DCUSA Consultation	At what stage is this document in the process?
DCP 474 **'Application of Smart Meter Communication Licence Costs in the CDCM'** **Date Raised:** 06 June 2026 **Proposer Name:** Ed Grimsey **Company Name:** The Electricity Network Company Ltd **Party Category:** IDNO	01 - Change Proposal 02 - Consultation 03 - Change Report 04 - Change Declaration

Purpose of the Change Proposal

The purpose of this Change Proposal ("CP") is to amend Schedule 16 of the DCUSA so that Smart Meter Communication Licence Costs are to be recovered from customer categories which drive these costs, by means of a fixed charge adder applied on an equivalent per-MPAN basis.

	This document is a Consultation issued to DCUSA Parties and any other interested parties in accordance with Clause 11.14 of the DCUSA, seeking industry views on the proposed solution for DCP 474[1]. You are invited to consider the questions set in section 9 of this Consultation and submit comments by either: • completing the consultation response form provided as Attachment 2 and sending the completed form to dcusa@electralink.co.uk; or • using the online consultation response form available via: DCP 474 'Application of Smart Meter Communication Licence Costs in the CDCM' The deadline for responses is **30 November 2026**.
	**Impacted Parties:** Suppliers/DNOs/IDNOs
	**Impacted Clauses:** Schedule 16: Paragraph 100, and 104 to 107, Glossary of Terms and Schedule 29

[1] The original Change Proposal form can be found via: https://dcusa-cdn-1.s3.eu-west-2.amazonaws.com/wp-content/uploads/2026/05/20133643/DCP-474_Change-Proposal-Form.pdf

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Timetable

Activity	Date
Initial Assessment Report	20 May 2026
Consultation Issued to Parties	02 November 2026
Consultation Responses Due	30 November 2026
Change Report Approved by Panel	17 February 2027
Change Report Issued for Voting	18 February 2027
Party Voting Closes	11 March 2027
Change Declaration Issued	15 March 2027

Any Questions?

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1 Summary

What?

1.1 The Change Proposal (CP) introduces a new mechanism within Schedule 16 to recover the Smart Meter Communication Licence Costs from Aggregated Metered Demand customers only, via a fixed charge adder applied on a p/MPAN/day basis because these customer classes drive these costs to distributors.

Why?

1.2 Currently, the Smart Meter Communication Licence costs are not modelled in the Common Distribution Charging Methodology (CDCM) but are included in the allowed revenue calculation section of the CDCM which means they are recovered through the residual component of the tariff. This means they are spread across all customer types, including Site-Specific customers. However, within the Data Communication Company's (DCC) Charging Statement, charges are allocated by profile classes associated with domestic (Profile Classes 01 and 02) and small non-domestic (Profile Classes 03 and 04) customers. These profile classes align with the CDCM Aggregated customer categories, but not with Site-Specific categories despite these being allocated a share of the licence costs through the residual. Paragraphs 74 and 75 of the DCC Charging Statement describe how DCC charges are allocated across profile classes and is further explained in paragraphs 3.1 to 3.4 below.

1.3 This therefore results in tariffs not fully reflecting the Smart Meter Communication Licence Costs incurred, as they are applied to customer groups which are not a cost driver. Changes to the allocation of Smart Meter Communication Licence Costs should be made to allocate these costs in a more cost reflective manner. This would result in only the customers which are the costs drivers, incurring the costs themselves through the fixed charge.

How?

1.4 Smart Meter Communication Licence Costs would continue to form part of each DNO's CDCM target revenue and would be recovered through a separately identifiable fixed-charge adder applied to the eligible all-the-way "Domestic Aggregated or CT" and "Non-Domestic Aggregated or CT" tariffs. The corresponding LDNO tariffs would not include the new adder.

1.5 Where an eligible customer is connected through an LDNO, the all-the-way tariff charged to that customer would include the Smart Meter Communication Licence Cost adder, while the charge levied by the host DNO on the LDNO would not. The LDNO would therefore retain the difference attributable to the adder. This is intended to allow the DNO and the LDNO each to recover the Smart Meter Communication Licence Costs associated with their respective eligible customer populations.

