

252. There were 23 responses to this question.

253. Five respondents made up of Other Users and organisations not belonging to a Party category flagged the need to consider how the uncertainty of cost affects the attractiveness of using the DCC. They noted uncertainty would discourage many who wish to use the smart metering network in the fight against climate change and high energy bills.

254. Respondents noted that uncertainty around future demand underlines the importance of flexibility for proposed charging models. They considered that defining DCC's Core Services and how DCC should treat different Users of those Services should allow DCC to remove some of the uncertainty in the future demand. Some respondents also noted that there should be a process for which DCC regularly reviews usage, trends and known innovation.

255. One respondent considered that charging options 1 and 2, both of which use weighting factors, are most sensitive to uncertainty on future demand. However, they also suggested flexibility to adjust them each year to help mitigate this. In contrast to this, one respondent believed that charging option 2 would remove uncertainty in relation to future demand.

256. Five respondents had no comments.

2.14.4. Question 37

257. DCC sought views on the timing for reform implementation.

Q37

Do you have any comments on the timing for reform implementation?

Respondent views

258. There were 22 responses to this question.

259. Nine respondents noted it is too soon to be considering charging reforms. One respondent suggested waiting until the smart meter rollout had completed whilst another suggested reviewing once the rollout had reached 80%.

260. Four respondents advised the reforms should be implemented as soon as possible with one noting the current charging regime was inequitable.

261. One respondent advised that agreeing a minded-to position by the end of 2024 should be achievable, but the actual implementation of any reform is entirely unknown.

262. One respondent noted the sequencing of the charging options and suggested that option 2 be implemented first with charging option 3 being implemented after it.
263. One respondent considered implementation timescales are dependent upon the charging option selected.
264. Six respondents had no comments.

2.14.5. DCC response – Questions 13 to 37

265. In line with the responses seen to other questions, it is evident there is no consensus amongst respondents on what charging model should be adopted. There were many comments cautioning about the need for DCC to be mindful of the uncertainty around future demand as well as the need to support nascent business models and the impact of the introduction of data repositories.
266. Based on the above, it is clear that any charging change introduced by DCC must be sufficiently flexible to adapt to changes in the market. Equally, large scale reforms introduced over short time horizons run the risk of disrupting business models, and potentially becoming misaligned with wider changes in demand and smart meter infrastructure changes.
267. The next steps for this review are set out in the following section.

3. DCC response and next steps

268. We are grateful to all respondents to this RFI. We received a diverse range of views on the charging options presented and are carefully considering all the points raised. We have noted areas where stakeholders have asked for more detail or analysis and are progressing work in these areas. Analytical support is being provided by Frontier Economics to assess the impacts of any changes both on the DCC itself and on wider market participants.
269. A follow-on consultation will be published later this year, setting out more developed options for a way forward, and seeking feedback. DCC, working with SECAS, will continue to provide updates on progress to industry.
270. Any conclusions drawn from the second consultation will need to be assessed by Ofgem who will deem if they are appropriate. Depending on what recommendations are made, it may or may not be necessary to introduce SEC modifications. The next consultation document will advise on implementation considerations.

4. Attachments

271. This document contains one attachment:
- **Attachment 1:** Non-confidential RFI responses

Appendix A – Consultation respondents

This table presents a list of the organisations who responded to this RFI and their organisation category. Three organisations submitted their responses marked as confidential. They have not been listed here.

| Respondent organisation | Respondent category |
|---|---------------------------|
| BUUK Infrastructure | Electricity Network Party |
| Cadent Gas | Gas Network Party |
| Centrica | Large Supplier |
| Chameleon Technology Ltd | Other SEC Party |
| Corona Energy | Small Supplier |
| The Department for Energy Security and Net Zero | Government department |
| E (Gas and Electricity) | Small Supplier |
| EDF | Large Supplier |
| ElectraLink | Other SEC Party |
| Electricity North West Limited | Electricity Network Party |
| E.ON | Large Supplier |
| Equiwatt | Other |
| Energy and Utilities Alliance (EUA) | Other SEC Party |
| I&C Shippers and Suppliers (ICoSS) | Other |
| MetaEnergy | Other |
| N3rgy | Other User |
| National Grid Electricity Distribution | Electricity Network Party |
| Northern Gas Networks Ltd | Gas Network Party |
| Northern Powergrid | Electricity Network Party |
| Octopus Energy | Large Supplier |
| Openvolt | Other |

| | |
|--|---------------------------|
| Orange Power | Other |
| OVO Energy | Large Supplier |
| Scottish Power Energy Retail Limited | Combined Supplier |
| SMS PLC & Group Companies | Other User |
| Scottish Power Energy Networks | Electricity Network Party |
| Scottish & Southern Electricity Networks | Electricity Network Party |
| Stark | Other SEC Party |
| Trust Power Limited | Other |
| UK Power Networks | Electricity Network Party |
| Utilita Energy | Large Supplier |