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MP263

‘Improving transparency of DCC indicative costs’

Modification Report

Version 1.0

21 August 2024



About this document

This document is a Modification Report. It currently sets out the background, issue, solution, impacts, costs, implementation approach and progression timetable for this modification, along with any relevant discussions, views and conclusions.

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This document also has three annexes:

- **Annex A** contains the business requirements for the solution.
- **Annex B** contains the redlined changes to the Smart Energy Code (SEC) required to deliver the Proposed Solution.
- **Annex C** contains the Refinement Consultation responses.

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1. Summary

This proposal has been raised by Rochelle Harrison from Centrica.

The Data Communications Company (DCC) is required to publish indicative Charging Statements and budgets each quarter, setting out its indicative view of the Charges due by Smart Energy Code (SEC) Parties across the upcoming Regulatory Years. This information needs to be able to allow SEC Parties to estimate the Service Charges they would need to pay for the DCC's Mandatory Business Services under the SEC.

The Proposer considers that the requirements do not go far enough in helping SEC Parties understand the costs underlying the DCC's Charging Statement and budgets. They believe additional information is required to support SEC Parties in reviewing Charges. They note the SEC does not outline the details the DCC needs to provide, and there would be benefit in it specifying the minimum required information that SEC Parties may reasonably require.

The Proposed Solution would introduce further requirements in SEC Section J 'Charges' for the DCC to include within the indicative Charging Statements and budgets.

DCC Users would be positively impacted by this modification as the additional information would provide further transparency and clarity of Charges. The costs would be limited to Smart Energy Code Administrator and Secretariat (SECAS) time and effort. This is a Self-Governance Modification, with text-only changes to the SEC. If approved, it will be implemented in the November 2024 release.

2. Issue

What are the current arrangements?

Each SEC Party is required to pay the Charges to the DCC. These Charges are determined in accordance with the Charging Statement created by the DCC under Condition 19 of the Smart Meter Communication Licence. The Charging Statement must be compliant with the Charging Methodology required under the Smart Meter Communication Licence Condition 18¹ and contained in SEC Section K 'Charging Methodology'.

One of the requirements for the Charging statement is that it needs to be able to allow SEC Parties to estimate the Service Charges they would need to pay for Mandatory Business Services under the SEC (Smart Meter Communication Licence Condition 19.1(b²)). Smart Meter Communication Licence Condition 19.4(c) further specifies that the Charging Statements provided by the DCC are to:

"be presented in such form and with such detail as will enable any SEC Party, or any other person entitled to receive Mandatory Business Services, to make a reasonable estimate of the Service Charges that he would be liable to pay under an Agreement for Services entered into with the Licensee under or pursuant to Condition 17 (Requirements for the provision of Services)"

Part of SEC Section J 'Payment of Charges' requires the DCC to publish each quarter an indicative view of the Charges due in the next Regulatory Year (SEC Section J4.3), and the budget for the subsequent two Regulatory Years (SEC Section J4.4). These are based on the information available

¹ [Smart Meter Communication License \(smartdcc.co.uk\)](https://smartdcc.co.uk) – Charging Methodology for Service Charges

² [Smart Meter Communication License \(smartdcc.co.uk\)](https://smartdcc.co.uk) – Charging Methodology for Service Charges

to the DCC at the start of the month of publication. SEC Section J4.5 further specifies the revenue values that need to be included in the indicative budget.

What is the issue?

The Proposer considers that neither the Licence nor the SEC goes far enough in helping SEC Parties understand the costs underlying the DCC's Charging Statement and budgets. Although the Smart Meter Communication Licence requires the DCC to provide enough detail for Parties to be able to reasonably estimate their Charges, neither it nor the SEC sets out what such detail may consist of.

In addition, the Charging Methodology in SEC Section K was written in the early stages of the smart meter rollout when the DCC had only a single programme. Since then, the DCC has been required to undertake numerous other programmes, as well as SEC Releases, but the requirements in SEC Sections J and K have not kept up with this.