1.6 As the revised solution would provide a direct means of recovering Smart Meter Communication Licence Costs through the relevant tariffs, the legal text therefore reverses the relevant DCP 395 amendments to Schedule 29, and the corresponding PCDM treatment would be removed.

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2 Governance

2.1 This CP is a Part 1 Matter as it will have significant impact on Electricity Consumers, Suppliers, Distributors and the commercial activities associated with them. It will also have significant commercial impact on customers.

2.2 This consultation is issued for a period of 20 working days.

3 Why Change?

3.1 Smart Meter Communication Licence Costs relate to the provision of centralised communication services required for smart metered settlement. Distributors are charged by DCC for the provision of these communication services based on the number of connected Mandated Smart Metering Systems (MSMS). MSMS are all domestic supply points (Profile class 1 and 2) and non-domestic supply points with profile class 3 and 4, i.e. customers who are billed on an aggregated basis (Paragraph 74 and 75 of the DCC charging statement).

3.2 The Smart Meter Communication Licence Costs are charges to Distributors based on the number of mandated smart metering systems. Within the CDCM, they are currently modelled through the residual charging element and are essentially the costs that go into the allowed revenue section and applies across all customer categories instead of just the aggregated customers.

3.3 Recovering Smart Meter Communication Licence Costs across all CDCM tariffs results in costs being recovered from customers who are not material drivers of those costs, therefore, this CP seeks to address this by introducing a transparent recovery mechanism that better reflects the way in which costs are incurred and which aligns with established CDCM methods.

3.4 This CP is looking to amend the CDCM so that Smart Meter Communication Licence Costs are applied as a fixed charge adder (the approach used for SoLR and Eligible Bad Debt) and applied to aggregated demand tariffs only.

Question 1: Do you understand the intent of the CP?

Question 2: Are you supportive of the principles of the CP?

4 Working Group Assessment

4.1 The DCUSA Panel established a Working Group to assess this CP. This Working Group consists of DNO and IDNO representatives and other stakeholders, and has an Ofgem observer in attendance. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk

4.2 The Working Group recognises that DCP 474 is intending to introduce a new fixed charge adder under Step 5 of Schedule 16 that would apply only to Aggregated Metered Demand tariffs and would be calculated on an equivalent p/MPAN/days basis.

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4.3 A Working Group member queried the link between profile class in the DCC Charging Statement and aggregated tariffs within this change proposal. A review of DCUSA highlighted that tariff names were linked to profiles classes until DCP268 - DUoS Charging Using HH settlement data was raised to facilitate a transition to half-hourly (HH) settlement for Non-Half Hourly (NHH) customers by moving to a time band charging basis, based on the HH (profiled) data used in settlement. The table below shows the mapping for Profile class to tariff, and the new tariffs created by this change proposal referenced from Schedule 16 Table 4:

Tariff Name Pre DCP268	Profile class	New Tariff name
Domestic Unrestricted	1	Domestic Aggregated
Domestic Two Rate	2	
Small Non Domestic Unrestricted	3	Non-Domestic Aggregated
Small Non Domestic Two Rate	4	

4.4 In addition, extracts from the DCC, BSC and DCP268 relating to Profile class are contained in Attachment 4.

Working Group Discussions

Allocation of costs

4.5 A Working Group member queried what assumptions had been used for the 2027/28 DUoS tariff calculations in terms of the rebalancing of costs between energy suppliers and network operators, as proposed under Smart Energy Code (SEC) DP 218 modification 'Review of the SEC Charging Methodology'. It was noted that the cost allocation of DCC costs between Suppliers and Distributors is **not** a consideration for this CP since it is governed under the SEC.

4.6 For context, currently distributors are paying around 6% of the DCC costs and Suppliers are picking up the other 94%. However, under the SEC proposal, the 6% allocated to the distributors will be increased.

4.7 DNOs agreed to use the indicative 40% allocation in the calculations for the 2027/28 tariffs, following discussions with the Energy Networks Association and which were published in December 2025. The final allocation between Supplier and Distributor is still to be confirmed by the DCC, however, the latest indicative values appears to suggest a value of 21% for Distributors[2].

Allocation of pass-through costs

4.8 Some Working Group members queried whether the proposed change would be fairer than the status quo, citing that the Smart Meter Communication Licence Costs would be allocated to all domestic and small non-domestic customers on aggregated tariffs irrespective of whether they had a smart meter fitted or not.

