DCP 474 'Application of Smart Meter Communication Licence Costs in the CDCM' Working Group Meeting 03

16 July 2026 – Web-conference

Attendee	Company
Working Group Members	
Ed Grimesy (Proposer)	The Electricity Network Company
Edda Dirks	SSE Generation
Louise Robinson	ESPUG
Ryan Farrell	Northern Powergrid
Alex Lam	NGED
Charles Mott	SSEN
Erik Baguzis	Indigo Networks
Alex Pentecost	Eclipse Power
Ofgem Observer	
Shyam Doraiswamy	Ofgem
Code Administrator	
John Lawton (Chair)	ElectraLink
Dylan Townsend (Technical Secretariat)	ElectraLink
Apologies	
Hollie Wild (Technical Secretariat)	ElectraLink
John Harmer	Waters Wye

1. Administration

Recording

1.1 The Secretariat informed Working Group members that, as per the terms of reference, the meeting would be recorded for the purpose of aiding the Technical Secretary in producing an accurate record of the meeting. The recording will be deleted after no later than 60 days after the meeting.

Apologies

1.2 It was noted that apologies had been received from Hollie Wild (ElectraLink) and John Harmer (Waters Wye)

Terms of Reference and Competition Law Guidance

1.3 The Working Group reviewed the "Competition Law Guidance" and "Terms of Reference". All Working Group members agreed to be bound by the Competition Law Guidance for the duration of the meeting.

Review of the minutes of the last meeting

1.4 The Working Group reviewed the minutes of meeting 02 of the Working Group and it was noted that that no comments were made and the Secretariat confirmed that they would then be treated as a true and accurate record of the meeting.

Updates on actions

1.5 The Secretariat ran the Working Group through the actions log and updates on each action are captured within the action log; this can be found in Appendix 1 of this document.

2. Purpose of the Meeting

2.1 The Chair confirmed that the purpose of the meeting was to conduct a detailed review of the latest draft consultation, consider all outstanding comments received from Working Group members since Meeting 02 and determine whether any further amendments were required before consultation issuance.

3. Review of DCP 474 Draft Consultation

3.1 The Working Group undertook a section-by-section review of the draft consultation document and considered all comments that had been received.

Consultation Timetable

3.2 Members agreed the revised consultation period and associated timetable changes. The Working Group was content that a deadline of 17 August 2026 provided appropriate time for respondents to consider the consultation questions during the summer period.

Recovery of Smart Meter Communication Licence Costs

3.3 The Working Group reviewed amendments made to the explanation of how Smart Meter Communication Licence Costs are currently recovered and the rationale for moving these costs into a dedicated fixed charge adder applicable to aggregated demand customers. Several drafting and formatting amendments were agreed to improve clarity.

3.4 Members discussed the references made to the Data Communications Company (DCC) charging arrangements and the assumptions used in the impact assessment. It was confirmed that the impact assessment utilised the 2027/28 CDCM models, which already included the indicative increase in distributor cost allocation arising from proposed SEC charging methodology changes. Those tariffs had been published in December 2025 and therefore already reflected the assumed increase in DCC cost exposure for DNOs. Additional drafting was agreed to make this point clearer within the consultation document.

3.5 Members noted that the proposal relies heavily on DCC Charging Statement evidence demonstrating that Smart Meter Communication Licence Costs are driven by domestic customers and Profile Class 3 and 4 customers (i.e., small non-domestic customer). The Working Group agreed that a more precise citation should be included within the consultation so consultees can readily identify the relevant DCC evidence without needing to review the entire charging statement.

Action 03/01: The Secretariat to identify and reference the specific sections of the DCC Charging Statement that support the rationale for allocating costs to domestic and Profile Class 3 and 4 customers.

Related MPANs

3.6 The Working Group revisited the decision taken at the previous meeting to remove “related MPANs” from the proposed charging mechanism. The discussion reaffirmed that applying the charge to related MPANs would create a risk of duplicate charging and that retaining the amendment would align the proposal with the treatment adopted under Supplier of Last Resort and Eligible Bad Debt mechanisms.

3.7 One member questioned whether the associated consultation question remained necessary. However, the Chair noted that retaining the question would allow consultees to formally confirm their support for the Working Group's revised approach and demonstrate that industry views had been sought on the change from the original proposal. The Working Group agreed to retain the question.