The Proposer believes that the breakdown of costs and Charges provided by DCC needs to be improved. They consider that the SEC needs to provide more detail of the information that SEC Parties need to be able to estimate their Charges.

The Proposer also notes that the DCC does not generally republish an indicative statement should an error be found and subsequently acknowledged. They are concerned this results in different SEC Parties having different information, if not all SEC Parties are aware of any corrections.

What is the impact this is having?

The Proposer believes that this issue is detrimentally impacting SEC Parties due to the time and effort required to source the additional information they need to be able to effectively estimate their Service Charges. Not having this information may also detrimentally affect SEC Parties' ability to monitor and scrutinise the DCC's costs.

Impact on consumers

This issue does not directly impact consumers. The Proposer considers consumers may not receive the best value for money if SEC Parties are not able to effectively estimate their Charges.

3. Solution

Proposed Solution

In addition to the information already provided by the DCC, the Proposer considers the following is needed:

- Any assumptions made by the DCC around inflation.
- The total volume of Communications Hubs installed to date and the number expected to be installed across the industry.
- An explanation of why any costs or Charges have changed from the previous indicative statement.
- A reference to any new projects or programmes included in the statement.

- An acknowledgement of any errors and re-upload of corrected indicative Charging Statements and budgets within five working days of noticing the error.

The legal text to implement these changes can be found in Annex B.

4. Impacts

This section summarises the impacts that would arise from the implementation of this modification.

SEC Parties

SEC Party Categories impacted			
✓	Large Suppliers	✓	Small Suppliers
✓	Electricity Network Operators	✓	Gas Network Operators
	Other SEC Parties	✓	DCC

SEC Parties would be positively impacted by this modification as the Proposed Solution would enhance the transparency of Charges and allow Parties to better estimate and understand their own Charges. It would also give SEC Parties an opportunity to scrutinise Charges further.

The DCC would be impacted by this modification as further information would be included in the indicative Charging Statements. However, the additional data being requested is already used to generate the data within the statements so the impact should be low.

DCC Systems

DCC System changes

This modification does not require any DCC System Changes.

DCC System traffic

This modification will have no impact on DCC System traffic.

SEC and subsidiary documents

The following parts of the SEC will be impacted:

- Section J 'Charges'

The changes to the SEC required to deliver the Proposed Solution can be found in Annex B.

Devices

This modification does not impact Devices.

Consumers

This modification does not impact consumers.

Other industry Codes

This modification does not impact other industry Codes.

Greenhouse gas emissions

This modification does not impact greenhouse gas emissions.

5. Costs

DCC costs

There are no DCC costs associated with this modification.

SECAS costs

The estimated SECAS implementation cost to implement this as a stand-alone modification is one day of effort, amounting to approximately £600. This cost will be reassessed when combining this modification in a scheduled SEC Release. The activities needed to be undertaken for this are:

- Updating the SEC and releasing the new version to the industry.

SEC Party costs

There are no SEC Party costs associated with this modification. However, the Refinement Consultation highlighted that the additional information required may help reduce the time and resources currently required to obtain the relevant information.

6. Implementation approach

Recommended implementation approach

SECAS is recommending an implementation date of:

- **7 November 2024** (November 2024 SEC Release) if a decision to approve is received on or before 24 October 2024.
- **27 February 2025** (February 2025 SEC Release) if a decision to approve is received after 25 October 2024 but before 13 February 2025.

The Proposed Solution would benefit Parties' own ability to estimate their Charges. It is recommended that the modification is targeted for the next scheduled SEC Release as there are no System impacts on the DCC or SEC Parties.

7. Assessment of the proposal

Areas for assessment

Sub-Committee input

SECAS has engaged with the Chairs from the Operations Group (OPSG), the Technical Architecture and Business Architecture Sub-Committee (TABASC), the Security Sub-Committee (SSC) and the Smart Metering Key Infrastructure Policy Management Authority (SMKI PMA) to confirm what input is required from these forums. SECAS believes the following Sub-Committees will need to provide the following input to this modification:

Sub-Committee input	
Sub-Committee	Input sought
OPSG	No input required
SMKI PMA	No input required
SSC	No input required
TABASC	No input required

Observations on the issue

The Proposer considers that the SEC currently does not specify in sufficient detail the information the DCC needs to provide in its indicative Charging Statements and budgets.