[2] https://www.smartdcc.co.uk/media/dsnazfln/indicative-charging_statement_ry2728_issue_30.pdf

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4.9 It was agreed that the Smart Meter Communication Licence Costs would be applied to all domestic and small non-domestic customers on aggregated tariffs irrespective of whether they had a smart meter installed but added that by the time this CP would be implemented, the smart meter roll out should be nearing completion (current deadline being the end of 2030[3]) with the latest government report[4] citing 70% completion to date and the CP implementation date suggesting either 2028/29 or 2029/30.

4.10 The Working Group also thought it would be beneficial to review the other two categories of pass-through costs (Supplier of Last Resort and Eligible Bad Debt) to see if there are any similarities to the Smart Meter Communication Licence Costs, as it will provide further rationale for this CP.

4.11 The Ofgem decision on these two changes supported the following approach:

- DCP332 (SoLR) – costs recovered through fixed charges for domestic customers; and
- DCP333 (Eligible bad debt) - costs recovered through fixed charges for all demand customers with a fixed charge,

and for comparison

- DCP474 (DCC costs – costs recovered through fixed charges for all domestic and non-domestic aggregated customers (note suggested amendment covered under Paragraph 4.15 below)

Who benefits from DCC's communication network

4.12 The Working Group discussed whether the benefits of the DCC's communication network were solely confined to domestic and non-domestic aggregated customers with smart meters or whether other network users could also potentially be benefitting.

4.13 It was noted that some larger LV and HV sites have CT operated SMETS2 meters that are directly connected to DCC and therefore directly benefit.

4.14 It could be argued that all users, including CT-metered customers, indirectly benefit from DCC though more efficient network planning, better fault location and deferred reinforcement through smarter operation.

Question 3: Do all network users receive benefits from the DCC network irrespective of whether they have a DCC connected smart meter? Please provide supporting commentary with your answer.

Related MPANs[5]

4.15 It was also agreed by the Working Group that "related MPANs" should not be liable for the SMLC costs, to avoid the risk that a customer will end up paying for the charge twice if they have two MPANs associated with their property.

4.16 It was also noted that this is also the approach adopted for SoLR and Eligible Bad Debt.

[3] Smart metering policy framework post 2025: government response
[4] Smart meters in Great Britain, quarterly update March 2026 - GOV.UK
[5] as fully defined in the Retail Energy Code REC Main Body & Schedules - REC Portal, Schedule 28

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Question 4 – Do you believe that removing "related MPANs" to ensure they are not liable for SMLC costs is the correct approach? If not please provide supporting commentary.

IDNO tariff impacts and development of the revised solution

4.17 The Working Group had a discussion focused on the interaction between the solution being developed for DCP 474 and the treatment of Smart Meter Communication Licence within 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.

4.18 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.

4.19 Given the complexity of the issue and uncertainty surrounding the operation of the charging models, the Working Group agreed that expert input from DCUSA Ltd.'s appointed modelling support consultants would be beneficial.

4.20 The modelling support consultants explained that DCP 395 introduced changes to the PCDM intended to allow an LDNO to retain an additional amount towards the Smart Meter Communication Licence Costs associated with customers connected to its network. This was achieved by treating Smart Meter Communication Licence Costs as a separate cost within the PCDM and allocating that cost to the LV Services network level when calculating LDNO discounts.

4.21 The Working Group noted that the DCP 395 approach provided an approximate rather than a tariff-specific allocation. This is because the PCDM calculates discounts by network level and does not distinguish between individual end-user tariff categories when allocating the relevant costs. Consequently, the DCP 395 adjustment may affect the amount retained in respect of tariff categories that do not correspond with the systems on which the relevant DCC charge is based. Conversely, the adjustment may not allow an LDNO with a high proportion of eligible aggregated customers to recover precisely the amount associated with those customers.