IDNO Impacts

3.8 The Working Group discussed whether further consideration should be given to IDNO tariff impacts. It was noted that whilst the full impact assessment contained information regarding LDNO tariffs, the summary section of the consultation did not currently provide specific explanatory commentary on IDNO impacts. The Group agreed that this topic would be revisited following further assessment of the modelling outputs.

Impact Assessment and Tariff Analysis

3.9 The Working Group reviewed in detail the draft impact assessment section and the indicative tariff analysis undertaken using the published 2027/28 CDCM models. Members noted that the analysis was intended to be indicative and that a full impact assessment would ultimately be undertaken by CEPA/TNEI as part of the formal modelling update request process. Suggestions were made to improve references to the supporting spreadsheet and to ensure readers could easily identify supporting information.

3.10 A member requested that the assessment be independently reviewed and quality checked to provide additional assurance regarding the modelling outputs.

LPN Modelling Issue

3.11 The Working Group considered concerns regarding apparent tariff errors identified when applying the DCP 474 amendments to the London Power Networks (LPN) model. It was clarified that the published model itself did not contain errors. Rather, the anomalies only appeared when modifications were made within the model for the purposes of producing the impact assessment. Members considered whether excess negative residual values may have contributed to the issue.

3.12 The Working Group acknowledged that it was unclear whether LPN had applied any of the mechanisms available under DCP 450 or other arrangements to manage negative residual issues. Rather than speculate, members agreed it would be preferable to seek clarification directly from LPN.

Action 03/02: The Secretariat to investigate the LPN modelling issue and seek clarification on the treatment of negative residuals and any mitigating measures applied from an LPN representative.

Interaction with IDNO Charging Methodologies

3.13 A significant portion of the discussion focused on the interaction between DCP 474 and the references with Schedule 29 'CALCULATION OF DISCOUNT PERCENTAGES FOR THE PURPOSE OF DETERMINING CERTAIN LDNO USE OF SYSTEM CHARGES UNDER SCHEDULES 16, 17 AND 18' and the corresponding Price Control Disaggregation Model (PCDM). Members noted that Smart Meter Communication Licence Costs are already treated as a distinct cost element within the PCDM and expressed concern that the proposed CDCM changes could unintentionally create double counting or duplicate recovery mechanisms.

3.14 It was observed that DCP 395 'Allocation of Smart Meter Communication Licence costs within LDNO Tariffs' was the DCUSA change that introduced arrangements to allocate Smart Meter Communication Licence Costs more appropriately within LDNO tariffs, creating a potential interaction with DCP 474. Members questioned whether the proposed fixed adder should apply to both All-The-Way tariffs and LDNO tariffs, or whether recovery should occur solely through All-The-Way tariffs to avoid LDNOs effectively paying twice for the same costs.

3.15 Given the complexity of the issue and uncertainty surrounding the operation of the charging models, the Working Group agreed that expert input would be beneficial. The Secretariat advised members that the DCUSA modelling support consultants (CEPA/TNEI) have two services which may be of use to the Working Group being: attendance at a meeting of the Working Group; and written advice in response to a written query. The Working Group agreed that it would be useful to have a discussion with CEPA/TNEI and requested the Secretariat check their availability.

Action 03/03: Secretariat to contact CEPA/TNEI and arrange expert engagement on CDCM/PCDM interactions, LDNO impacts and treatment of Smart Meter Communication Licence Costs.

Impact Assessment Narrative

3.16 The Working Group discussed how best to explain the tariff impacts shown in the impact assessment. Particular attention was given to the finding that some aggregated customer categories experienced reductions rather than increases despite becoming directly responsible for the Smart Meter Communication Licence Costs.

3.17 Members agreed that the consultation should explain the impact in two stages:

- Removal of Smart Meter Communication Licence Costs from residual charging would reduce costs across a range of tariffs.
- Introduction of a fixed charge adder would then increase charges for aggregated customers.

3.18 The Working Group considered this explanation necessary to help consultees understand why some higher residual-paying customers could experience overall bill reductions despite the introduction of the new fixed adder. It was agreed that additional drafting was required to clearly articulate this point before consultation issue and ED agreed to take an action to draft this section of text and EG agreed to review for accuracy.

Action 03/04: ED and EG to develop improved explanatory text describing the two-stage tariff impact mechanism and associated bill movements.

3.19 The Group also agreed that generation tariffs should be excluded from the summary table, with a note confirming that generation customers were unaffected by the proposal.