The Proposer believes that this issue is detrimentally impacting SEC Parties due to the time and effort required to source the additional information they need to be able to effectively estimate their Service Charges.

The DCC provides a range of reporting on its costs to Ofgem and to forums such as the DCC Quarterly Finance Forum (QFF). The Proposer believes this current approach leads to inconsistent data provision and wishes it to be formalised. Any solution should seek to re-use existing reporting as much as possible, rather than create new reports, to improve efficiency.

Solution development

Indicative Charging Statements information

As part of the solution, the Proposer included further information that would be beneficial to include in the Charging Statements. The additional information would allow for more transparency of cost as well as be more time-efficient for both SEC Parties and the DCC.

Assumptions made around inflation

The inclusion of any assumptions made around inflation for each Regulatory Year would allow SEC Parties the ability to mitigate any discrepancies when calculating their Service Charges, as the inflation figures would be the same as the DCC's.

During the July 2024 Working Group, the DCC raised concerns around the wording of the legal text. Instead, the DCC would include actual rates used when calculating the statements. This was approved by the July 2024 Working Group.

Communication Hubs volumes on Charging Statements

As part of further information that would be included in the indicative Charging Statements and budgets, the volumes of Communication Hubs (installed and predicted to be installed) should be included, along with any changes to the Communication Hubs rental costs – for example, United States Dollar (USD)/Great British Pound (GBP) exchange rate assumptions.

Changes to the indicative Charging Statements and budgets

Changes to the indicative Charging Statements and budgets will be included in two ways as part of the requirements.

The first will look at identifying changes between the current statements and the previous ones. Where any changes were made, these should be specifically called to attention, or, if there are no changes this should also be specified.

The second will look at acknowledging and republishing an indicative statement where an error is identified ahead of the DCC QFF. In these instances, the DCC should take steps to release the corrected statement to ensure uniform information is provided across to SEC Parties.

Large Projects

As part of the requirements, the DCC will offer indicative information on large projects that are currently run by the company. The definition of what constitutes a 'large project' will require further discussion.

The DCC are required, under Smart Meter Communication License Condition 16.6 to report all programmes that fall within the scope of Relevant Service Capability³.

The Programme Assurance Policy (PAP) was introduced by [MP167B 'Review of SEC documents \(DCC Internal Systems change governance\)'](#). This specifies the appropriate governance for any DCC projects that will impact DCC Users. These projects and associated impacts to DCC Users will naturally differ and therefore the PAP does differentiate the appropriate governance dependent on the size of the project. Currently, it is not defined how the different sizes of projects are determined. To ensure the inclusion of suitable projects and programmes within this modification, the legal text was expanded to reference this document, in case of any projects that reach a certain size that do not fall under Smart Meter Communication License Condition 16.6.

³ [Smart Meter Communication Licence \(smartdcc.co.uk\)](#) – General Arrangements for Services
Managed by

The specific terminology will be defined and consulted upon as part of the ongoing development of the PAP.

The modification was presented to the July 2024 Working Group for SEC Parties to agree what further information may be reasonably required from the DCC to support with reviewing their Charges and how this can be captured within the SEC. The Working Group did not request any additional data items to be included.

The DCC highlighted that the DCC QFF had recently delivered changes to their Terms of Reference (ToR) to include more information on projects and programmes. The benefit of delivering the information to the DCC QFF allows them to share more commercial information due to attendees signing a Non-Disclosure Agreement (NDA). They highlighted that they would not be able to share the same level of commercial information in a public document. The Working Group expressed reservations about restricting the information to the ToR, as this could be changed without input from Parties. The DCC reassured that this was not the intention, as the aim would be to provide an enhanced service, as opposed to a restricted one.