4.22 The modelling support consultants advised that the Working Group's original DCP 474 solution could operate alongside DCP 395, subject to a correction to the calculation of the proposed adder. The original calculation used the total number of relevant MPANs without fully accounting for the effect of LDNO discounts. This would have resulted in DNOs recovering slightly less than the Smart Meter Communication Licence Costs included within their target revenue. The modelling support consultants explained that this could be corrected by adjusting the MPAN denominator used to calculate the adder. However, retaining this approach would leave the approximate DCP 395 treatment in place.

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4.23 The Working Group therefore considered an alternative solution. Under this approach, Smart Meter Communication Licence Costs would continue to form part of each DNO's CDCM target revenue and would be recovered through a separately identifiable fixed-charge adder applied to the eligible all-the-way "Domestic Aggregated or CT" and "Non-Domestic Aggregated or CT" tariffs. The corresponding LDNO tariffs would not include the new adder.

4.24 Where an eligible customer is connected through an LDNO, the all-the-way tariff charged to that customer would include the Smart Meter Communication Licence Cost adder, while the charge levied by the host DNO on the LDNO would not. The LDNO would therefore retain the difference attributable to the adder. This is intended to allow the DNO and the LDNO each to recover the Smart Meter Communication Licence Costs associated with their respective eligible customer populations.

4.25 The Working Group considered that this approach would provide a closer link between the relevant customers and the recovery of the associated costs than the network-level adjustment introduced under DCP 395. It would also make the Smart Meter Communication Licence Cost component separately identifiable within the charging arrangements, improving transparency for distributors, suppliers and other stakeholders.

4.26 As the revised solution would provide a direct means of recovering Smart Meter Communication Licence Costs through the relevant tariffs, the Working Group agreed that the specific treatment introduced under DCP 395 would no longer be required. The proposed legal text therefore reverses the relevant DCP 395 amendments to Schedule 29, and the corresponding PCDM treatment would be removed.

4.27 The Working Group agreed to progress the revised solution as its preferred approach.

Question 5 – Do you agree with the proposed treatment of Smart Meter Communication Licence Costs in respect of LDNO-connected customers, which means reversing the relevant DCP 395 treatment and recovering the costs through an adder applied to eligible all-the-way tariffs only? Please provide reasons for your answer.

5 Relevant Objectives

Assessment Against the DCUSA Objectives

5.1 For a DCUSA CP to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. This CP is being assessed against the DCUSA Charging Objectives.

	DCUSA Charging Objectives	Identified impact
☐	1. That compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	None

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☑	2. That compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)	Positive
☑	3. That compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business	Positive
☑	4. That, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business	Positive
☐	5. That compliance by each DNO Party with the Charging Methodologies facilitates compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators; and	None
☐	6. That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	None

5.2 The view of the proposer is that DCUSA Charging Objectives 2, 3 and 4 will be better facilitated by the CP as it will improve transparency and cost reflectivity of charges associated with Smart Meter Communication Licence Costs. Networks incur the costs based on the number of MSMS customers which are connected to their networks and so recovering these costs via a dedicated fixed charge adder applied only to Aggregated Metered Demand tariffs improves cost reflectivity and reduces cross-subsidy between customer groups.

Question 6: Do you agree that the proposal better facilitates the DCUSA Charging Objectives? Please give supporting reasons either way against each objective.

6 Impacts & Other Considerations

Impacts on any Significant Code Review (SCR) or other significant industry change projects

6.1 There is a potential interaction between DCP 474 and Ofgem's DUoS SCR but what that impact might be or how it might interact with the DUoS SCR is not presently identifiable for the reasons described below.

6.2 What is now known as the DUoS Charges SCR was initially launched as the Electricity Network Access and Forward-Looking Charging Review - Significant Code Review on 18 December 2018. Work progressed over the first few years on both parts of the initial 'Access and Forward-Looking Charges' SCR but then, following consultation in November 2021, on 25 February 2022 Ofgem decided to descope the wide-ranging review of DUoS charges from the 'Access and Forward-Looking Charges' SCR and take it forward under a dedicated DUoS SCR with a revised timescale.

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6.3 Since then, there have been several updates[6], which show that progress on the DUoS SCR has, in the main, and for a variety of reasons, been paused. It should also be noted that the scope has shifted over time and at this moment in time, the scope is largely unknown.

