Data Communications Company

frontier economics

DP218 'Review of the SEC Charging Methodology'

RFI presentation for DCC customers

23 May 2024

Data Communications Company

Introduction

Recap

- In late April, we launched a review of the SEC charging Methodology with a Request for Information (RFI).

- The RFI is a first step in a consultation that will run over the course of 2024 to examine the impacts of changes to DCC's charging approach. We welcome views from a wide range of stakeholders, including (but not limited to) DCC users, Ofgem and DESNZ. The deadline to submit responses is 25 June 2024.

- This webinar is an opportunity to provide clarifications on the questions underpinning the RFI, specifically on:
  - The cross-cutting issues presented in Chapter 2
  - The design questions relating to each of the charging options presented in Chapter 3
  - The process and timelines presented in Chapter 4

- Our overriding aim is to ensure that any changes made to the way DCC charges are robust, evidence based and fully account for industry perspectives, across all user categories.

The RFI document has 4 chapters and aims to collect insights from respondents on key issues to guide the decision-making process

Chapter 1	Chapter 2	Chapter 3	Chapter 4
Context and case for change	Cross cutting issues	Overview of Charging Models Under Consideration	Next steps
2 questions	*10 questions*	*25 questions*	

5 candidate charging options, including the status quo

We will review all responses to the RFI and take insights into account when further developing and evaluating each of the charging options under review.

We have set out key guiding principles for our review

Deliver **stable** and **transparent** charges

Be **consistent** with approaches taken in other regulated markets and aligned with competition law and the DCC licence.

DCC charges

Be **simple** and **practical** to implement

Fully account for **distributional and competitive impacts** across DCC user categories

Not be based on **an explicit charge for data**.

DCC's charges must also meet a number of policy objectives

Policy objectives under the SEC

- **UNIFORM CHARGING** *across Great-Britain*
- **METERING TECHNOLOGY 'NEUTRALITY'**
- Facilitate ***competition in the supply of energy***
- Do not ***restrict, distort or prevent competition*** in the supply of ***energy metering*** and ***energy efficiency services***
- ***Facilitate innovation***
- Do ***not disincentivise roll-out*** by suppliers
- As far as reasonably practicable, ***cost-reflective*** and ***non-discriminatory***

The aim of this review is to ensure that our charging methodology leads to **open and economical access to the network.**

We will carefully weigh up potential **benefits** against **costs** and knock-on effects that might discourage **innovation or constrain network growth**.

Source: sections C1.3 to C1.7 of the Smart Energy Code

DCC Public

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Charging options under review and design questions

Chapter 2 of the RFI sets out the cross-cutting issues to consider as part of the review

Section 2.1

Scope of charges under review

- Fixed Charges
- Explicit charges
- Communication Hub charges
- Alt Han charges

Section 2.2

General design considerations

- Uniform pricing
- Materiality threshold to support small innovators
- Impact of 'Read and Store' capabilities
- Revenue recovery
- The basis for fixed charges

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Some of the charging options are based on setting fixed charges

It is currently not straightforward to charge all users on a per-meter basis

User roles	Number of Mandated Smart Meters (millions)	Contribution to traffic (2026 projections)	Fixed charge per meter
Electricity Import Suppliers	31m	48%	✓
Gas Import Suppliers	24m		✓
Export suppliers	-		✓
Electricity Distribution Operators	31m	29%	✓
Other Users	?	13%	✗
MDRs	?	10%	✗

There are alternatives to 'per meter' charges that we propose to explore further as part of this consultation

Charging on a per-user basis

For each user group, the fixed charge is determined by dividing allocated allowed revenue by the number of users in each group

Charging on a volumetric basis ('semi fixed' charge)

A fixed charge is set for, say, every 5,000 service requests sent by a user

Others?

We welcome stakeholders' views on potential alternatives

- *Q5."In your view, what would be a* ***suitable metric*** *to set charges for different User Categories?"*
- *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?"*

Chapter 3 provides a description of how each charging option *could* work and how they may impact users and DCC

