DCP 474 'Application of Smart Meter Communication Licence Costs in the CDCM' Working Group Meeting 04

06 August 2026 – Microsoft Teams

Attendee	Company
Working Group Members	
Ed Grimesy [EG] (Proposer)	The Electricity Network Company
Edda Dirks [ED]	SSE Generation
Louise Robinson [LR]	ESPUG
Ryan Farrell [RF]	Northern Powergrid
Alex Lam [AL]	NGED
Charles Mott [CM]	SSEN
Amanda McFarlane [AM]	Aurora Utilities
Erik Baguzis [EB]	Indigo Networks
Modelling Support Consultants	
Gordon McFadzean [GM]	TNEI
Oliver Bubb-Humfryes [OB]	CEPA
Ofgem Observer	
Shyam Doraiswamy [SD]	Ofgem
Code Administrator	
John Lawton [JL] (Chair)	ElectraLink
Dylan Townsend [DT] (Technical Secretariat)	ElectraLink
Apologies	
Donna Jamieson	IDCSL
Lee Stone	E.ON
Lorna Murray	SPEN

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 Donna Jamieson, Lee Stone and Lorna Murray.

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 03 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 principal purpose of Meeting 04 was to discuss the interaction between DCP 474, DCP 395 and the PCDM with CEPA/TNEI, and then to use the conclusions from that discussion to progress the consultation document and legal text. The objective remained to reach a sufficiently settled solution and supporting evidence base for the consultation to be issued.

3. Discussion with Modelling Support Consultants on DCP 474 and the PCDM

CEPA/TNEI's understanding of the issue

3.1 OBH explained that CEPA/TNEI had reviewed the service request, the draft consultation, the legal text and the Working Group's initial impact assessment. CEPA/TNEI had replicated the modelled impacts, which confirmed its understanding of the Working Group's initial solution. It had nevertheless identified both a relatively small calculation issue and a more fundamental question concerning whether the proposal could be implemented more accurately and with a simpler interaction with DCP 395.

3.2 CEPA/TNEI's understanding was that DCC levies Smart Meter Communication Licence Costs separately on each distributor, including DNOs and IDNOs, by reference to the relevant smart metering systems. This differs from the existing Supplier of Last Resort and Eligible Bad Debt pass-through arrangements, under which costs are collected by the DNO. EG confirmed that this accurately reflected the intent and background to DCP 474.

Purpose and limitations of DCP 395

3.3 The Working Group discussed why DCP 395 had been introduced. CEPA/TNEI explained that, before DCP 395, the Smart Meter Communication Licence Cost paid by an IDNO was not expressly represented in the PCDM. The PCDM determined the proportion of the all-the-way charge retained by an IDNO by reference to network level. The addition of a new customer-related DCC cost therefore left IDNOs at risk of not retaining enough revenue to meet the cost attributable to their customer portfolios.

3.4 DCP 395 addressed this on an approximate basis by adding Smart Meter Communication Licence Costs to the PCDM at the LV services level. This increased the relevant LDNO discount percentages and, on average, improved the amount retained by IDNOs. However, the PCDM discount operates by network level rather than by tariff. Consequently, the DCP 395 adjustment also affects Related MPAN, storage and LV site-specific tariffs even where those categories do not generate the relevant DCC charge. CEPA/TNEI illustrated that an IDNO with only LV site-specific customers could benefit from the adjustment despite not incurring the relevant cost, while an IDNO with a predominantly domestic aggregated portfolio could still under-recover.

3.5 CEPA/TNEI therefore considered that DCP 395 and DCP 474 could technically coexist, but that a revised DCP 474 solution offered the opportunity to recover the cost precisely by eligible customer type. If that more precise approach were adopted, the DCP 395 adjustment should not remain in addition, and the sensible end state would be to reverse the DCP 395 changes.

Calculation issue in the initial approach

3.6 CEPA/TNEI explained that the initial fixed-charge adder had been calculated by dividing the DNO's cost by the full number of relevant MPANs. However, a proportion of those MPANs is served through LDNOs and the relevant charge would be discounted when applied to LDNO tariffs. The DNO would therefore not recover the full amount included in its allowed revenue. The issue was small and could be corrected by using a discounted MPAN count when deriving the adder. In the modelling example discussed, this increased the illustrative adder from approximately 2.01 p/MPAN/day to approximately 2.07 p/MPAN/day.