6.4 It should also be noted that within Ofgem's Draft second preliminary Strategic Direction Statement (SDS), item 12.2 states "Introduce low-regrets near-term reforms to support system efficiency" and sits under the policy area of 'Network charging arrangements' across all time-horizons. DCP 474 likely fits into this category and therefore is likely be seen as meeting the policy intent within the SDS.

Impacts on other Industry Codes

6.5 The Working Group does not believe that DCP 474 has any impact on any other industry codes.

Model Impacts

6.6 The Working Group considered that Parties would benefit from being able to understand the impact that this CP has on the relevant DCUSA Charging Methodology models and so requested the DCUSA modelling consultant to provide updated versions of the CDCM, PCDM and CIRP models that implement the DCP 474 solution. The impacts on each of the models is fully described in Attachment 3 to this consultation.

Consumer Impacts

6.7 The Working Group requested the DCUSA modelling consultants to carry out a full impact assessment based upon the final 01/04/2027 – 31/03/2028 published charges as a baseline. The Working Group requested that the revised PCDM outputs should be reflected in the CDCM and CIRP and for the models to be iterated to ensure that the relevant values transferred between them are consistent and that the final outputs represent the proposed solution accurately.

6.8 The Working Group noted that it understood that populated EDCM models are not available to the Modelling Consultant and so there would be limitations associated with the interaction between the PCDM and EDCM and thus any impacts that flow into the EDCM cannot be fully assessed using the available models.

Impact on typical bills

6.9 The main impact is the introduction of a new adder for eligible customers, but DCP 474 also reduces the banded fixed charge for final demand customers (and unit rates for Unmetered Supply customers) which is used to recover "residual" revenue (the difference between revenue from notionally cost-reflective charges and DNOs' allowed revenues). This effect somewhat offsets the direct impact of the new adder on eligible tariff classes, while reducing typical bills for all final demand tariffs via the residual adder.

[6] https://www.ofgem.gov.uk/publications/distribution-use-system-charges-significant-code-review-launch

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6.10 The impact assessment worksheet ('ImpactAssessment_I04-1-DCP474' in Attachment 3) contains an as published view of the CDCM tariffs and typical bills with no changes, as well as tariff and bills for the CDCM where the changes outlined above have been applied. The summary tab contains a comparison of the typical bills in percent terms and £ value for each DNO GSP area. It also contains a summary table with the average change in ATW bills for each customer category for a typical bill across a year.

6.11 For the purposes this consultation document, the Working Group set out some specific analysis below showing the minimum and maximum changes to the all-the-way charges for average bills

Change in Typical ATW bill - baseline to DCP474 (£/year)

Tariff	Average	Range (Min/Max)
Domestic Aggregated or CT with Residual	4.53	3.87 / 5.82
Domestic Aggregated (Related MPAN)	0	0 / 0
Non-Domestic Aggregated or CT No Residual	7.94	0 / 10.5
Non-Domestic Aggregated or CT Band 1	4.79	1.56 / 6.91
Non-Domestic Aggregated or CT Band 2	-1.96	-0.09 / -4.09
Non-Domestic Aggregated or CT Band 3	-13.67	-7.73 / -17.39
Non-Domestic Aggregated or CT Band 4	-52.72	-38.92 / -67.02
Non-Domestic Aggregated (Related MPAN)	-0.02	0 / -0.06
LV Site Specific No Residual	-4.13	0 / -18.42
LV Site Specific Band 1	-118.45	-93.79 / -156.55
LV Site Specific Band 2	-210.15	-166.97 / -280.43
LV Site Specific Band 3	-336.53	-265.73 / -445.72
LV Site Specific Band 4	-777.61	-520.26 / -1032.5
LV Sub Site Specific No Residual	-1.20	0 / -8.18
LV Sub Site Specific Band 1	-151.81	-91.86 / -441.77
LV Sub Site Specific Band 2	-232.00	-165.48 / -348.27
LV Sub Site Specific Band 3	-375.42	-267.42 / -596.62
LV Sub Site Specific Band 4	-891.53	-521.3 / -1564.83
HV Site Specific No Residual	-11.73	-0.31 / -106.63
HV Site Specific Band 1	-769.03	-453.73 / -1107.28
HV Site Specific Band 2	-2053.91	-1667.68 / -2806.16
HV Site Specific Band 3	-3891.93	-2908.58 / -5425.43
HV Site Specific Band 4	-9418.95	-6624.01 / -12823.76
Unmetered Supplies	-565.92	-79.38 / -4928.45
LV Generation Aggregated	0.01	0 / 0.04
LV Sub Generation Aggregated	0.04	0 / 0.2
LV Generation Site Specific	0.47	0 / 1.26
LV Generation Site Specific no RP Charge	0.13	0 / 1.76
LV Sub Generation Site Specific	0.64	0 / 2.49
LV Sub Generation Site Specific no RP Charge	0.00	0 / 0
HV Generation Site Specific	17.41	-0.77 / 40.45
HV Generation Site Specific no RP Charge	0.00	0 / 0

