

# MP162 – - SEC changes required to deliver MHHS (Market-wide Half Hourly Settlements)

## Question about Charge Allocations

# Introduction

## How are costs for SEC Modifications recovered?

The breakdown of fixed costs (of which MHHS/SEC Mods are a part) are set out in the DCC Charging Statement, on the DCC website:

<https://www.smartdcc.co.uk/about-dcc/governance-regulations/charges/>

Charging Methodology is defined in the SEC, Section K, K CHARGING METHODOLOGY

## Charging Types

There are three key types of fixed charges:

- Fixed Charge
- Fixed CH Charge
- Fixed Alt HAN Charge

plus

Explicit Charges and Elective Charges

## Charging Groups (all for Fixed Charges)

Import Suppliers (Charging Group g1)

Export Suppliers (g2)

Gas Suppliers (g3)

Electricity Distributors (g4)

Gas Transporters (g5)

## Fixed Charge (Section K5) Variables

UITMR; Mandated Smart Metering Systems (MSMS) for Domestic Premises and Enrolled Smart Metering Systems for Non-Domestic Premises

\*During COMR; MSMS for Domestic Premises, and Mandated Non-Domestic Smart Metering Systems for Non-Domestic Premises\*

Post COMR; Enrolled Smart Metering Systems (Domestic and non-Domestic)

Fixed Charges in respect of a Smart Metering System to be set proportionately to the costs and expenses of providing the Services

# Fixed Charges Highlights, as given in Section K5

**Charging Group Weighting Factors** set by the DCC based on its estimate of the demand of persons within each Charging Group for each of the Services (other than Elective Communication Services). Once data on usage becomes available the estimates will be determined as the average of the previous two full Regulatory Years of actual data plus the DCC's forecasts for the two Regulatory Years ahead.

**Fixed Charges for each Regulatory Year during UITMR and COMR** using a series of calculations based on:

- (a) the National Fixed Revenue, the Regional Fixed Revenue and the Regional Comms Hub Fixed Revenue for that Year
- (b) an estimate of the number of MSMS, Domestic and non-Domestic Premises at the beginning of that Year
- (c) the Charging Group and CH Charging Group Weighting Factors

**Estimates: Non-Domestic Premises (COMR Period)**

- (a) the DCC must estimate the aggregate number of Mandated Non-Domestic SMS as at the beginning of that Year
- (b) the DCC must estimate the number of persons in each Charging Group for such Mandated Non-Domestic SMS
- (c) the DCC must break down its estimate by reference to the number of Mandated Non-Domestic SMS in each Region
- (d) estimate each Charging Group and each Region

# Fixed Charge for April 2023 (Indicative Charging Statement)

Table 10 sets out the latest estimate of total Domestic Smart (RESMS<sub>grt</sub>) & Non-Domestic (RENSMS<sub>grt</sub>) Metering Systems for April 2023.

DCC overlay some assumptions in relation to the number of persons within each Charging Group in respect of that SMS (see Section 10.1 below). These assumptions are used together with the National and Regional Fixed Revenue and Comms Hub Fixed Revenue in Tables 6, 7 and 8 to determine the monthly Fixed Charges.



| Name                          | Charging Group Weighting Factor | CH Charging Group Weighting Factor | Alt HAN Charging Group Weighting Factor |
|-------------------------------|---------------------------------|------------------------------------|-----------------------------------------|
|                               | (Fixed Charge $\alpha_{gt}$ )   | (Fixed CH Charge $\beta_{gt}$ )    | (Fixed Alt HAN Charge $\gamma_{gt}$ )   |
| g1 - Import Suppliers         | 0.49                            | 0.52                               | 0.50                                    |
| g2 - Export Suppliers         | 0.08                            | 0.09                               | -                                       |
| g3 - Gas Suppliers            | 0.37                            | 0.39                               | 0.50                                    |
| g4 - Electricity Distributors | 0.06                            | -                                  | -                                       |
| g5 - Gas Transporters         | 0.00                            | -                                  | -                                       |

Table 12 – Charging Group Weighting Factors

| Name                          | Total Domestic SMS (RESMS <sub>grt</sub> ) | Total Non-Domestic SMS (RENSMS <sub>grt</sub> ) |
|-------------------------------|--------------------------------------------|-------------------------------------------------|
| g1 - Import Suppliers         | 31,164,695                                 | 1,471,923                                       |
| g2 - Export Suppliers         | -                                          | -                                               |
| g3 - Gas Suppliers            | 24,592,183                                 | 238,502                                         |
| g4 - Electricity Distributors | 31,194,600                                 | 1,532,847                                       |
| g5 - Gas Transporters         | 25,075,206                                 | 718,059                                         |

Table 10 – Total Domestic and Non-Domestic Smart Metering Systems forecast for start of RY2023/24

Charging Group Weighting Factors specify the ratio of costs to be incurred in respect of each Charging Group. These weighting factors were derived using demand and rollout profiles provided by energy suppliers and network operators to government at the bid stage.