3.7 CEPA/TNEI noted that this corrected version could be implemented cleanly at the fixed-charge stage. EG confirmed his understanding that the reduced denominator produced the slightly higher adder. The Group also confirmed that this correction alone would preserve the intended application of LDNO margins, but it would not address the broader opportunity to replace the approximate DCP 395 treatment.

Alternative solution recommended by CEPA/TNEI

3.8 CEPA/TNEI proposed an alternative under which DCP 395 would be reversed and a specific Smart Meter Communication Licence Cost adder would be applied to eligible all-the-way tariffs only. The DNO's all-the-way tariff would increase by the amount needed for the DNO to recover its own cost, while the charge levied by the DNO on the IDNO would remain unchanged. The IDNO would then retain the difference between the all-the-way charge paid by the end user and the unchanged LDNO charge, enabling it to recover the cost attributable to its own eligible customers. In this way, each distributor would recover the amount associated with its relevant customer population more precisely than through a network-level PCDM margin adjustment.

3.9 The modelling implementation would require the new adder to be separated from the existing SoLR and Eligible Bad Debt adders at the rounding stage. The new amount would be added to all-the-way tariffs but would not be added to LDNO LV or LDNO HV tariffs. CEPA/TNEI considered that the calculation could use existing model structures, with an applicability map identifying Domestic Aggregated or CT and Non-Domestic Aggregated or CT tariffs. The PCDM would cease to include the DCP 395 cost adjustment. No changes to EDCM legal text were expected.

Working Group decision

3.10 The Chair asked whether members supported reversing DCP 395 and progressing the CEPA/TNEI alternative. Members indicated their support. The Working Group agreed that this was the preferred approach because it was simpler, more transparent and more accurate in allocating the cost to the relevant customer categories.

3.11 The Working Group further agreed that the Smart Meter Communication Licence Cost should continue to be separately visible in charging statements, consistently with the transparency applied to other pass-through cost components.

Impact assessment and model iteration

3.12 The Group considered whether the existing initial impact assessment could continue to support consultation. CEPA/TNEI advised that it should be redone because the initial calculation contained the MPAN-count issue and because removing DCP 395 would produce a material change to the PCDM discounts and the interaction between models. Although the overall all-the-way tariff direction was expected to be similar, the revised solution would spread the DNO cost over fewer MPANs and therefore produce a slightly higher impact for the affected all-the-way customers.

3.13 Members agreed that the modelling request should cover the revised CDCM and PCDM treatment and a refreshed impact assessment. One member noted that the initial assessment had been capable of using published CDCMs without full model iteration, but that changing the PCDM made incorporation of the revised discounts necessary. CEPA/TNEI confirmed that the impact assessment should include the PCDM changes. It could use a dummy EDCM to test whether any EDCM-related knock-on effect was material, as populated EDCMs were not available to the consultants. CEPA/TNEI expected any such effect to be small and would explain the limitation and checking approach in its report.

3.14 CEPA/TNEI confirmed that it expected the formal model amendments to cover the PCDM, CDCM and CIRP. It did not expect any EDCM legal text amendment to be required. The modelling request would permit up to 20 working days after any clarification of the specification, although CEPA/TNEI indicated that the work might be completed sooner depending on workload.

Action 04/01: The Secretariat updating the modelling specification document to reflect the new solution and legal text, and to submit this to the Working Group for review as soon as possible and once agreed by Working Group to issue to the modelling consultants.

3.15 The Working Group noted uncertainty around the timetable for publishing 2028/29 tariffs at the beginning of the next price control period. Members did not consider that this justified rushing the assessment. The implementation date should be revisited once the modelling, consultation and subsequent governance timetable were clearer.

4. Finalisation of the Consultation Document

4.1 The Working Group reviewed the draft consultation. The Group recognised that substantial updates were now required to reflect the preferred solution, repeal of the DCP 395 mechanism and the refreshed impact assessment. The current consultation timetable and issue date would therefore need to be revised.