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6.12 In terms of the analysis carried out by the modelling consultants contained in the document titled 'ModelDocumentation_I04-1_DCP474' within Attachment 3, it notes that the 'Domestic Aggregated or CT with Residual' tariff class would pay, on average, £4.54 more in 2027/28 (in 2027/28 prices) – a 3.2% increase. The increase to typical bills is less than the value of the new fixed charge adder (+£8.68 per MPAN per year, average) because of the offsetting reduction to the fixed charge from lower residual revenue (-£3.95 per MPAN per year, average) as well as the effect of unwinding of DCP 395 (-£0.20 per MPAN per year, average), which predominantly occurs via the residual but also has a minor effect on unit rates (via system peak load calculations). By contrast, the 'HV Site Specific Band 4' tariff class would pay, on average, £9,303.02 less in 2027/28 (in 2027/28 prices) – a 4.3% reduction.

6.13 Generation, Related-MPAN and non-final demand tariffs which pay neither the new adder nor the residual adder would be almost unaffected by DCP 474. Very small bill movements do occur due to the change in LDNO discounts resulting from unwinding DCP 395 – via the use of "discounted volumes" in the calculation of system peak load, and therefore in the conversion of unit costs to unit rates.

6.14 Typical bill movements for all tariff categories and DNO regions are shown in percentage terms in the table in the document. It demonstrates a tipping-point between 'Non-Domestic Aggregated or CT' Bands 1 and 2, above which the new adder is outweighed by reductions to the residual adder, as well as a smaller reduction from unwinding DCP 395. This situation is a result of the residual being recovered as a banded fixed charge while the new adder is a flat levy on all eligible customers. Therefore, it would be a fair generalisation to say that DCP 474 would disadvantage domestic and small non-domestic customers and benefit larger non-domestic customers.

6.15 The 'Non-Domestic Aggregated or CT No Residual' category faces strictly higher bills, as it would be eligible for the new adder, whereas it had previously avoided any contribution to DCC charges via the residual. Therefore, DCP 474 would disadvantage a subset of storage customers.

Question 7: Do you believe that the proposed tariff amendments are a true and accurate way of distributing the Smart Meter Communication Licence Costs or are there any other aspects within the tariffs that need to be covered?

Environmental Impacts

6.16 In accordance with DCUSA Clause 11.14.6, the Working Group assessed whether there would be a material impact on greenhouse gas emissions if DCP 474 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

Are there any wider industry impacts?

6.17 The Working Group have not identified any wider industry impacts in developing DCP 474.

Question 8: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

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7 Implementation

7.1 The Proposer considers that this CP should be implemented following Authority Approval, so that changes are effective from 2029/30 charge setting period.

7.2 The Proposer also noted that if required, a derogation to the code could be requested to amend 2028/29 published tariffs following implementation of this CP.

Question 9: Do you agree with the proposed implementation date and if not please provide your reasons.

Question 10: Do you believe a derogation should be requested to amend the published tariffs from 2028/29 onwards?

8 Legal Text

8.1 The proposed legal text amends Schedule 16 to introduce Smart Meter Communication Licence Costs as a separate category of pass-through cost within Step 5 of the CDCM. The drafting provides for those costs to be recovered through a fixed-charge adder, calculated on an equivalent p/MPAN/day basis using the forecast number of customers within the eligible tariff categories.