Wider Benefits of DCC Services

3.20 Members discussed whether Smart Meter Communication Licence Costs were exclusively associated with aggregated customers or whether wider customer groups benefited from DCC services. It was noted that some larger CT-metered customers utilise DCC-connected metering and that all network users could potentially benefit indirectly through improved network planning, operational efficiencies, fault management and deferred reinforcement facilitated by smart meter data.

3.21 Following discussion, the Working Group agreed that the consultation should contain an additional consultation question seeking stakeholder views on whether all network users receive benefits from the DCC network irrespective of whether they possess a DCC-connected smart meter. Members considered that stakeholder feedback on this point would help inform the overall assessment of cost allocation principles.

Action 03/05: RF to provide drafting to support the new consultation question concerning wider network benefits associated with DCC services.

Smart Meter Information Technology Costs

3.22 The Working Group considered whether Smart Meter Information Technology Costs referenced within the Electricity Distribution Licence should also be included within scope. Members concluded that these costs are distinct from Smart Meter Communication Licence Costs and relate primarily to separate internal operational or project-related expenditure rather than DCC charges. The Working Group therefore agreed that no further action was required in relation to these costs.

4. Review of Legal Text

4.1 The Chair advised the Working Group that no substantive concerns had been raised following the amendments agreed to the legal drafting at Meeting 02. Members were content that the current legal drafting reflected the Working Group's preferred solution and no further changes were proposed during this meeting.

4.2 It was recognised, however, that any findings resulting from the planned review of PCDM interactions might require consequential amendments to legal drafting at a later stage.

5. Next Steps and Work Plan

5.1 The Working Group agreed that the consultation document was not yet ready for issue. As a result, the planned publication date of 20 July 2026 would need to be postponed until the remaining issues had been resolved.

5.2 The Group agreed to convene a further Working Group meeting which would include engagement with CEPA/TNEI and that the date of such meeting would be clarified once the availability of the relevant person from CEPA/TNEI was known.

5.3 It was agreed that with respect to the table of questions at the end of the document, the Secretariat would include the additional consultation question agreed during the meeting and update the consultation question numbering and then circulate the latest working draft consultation document following the meeting.

Action 03/06: Secretariat to update consultation question numbering and include the additional consultation question agreed during the meeting.

Action 03/07: Secretariat to circulate the latest working draft consultation document following the meeting.

6. Any Other Business

6.1 No further business was raised.

6.2 The Chair thanked members for their contributions and noted particular thanks to the Secretariat for supporting the meeting. The meeting was then closed

APPENDIX 1 – ACTIONS LOG

New and Open Actions

Ref	Action	Owner	Update
03/01	The Secretariat to identify and reference the specific sections of the DCC Charging Statement that support the rationale for allocating costs to domestic and Profile Class 3 and 4 customers.	ElectraLink	
03/02	The Secretariat to investigate the LPN modelling issue and seek clarification on the treatment of negative residuals and any mitigating measures applied from an LPN representative.	ElectraLink	
03/03	Secretariat to contact CEPA/TNEI and arrange expert engagement on CDCM/PCDM interactions, LDNO impacts and treatment of Smart Meter Communication Licence Costs.	ElectraLink	
03/04	ED and EG to develop improved explanatory text describing the two-stage tariff impact mechanism and associated bill movements.	Eda Dirks and Ed Grimesy	
03/05	RF to provide drafting to support the new consultation question concerning wider network benefits associated with DCC services.	Ryan Farrell	
03/06	Secretariat to update consultation question numbering and include the additional consultation question agreed during the meeting.	ElectraLink	
03/07	Secretariat to circulate the latest working draft consultation document following the meeting.	ElectraLink	

Closed Actions

Ref	Action	Owner	Update
02/01	The Proposer to conduct an impact assessment on the CDCM models and provide some wording for inclusion in the consultation document by close of play on Wednesday 8th July 2026.	EG	An impact assessment spreadsheet had been produced and associated explanatory text had been drafted. COMPLETED
02/02	The Secretariat to update the consultation document to reflect the discussions held at the meeting and issue to Parties for response on Monday 13th July 2026.	HW	The updated consultation document had been prepared and was being reviewed by the Working Group during this meeting. COMPLETED
02/03	The Secretariat to update the draft legal text to reflect the discussions held at the Working Group meeting	HW	Revised drafting had been included within the meeting pack for meeting 03. COMPLETED