Explanation of cost drivers and tariff mapping

4.2 One member raised a concern that the draft wording could be read as saying that the DCC Charging Statement expressly identifies aggregated customers as the drivers of Smart Meter Communication Licence Costs. The statement instead describes the relevant mandated smart metering systems and profile classes. Members agreed that the consultation should distinguish clearly between what the DCC material states and the Working Group's mapping of those systems to CDCM tariff categories.

4.3 The Group discussed the relationship between Profile Classes 1 to 4 and the Domestic Aggregated or CT and Non-Domestic Aggregated or CT tariff descriptions, including the effect of Market-wide Half-Hourly Settlement and the presence of some Profile Class 0 customers within aggregated tariff arrangements. Members accepted the underlying rationale but agreed that the evidence and explanation should be made clearer. The consultation should explain within the Working Group Assessment why the selected aggregated tariffs are considered the closest and most appropriate match to the systems used for DCC charging, rather than presenting that conclusion as a quotation from the DCC Charging Statement.

4.4 EG agreed to revise the summary wording so that it did not overstate the DCC source and so that the detailed explanation could be cross-referenced. The Secretariat also agreed to identify supporting historical or current evidence demonstrating the mapping between Profile Classes 1 to 4 and the relevant aggregated tariff descriptions.

Action 04/02: EG to review and redraft the wording under paragraph 1.2 of the consultation document to clarify the link between DCC charging statement profile classes and aggregated customers, ensuring it is not misleading and cross-references later explanatory paragraphs.

Action 04/03: The Secretariat to verify and provide evidence that DCC charging statement Table 10 metering systems (profile classes 1-4) can be mapped to aggregated tariffs, referencing the relevant change proposal (likely DCP 268).

Working Group discussion and consultation structure

4.5 Members agreed that the consultation should include a new substantive explanation of DCP 395, the limitations of its network-level margin approach, the advice received from CEPA/TNEI and the reasons for selecting the alternative DCP 474 solution. This explanation should sit within the Working Group Assessment, including the section addressing IDNO tariff impacts, and should link to the available DCP 395 documentation and decision material where useful.

4.6 The text already added on the possible wider benefits of the DCC network was accepted, subject to any later drafting refinement. The terminology should be made consistent by using "Non-Domestic Aggregated" rather than "commercial aggregated". A cross-reference that still pointed to paragraph 4.10 should be updated to paragraph 4.14, subject to any further renumbering.

4.7 The consumer impact section and the existing impact tables could not be finalised until the revised CEPA/TNEI modelling had been completed. The Working Group agreed that the section should be reviewed in full when the refreshed outputs were available. The consultation questions, attachments, legal-text description and timetable would likewise require a final review once the revised solution and modelling package were complete.

4.8 The Group agreed that the working document should be preserved and a clean subsequent version created for further amendments, allowing the drafting history to remain traceable.

Action 04/04: The Secretariat create to copies of the consultation document and send both to the Working Group. Specifically, a 'working' document should be preserved with tracked changes and a clean subsequent version created for further amendments, allowing the drafting history to remain traceable.

5. Review of Legal Text

5.1 The Working Group concluded that the legal text needed to be revised to implement the preferred solution and reverse DCP 395. Schedule 29 would need to remove the provisions introduced by DCP 395 for the PCDM allocation of Smart Meter Communication Licence Costs. The Secretariat had already begun comparing the DCP 395 drafting with the current text and removing the relevant provisions during the meeting break.

Action 04/05: The Secretariat to update the Legal Text to specifically add in Schedule 29 and then complete the removal of paragraphs introduced by DCP 395 and ensure alignment with the new solution.

5.2 Schedule 16 would also need to be amended so that the new adder was calculated by reference to the relevant all-the-way customer population and applied to the eligible all-the-way fixed charges without increasing the corresponding LDNO tariffs. The existing draft contained useful elements that could be retained, but references, paragraph numbering and the explanation of Step 5 would require review. The applicable customer mapping, charging-statement transparency requirement and the separation of the new adder from the existing SoLR and Eligible Bad Debt treatment would need to be reflected accurately.

