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Paper Reference:	CTG_14_0804_05
Action:	For Decision

DESNZ Consultation – Further Engagement on Cost Recovery Arrangements and Legal Changes (for CH Exchange Only)

1. Purpose

This paper provides CTG with a brief overview of the conclusions document and further consultation issued by DESNZ regarding arrangements for the recovery of Communication Hub (CH) exchange only site visit costs and legal changes to SEC and DCC Licence. The CTG is requested to note the summary and agree that individual SEC Parties are best placed to respond to the further consultation questions contained in Annex 1 of this paper.

A copy of the DESNZ conclusions document and further consultation may be found [here](#). The consultation closes 12 April 2024.

2. Background

DESNZ issued a consultation in July 2023, seeking views on 4G Communications Hub Only Exchange Activity Financing, options for funding site visit costs, the cost benchmarking approach, and the method by which costs can be recovered. A response to the consultation was issued by DESNZ on 29 February 2024, setting out its decisions and raising further questions on its minded to proposals for the recovery of site visit costs.

3. Confirmed Positions

DESNZ have confirmed that,

- it will require DCC to provide centralised funding for 4G CH replacement visits only. An ex-Post mechanism will be established to facilitate reimbursement of Suppliers on completion of a successful 4G CH exchange.
- jointly with Ofgem, DESNZ will establish an initial methodology for calculating the centralised price. DESNZ and Ofgem will set the initial centralised price and undertake subsequent

annual reviews. The initial methodology for calculating the centralised price, including the details of how annual reviews will be performed, will be subject to a joint DESNZ and Ofgem consultation planned for summer 2024.

- a decision on the cost elements to be included in the centralised price calculation will be deferred to later in 2024, following consultation on the cost benchmarking methodology and indicative centralised price.

4. Further Consultation

DESNZ are further consulting on its minded to position to recover costs via DCC Fixed Charges on a GB-wide basis. The proposals to facilitate centralised funding require amending the DCC Licence and the main body of the Smart Energy Code (SEC) to support this.

The consultation raises three questions; agreement with the minded to position for cost recovery, proposals that in certain circumstances, Suppliers update the Smart Meter Inventory prior to replacing the CH and comments on the legal text. The full questions are set out in Annex 1 to this paper.

On review SECAS believe that, given the nature of the DESNZ questions, individual SEC Parties are best placed to provide their views to the consultation questions, and that no CTG response is currently planned. However, at the SEC Panel meeting 26 March 24 (SECP_126) a request was made for CTG to consider this and agree that a response from CTG is not required.

5. Recommendations

The CTG is requested to:

- **NOTE** the summary provided and
- Discuss and **AGREE** that a CTG response to the further consultation questions contained in Annex 1 of this paper **is not required**.

Tim Newton

SECAS Team

02 April 2024

Attachments – Annex 1 – Further Consultation Questions

Annex 1 Further Consultation Questions

1. *Do you agree with our minded to position that costs associated with the provision of the Communications Hub Replacement Reimbursement Service should be recovered via DCC Fixed Charges on a GB-wide basis?*
2. *Do you have any views on our proposals that where there are existing installed meters in premises that are not joined to the existing Communications Hub Function, Supplier Parties should seek to update the Smart Metering Inventory (SMI) Status of these devices to “Installed Not Commissioned” prior to replacing the Communications Hub in order that DCC does not think these meters have been installed as part of the site visit?*
3. *Do you have any comments on the legal drafting for the DCC Licence and the main-body of the SEC in Annexes A.1 and A.2?*