1. Status quo

2. Rebalance fixed charges across user groups

3. Banded fixed charges

4. Fixed + variable charges

5. Granular variable charges

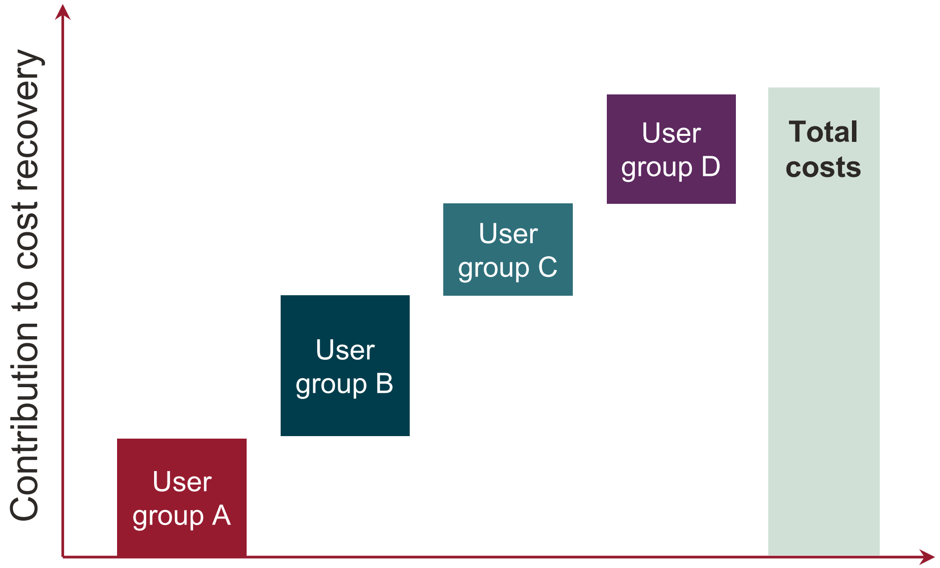
Benefits (e.g. reduced network costs) vs implementation costs

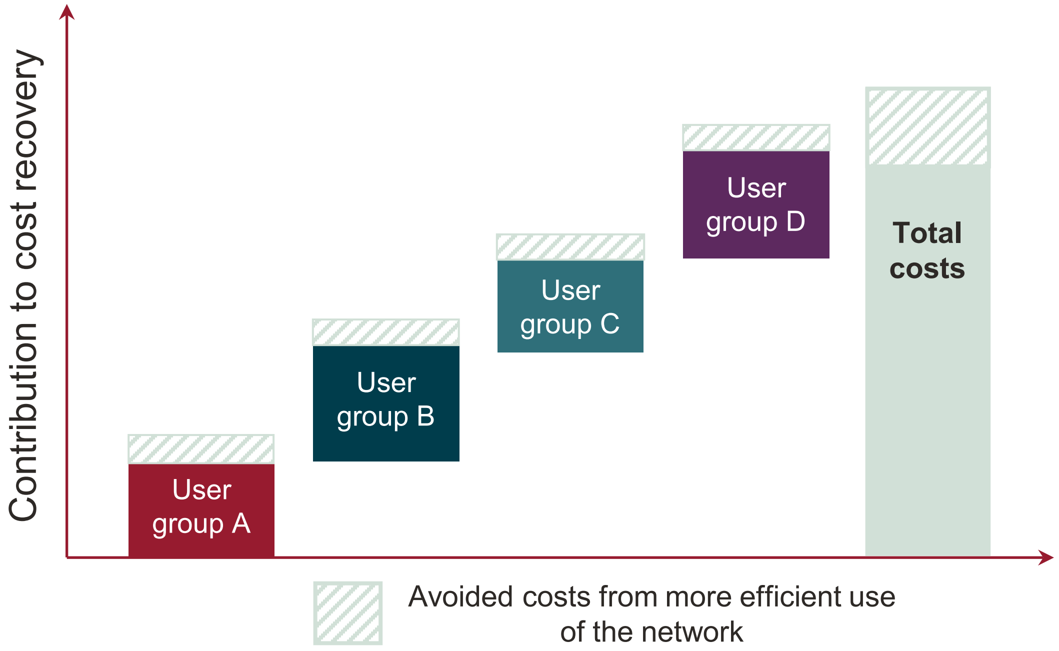
Assessment of distributional impact across users

Stakeholders' views will be a key part of the assessment

Each charging option will redistribute costs across users in a different way

The alternative charging options have specific properties and will shift the incidence of who pays to better reflect users' contribution to costs





Such cost transfer will not lead to 'double-charging' and could reduce costs if designed appropriately.

Careful considerations must also be given so costs are allocated in a way that does not create distortions

Next steps

The consultation will be carried out over stages – enabling us summarise and share insights with Ofgem

01	02	03	04	05
March 2024	April – May 2024	June – September 2024	September – November 2024	November – December 2024
Prepare Request for Information ■ Prepare RFI document	**Run Request for Information** ■ 8 weeks for stakeholders to respond to the RFI ■ Mid-point webinar	**Prepare Refinement Consultation** ■ DCC to assess RFI responses ■ Prepare Refinement Consultation document based on feedback	**Run Refinement Consultation** ■ 8 weeks for stakeholders to respond to the Refinement Consultation ■ Up to 3 consultation webinars	**Consultation analysis and implementation planning** ■ DCC to assess consultation responses ■ DCC and SECAS to determine next steps

Touch-points with stakeholders

RFI webinar

DP218 WG update

Consultation webinars

Ofgem and DESNZ engagement

Frontier Economics' support throughout this consultation phase

DCC Public

We want to consult as widely as possible and gather your views

Evidence-based decision making

Future decisions will need to be supported by a strong evidence base. Consultation will help inform how different users might be impacted

Broad representation

All existing and future DCC users are part of and have a voice in the process, with clear channels through which we can gather all stakeholder insights and will reach out to find and engage with your SMEs.

Clear timeline and process

We will agree and communicate the process through which stakeholders can help shape and input into this process.

Thank you for your attention

Q&A

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