8.2 The adder would apply to the all-the-way “Domestic Aggregated or CT” and “Non-Domestic Aggregated or CT” tariffs. “Domestic Aggregated (Related MPAN)” and “Non-Domestic Aggregated (Related MPAN)” tariffs would be excluded from both the calculation and application of the adder. The drafting would also exclude LDNO tariffs from the new adder so that it would be applied only to the relevant all-the-way tariffs.

8.3 Under the proposed arrangements, an eligible customer connected directly to a DNO network would pay the adder through the applicable all-the-way tariff. Where the eligible customer is connected through an LDNO network, the all-the-way tariff applicable to that customer would include the adder, but the corresponding tariff charged by the host DNO to the LDNO would not. The LDNO would therefore retain the part of the all-the-way charge attributable to the Smart Meter Communication Licence Cost adder. This is intended to allow the DNO and LDNO each to recover the costs associated with their respective eligible customer populations.

8.4 The Schedule 16 drafting also requires DNO Parties to publish details of the fixed-charge adders calculated under Step 5 in their Use of System Charging Statements. This would make the Smart Meter Communication Licence Cost component separately identifiable alongside the existing Supplier of Last Resort and Eligible Bad Debt pass-through cost adders.

8.5 The drafting makes consequential amendments to the descriptions of the methodology’s principal steps and to the revenue-matching provisions so that Smart Meter Communication Licence Costs are treated as a Step 5 pass-through cost rather than being recovered through the general CDCM residual calculation. The existing Supplier of Last Resort and Eligible Bad Debt arrangements would otherwise remain unchanged.

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8.6 The proposed legal text also amends Schedule 29 to reverse the specific treatment introduced through DCP 395. DCP 395 included Smart Meter Communication Licence Costs within the PCDM expenditure allocation used to calculate LDNO discount percentages. As the revised DCP 474 solution would instead provide a direct means of recovery through the eligible all-the-way tariffs, the Working Group considers that retaining the separate DCP 395 adjustment would no longer be necessary.

8.7 The Schedule 29 amendments therefore remove the Smart Meter Communication Licence Cost adjustment from the calculation of PCDM discount percentages. The remaining Schedule 29 methodology for calculating the relevant LDNO discounts would continue to apply, with the consequential model changes being reflected in the amended PCDM, CDCM and CIRP.

8.8 The detailed legal text amendments are provided in full within Attachment 1.

Question 11: Do you have any comments on the draft legal text?

9 Consultation Questions

9.1 The Working Group is seeking industry views on the following consultation questions:

No.	Question
1.	Do you understand the intent of the CP?
2.	Are you supportive of the principles of the CP?
3.	Do all network users receive benefits from the DCC network irrespective of whether they have a DCC connected smart meter? Please provide supporting commentary with your answer.
4.	Do you believe that removing “related MPANs” to ensure they are not liable for SMLC costs is the correct approach? If not please provide supporting commentary.
5.	Do you agree with the proposed treatment of Smart Meter Communication Licence Costs in respect of LDNO-connected customers, which means reversing the relevant DCP 395 treatment and recovering the costs through an adder applied to eligible all-the-way tariffs only? Please provide reasons for your answer.
6.	Do you agree that the proposal better facilitates the DCUSA Charging Objectives? Please give supporting reasons either way against each objective
7.	Do you believe that the proposed tariff amendments are a true and accurate way of distributing the Smart Meter Communication Licence Costs or are there any other aspects within the tariffs that need to be covered?
8.	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
9.	Do you agree with the proposed implementation date and if not please provide your reasons.
10.	Do you believe a derogation should be requested to amend the published tariffs from 2028/29 onwards?
11.	Do you have any comments on the draft legal text?
12.	Do you have any further comments related to DCP 474?

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9.2 You may submit a response to this consultation by either:

- completing the consultation response form provided as Attachment 2 and sending the completed form to dcusa@electralink.co.uk; or
- using the online consultation response form available via: DCP 474 'Application of Smart Meter Communication Licence Costs in the CDCM'

9.3 Responses should be submitted no later than, **30 November 2026.**

9.4 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

10 Attachments

- Attachment 1: DCP 474 Legal Text
- Attachment 2: DCP 474 Consultation Response Form
- Attachment 3: Modelling and Impact Assessment
- Attachment 4: Analysis of Profile Classes to Aggregated Tariffs

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