








DCUSA Request for Information to Supplier Parties		At what stage is this document in the process?
<h2>DCP 437</h2> <h3>To Shorten the DUoS Pricing Notice Periods</h3> <p>Date Raised: 13/02/2024</p> <p>Proposer Name: Dave Wornell</p> <p>Company Name: National Grid Electricity Distribution</p> <p>Party Category: DNO</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
		05 – Post send-back decision - RFI
<h4>Purpose of Change Proposal</h4> <p>This change proposal aims to shorten the DUoS Pricing Notice Periods so there is longer period between the publication of the PCFM, where OFGEM have the option to make changes to our allowed revenue at short notice, and the setting of the prices.</p>		
	<p>This document is a Request for Information issued to DCUSA Parties and any other interested Parties in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 437.</p> <p>The Working Group recommends that this Change Proposal should proceed to a request for information.</p> <p>Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by 01 April 2025.</p>	
	<p>Impacted Parties</p> <p>Suppliers/DNOs/IDNOs/CVA Registrants</p>	
	<p>Impacted Clauses</p> <p>Clause 19.1A in Section 2A</p>	

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1 Background

- 1.1 On 10 October 2024, the Change Declaration for [DCP 437 'To Shorten the DUoS Pricing Notice Periods'](#) was submitted to the Authority for decision (Attachment 2). The Authority have subsequently decided that they cannot properly form an opinion on DCP 437 as submitted and therefore issued a send back letter on 21 November 2024 for further analysis by the Working Group (Attachment 3).
- 1.2 The Working Group subsequently reconvened in January 2025 and has undertaken some additional analysis which is shared within this RFI.

Recap of DCP437

What?

- 1.3 This change proposal aims to shorten the DUoS Pricing Notice Periods from 15 to 14 months, for DNOs, and from 14 to 13 months, for IDNOs and LDNOs, so there is a longer period between the submission of the Price Control Financial Model (PCFM), where Ofgem have the option to make changes to DNOs' allowed revenue at short notice, and the publication of the prices.

Why?

- 1.4 Final DUoS Charges are set with a deadline of 31st December for the prices due for implementation in April 15 months later. New license conditions introduced for [RIIO-ED2](#) mean that DNOs receive the PCFM, which determines the allowed revenue and the rate of return for the EDCM and CDCM prices, at the end of November. DNOs check this PCFM, complete their inputs into the model, and return to it to Ofgem, who have 14 days to decide if they would like to make further changes. If Ofgem do decide to make changes, DNOs will have minimal time to apply any changes and the tariff assurance process could be compromised. Ofgem recommended but did not mandate the SOLR final decision, published in December 2023 be reflected in final charges for tariffs from April 2025, resulting in additional work required within a restrictive timescale. Delaying the publication of DUoS charges will allow DNOs more time to apply their assurance processes.

How?

- 1.5 Change the wording in DCUSA in section 2A 19.1.1 (Distributor to Supplier/ Generator relationship) to state a notice period of 14 months for DNOs, and change the wording in section 2A 19.1.2 to state a notice period of 13 months for IDNOs and DNOs acting outside of that DNO Party's Distribution Service Area.
- 1.6 The Working Group noted an interaction with Clause 14.2 of Section 2A. This section currently stipulates that should a change that impacts Schedules 16, 17, 18, 20 or 29 be approved by Ofgem less than 3 months before the current notice period then the change should be

implemented the year after. Whilst no changes are needed to this section, it was acknowledged that the cut-off date would be 01 November rather than 01 October each year.

Progress to date

1.7 In their send-back letter, the Authority set out the following reason for their decision:

“The change report sets out that the DCP437 workgroup noted that the proposed change to notice period length would result in Suppliers waiting a month longer for DUoS charges to be set. As a result, some fixed term contracts would have an increased period in which DUoS charges are uncertain. It was noted that Suppliers may choose to apply a risk premium to account for this uncertainty. The cost of which would depend on the size and level of uncertainty. The Increased risk premiums resulting from greater uncertainty of DUoS charges, pass through as a higher cost to the consumer, through increased prices within their contracts.

We recognise that the Working Group explored the amount of time that a Supplier would face uncertain DUoS costs when pricing a fixed term contract. However, we believe that a more detailed understanding of how consumers will be impacted is essential for our full assessment, balancing all merits and impacts of the Change Proposal. We would like to gain a quantitative insight into the potential increase in risk premia, alongside how the premia will affect the bills of consumer groups (e.g. as defined by the nature of their contract, contract length and other characteristics). We would also welcome any additional qualitative evidence on the distributional impacts. Without further understanding the consumer impact to assess alongside the other merits and limitations set out in the Change Declaration, we do not believe it is possible to make an informed decision on DCP437.”

Ofgem directed "... that further detail is provided on the consumer impacts provided and considered by the working group, to address this deficiency. A revised Change Declaration should include quantified impact of the potential increased risk premia on the bills of different consumer groups. If information is not available, illustrative figures based on well-justified assumptions should be provided.

After addressing the issues discussed above and revising the Change Declaration accordingly, the DCUSA Panel should re-submit it to us for decision as soon as reasonably practicable."

2 Working Group Analysis

- 2.1 The Working Group developed a model to calculate the average risk premium, providing some analysis on the potential impacts on customers, and this is provided in Attachment 4.
- 2.2 The first thing to note is that this CP only impacts the number of months for which published tariffs are known for customers renewing contracts in January where those contracts run beyond March of the following year, which increases from 0 to 10 months (assuming a 24 month contract). For all other contract renewals the level of published tariff information which is known

remains the same. The spreadsheet firstly provides some background calculations in rows 3 to 15, with column B indicating the Average typical domestic DUoS charge (based on annual consumption of 3,600kWh) for each year since 2017. Column C indicates the percentage change year on year and column D compares this percentage change against the CPI-H annual rate for that year. Column E shows the average annual domestic standard electricity bill (based on annual consumption of 3,600 kWh) for each year, as published by the Department for Energy Security and Net Zero¹.

- 2.3 The spreadsheet then provides a potential calculation of risk premia based on the average DUoS bill in 2025/26 for a domestic customer (rows 29 to 43). Basing the calculation on a 1 in 5 event (20%) of the worst case increase in costs based on historical movements, then an additional risk premium of £6.56 would be added to the total bill. This comes to 27p per month for a 24-month contract.
- 2.4 The Working Group is keen to seek feedback from Suppliers on whether this analysis is reflective of the likely impacts.

3 RFI Questions

- 3.1 The Working Group is seeking industry views on the following RFI questions:

No.	Questions
1	Do you agree that the analysis undertaken from the DCP 437 Working Group is reflective of the likely increase in risk premia for affected customers if this CP is approved? Please provide your rationale either way and if you disagree, please provide your analysis on the likely increase in risk premia on affected customers.
2	How many customers do you have on a contract greater than 14-months? Please split between domestic and non-domestic and for the non-domestic customers, please indicate how many have pass-through arrangements in place for DUoS charges.
3	Any other comments?

- 3.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than 01 April 2025.
- 3.3 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.

¹ [Annual domestic energy bills - GOV.UK](https://www.gov.uk/government/statistics/annual-domestic-energy-bills)

4 Attachments

- Attachment 1: DCP 437 RFI Response Form
- Attachment 2: DCP 437 Change Declaration
- Attachment 3: Authority Send Back Letter
- Attachment 4: Risk Premia Analysis