# Fixed Charges Summary for April 2023 (Indicative Charging Statement)

DCC publish within the first five working days of April, July, October and January in each year, an indicative Charging Statement for the first regulatory year due to start thereafter

| Acronym                                                 | Name                             | RY2023/24 (£m) |
|---------------------------------------------------------|----------------------------------|----------------|
| NFR <sub>t</sub>                                        | National Fixed Revenue           | 386.5          |
| RFR <sub>rt</sub>                                       | Regional Fixed Revenue (North)   | 65.0           |
| RFR <sub>rt</sub>                                       | Regional Fixed Revenue (Central) | 63.3           |
| RFR <sub>rt</sub>                                       | Regional Fixed Revenue (South)   | 50.7           |
| ...                                                     |                                  |                |
| EFR <sub>t</sub>                                        | Estimated Fixed Revenue          | 724.3          |
| Sub-total used to calculate Fixed Charges for RY2023/24 |                                  | 607.5          |
| Total DCC cost estimate for RY2023/24 <sup>3</sup>      |                                  | 625.4          |

Part of the Estimated Fixed Revenue for RY2023/2024

| Name                          | Total Domestic SMS (REDSMS <sub>grt</sub> ) | Total Non-Domestic SMS (RENSMS <sub>grt</sub> ) |
|-------------------------------|---------------------------------------------|-------------------------------------------------|
| g1 - Import Suppliers         | 31,164,695                                  | 1,471,923                                       |
| g2 - Export Suppliers         | -                                           | -                                               |
| g3 - Gas Suppliers            | 24,592,183                                  | 238,502                                         |
| g4 - Electricity Distributors | 31,194,600                                  | 1,532,847                                       |
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Table 10 – Total Domestic and Non-Domestic Smart Metering Systems forecast for start of RY2023/24

| Charging Group                | Monthly Fixed Charge (£/MSMS) | Monthly Fixed Charge (£/MSMS) |
|-------------------------------|-------------------------------|-------------------------------|
|                               | Domestic                      | Non-Domestic                  |
| g1 - Import Suppliers         | £0.950                        | £0.950                        |
| g2 - Export Suppliers         | £0.156                        | £0.156                        |
| g3 - Gas Suppliers            | £0.717                        | £0.717                        |
| g4 - Electricity Distributors | £0.108                        | £0.108                        |
| g5 - Gas Transporters         | £0.000                        | £0.000                        |

Table 1 – Monthly Fixed Charges by Charging Group for RY2023/24 (excluding VAT)

# How are SEC Modification and Release Costs Calculated?

## When do costs for SEC Modifications and Releases get Calculated?

Forecasts of the overall costs for each Modification go into the annual forecasts for each year. These are based on the Business Plan for each cost group, e.g., all SEC Mods in one year

Actuals go into Charging Statements as the Purchase Orders are completed

## How much will an Individual Modification Cost?

DCC don't publish per Mod costs, but in a forecast, you can Divide the Cost by the Charging Group Weighting, divide by total meter numbers, and multiply by the number of meters that individual org has

## Can a SEC Party work out their overall forecasted costs?

Use the spreadsheet titled "Working Model for RY23/24-Issue 3.0" at <https://www.smartdcc.co.uk/about-dcc/governance-regulations/charges/>

## How often is the Charging Methodology Reviewed?

Next review is April 2024, when rollout is completed, e.g., predicted MSMS becomes enrolled MSMS for example. But basis of Charging Methodology can be completely updated then – see DP218.

Scheduled Go Live for MHHS is June 2024.

# Current Design, Build, and PIT Costs for MP162

| Design   | Build    | PIT      | Total      |
|----------|----------|----------|------------|
| £355,856 | £579,495 | £342,517 | £1,284,101 |

Note: DCC are still challenging these costs  
Functionality is added MDR User (User Role  
plus Switching Interface)