Following the July 2024 Working Group, the DCC and the Proposer agreed for this to remain part of the ToR, and not included in the SEC.

Detailing Expenditure

The DCC commented during the July 2024 Working Group that previous statements have always looked forward, but this new requirement would need DCC to detail costs that had not yet been through the Price Control mechanism and therefore are subject to change. They thought this could create more confusion as data would invariably change through this process and suggested sharing through the QFF would be more advantageous.

The DCC also noted that if these changes were desired in the SEC, then Ofgem should make the final decision. They commented that there is a wider review of the Smart Meter Communication Licence and reporting requirements, and these may overlap.

A Working Group member considered that would likely delay the modification being implemented but agreed it might be appropriate. SECAS agreed to consider this with the Proposer and the DCC.

Another Working Group member noted the confusion in DCC QFF from the initial set of Charging Statements excludes expenditure which isn't approved by Ofgem and subsequently changes. They also noted changes between the inclusion or change of projects can lead to wide differences, making comparisons difficult.

The DCC noted they were keen to address these points within the DCC QFF and was happy to work with industry and Ofgem on this.

8. Case for change

Business case

The Proposer highlighted that additional resource is required of SEC Parties when trying to understand the indicative Charging Statements and budgets, which is likely not the most effective way of obtaining information.

This modification should incur no costs from SEC Parties and will provide benefit by way of reduced resourcing to those who need further information to accurately interpret and estimate these Charges.

Views against the General SEC Objectives

Proposer's views

The Proposer believes this Modification Proposal will better facilitate SEC objective (g)⁴ as it will provide further transparency as to how the DCC estimate their Charges.

Industry views

The majority of the Refinement Consultation respondents believed the Modification Proposal will better facilitate SEC objective (g), agreeing it would provide further transparency on DCC estimated Charges.

One respondent believed the Modification Proposal will better facilitate SEC objective (b)⁵ as the charge transparency would allow the DCC to comply with their own DCC License more effectively.

Views against the consumer areas

Improved safety and reliability

This modification will have a neutral impact on this area.

Lower bills than would otherwise be the case

This modification will have a neutral impact on this area.

Reduced environmental damage

This modification will have a neutral impact on this area.

Improved quality of service

This modification will have a neutral impact on this area.

Benefits for society as a whole

This modification will have a neutral impact on this area.

⁴ facilitate the efficient and transparent administration and implementation of the SEC.

⁵ enable the DCC to comply at all times with the General Objectives of the DCC (as defined in the DCC Licence), and to efficiently discharge the other obligations imposed upon it by the DCC Licence.

Appendix 1: Progression timetable

Timetable	
Event/Action	Date
Draft Proposal raised	24 Jan 2024
Presented to CSC for initial comment	20 Feb 2024
CSC converts Draft Proposal to Modification Proposal	20 Feb 2024
Business requirements developed with Proposer and DCC	Feb – Mar 2024
Modification discussed with Working Group	6 Mar 2024
Refinement Consultation	15 May – 6 June 2024
Modification discussed with Working Group	3 Jul 2024
Modification Report approved by CSC	20 Aug 2024
Modification Report Consultation	21 Aug – 12 Sept 2024
Change Board Vote	25 Sept 2024

Italics denote planned events that could be subject to change

Appendix 2: Glossary

This table lists all the acronyms used in this document and the full term they are an abbreviation for.

Glossary	
Acronym	Full term
CSC	Change Sub-Committee
DCC	Data Communications Company
GBP	Great British Pound
NDA	Non-Disclosure Agreement
OPSG	Operations Group
PAP	Programme Assurance Policy
QFF	Quarterly Finance Forum
SEC	Smart Energy Code
SECAS	Smart Energy Code Administrator and Secretariat
SMKI PMA	Smart Metering Key Infrastructure Policy Management Authority
SSC	Security Sub-Committee
TABASC	Technical Architecture and Business Architecture Sub-Committee
ToR	Terms of Reference
USD	United States Dollar