5.3 The Working Group noted that Schedule 20 and the consultation question on legal text should be revisited once the completed Schedule 16 and Schedule 29 amendments had been assembled. Members agreed that the legal text should be settled sufficiently before the modelling request was formally issued, so that CEPA/TNEI could model the agreed methodology rather than an interim interpretation.

6. Next Steps and Work Plan

6.1 The Secretariat was asked to prepare the revised legal text and modelling specification. The specification would request model amendments and an impact assessment reflecting removal of the DCP 395 treatment and implementation of the CEPA/TNEI solution across the relevant CDCM, PCDM and CIRP models. The revised consultation would then be updated to reflect the technical solution, the new impact results and the consequential timetable.

6.2 The existing work plan was acknowledged to be out of date and would be updated to reflect the additional Working Group meeting, the modelling request, revised consultation activity and subsequent review stages. The Working Group agreed to place a provisional next meeting in calendars for Thursday, 17 September 2026. If the modelling were returned earlier, the meeting could be brought forward.

Action 04/06: The Secretariat to update the work plan to reflect the additional meeting, modelling request and revised consultation timetable.

Action 04/07: The Secretariat to set up the next meeting in calendars for Thursday, 17 September 2026 between 1:00pm and 4:00pm, however, If the modelling output is returned earlier, the meeting could be brought forward

7. Any Other Business

7.1 No additional business was raised. The Chair thanked the Working Group for the detailed and constructive discussion, noting that the meeting had established both a preferred solution and a clear route forward. The meeting was closed.

8. Date of Next Meeting

8.1 The next meeting will be held on Thursday, 17 September 2026 between 1:00pm and 4:00pm.

APPENDIX 1 – ACTIONS LOG

New and Open Actions

Ref	Action	Owner	Update
04/01	The Secretariat updating the modelling specification document to reflect the new solution and legal text, and to submit this to the Working Group for review as soon as possible and once agreed by Working Group to issue to the modelling consultants.	ElectraLink	NEW ACTION
04/02	EG to review and redraft the wording under paragraph 1.2 of the consultation document to clarify the link between DCC charging statement profile classes and aggregated customers, ensuring it is not misleading and cross-references later explanatory paragraphs.	Ed Grimesy	NEW ACTION
04/03	The Secretariat to verify and provide evidence that DCC charging statement Table 10 metering systems (profile classes 1-4) can be mapped to aggregated tariffs, referencing the relevant change proposal (likely DCP 268).	ElectraLink	NEW ACTION
04/04	The Secretariat create to copies of the consultation document and send both to the Working Group. Specifically, a 'working' document should be preserved with tracked changes and a clean subsequent version created for further amendments, allowing the drafting history to remain traceable.	ElectraLink	NEW ACTION
04/05	The Secretariat to update the Legal Text to specifically add in Schedule 29 and then complete the removal of paragraphs introduced by DCP 395 and ensure alignment with the new solution.	ElectraLink	NEW ACTION
04/06	The Secretariat to update the work plan to reflect the additional meeting, modelling request and revised consultation timetable	ElectraLink	NEW ACTION
04/07	The Secretariat to set up the next meeting in calendars for Thursday, 17 September 2026 between 1:00pm and 4:00pm, however, If the modelling output is returned earlier, the meeting could be brought forward.	ElectraLink	NEW ACTION

Closed 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	**COMPLETED:** DCC Charging Statement Reference was added by DT

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	**COMPLETED:** It was agreed that the action to check with UKPN/London Power Networks about negative residuals was superseded by information provided by CEPA.TNEI, making further investigation unnecessary.
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	**COMPLETED**: CEPA/TNEI were in attendance at the meeting following request made by Secretariat
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	**COMPLETED:** ED had included the explanatory text on the two-stage tariff impact.
03/05	RF to provide drafting to support the new consultation question concerning wider network benefits associated with DCC services.	Ryan Farrell	**COMPLETED:** RF had provided comments on wider network benefits in the chat of meeting 03 that were subsequently transposed into the consultation document
03/06	Secretariat to update consultation question numbering and include the additional consultation question agreed during the meeting.	ElectraLink	**COMPLETED:** updates were made to the consultation document and question numbering as agreed.
03/07	Secretariat to circulate the latest working draft consultation document following the meeting.	ElectraLink	**COMPLETED:** the consultation document was circulated to members for their review