

Question 1

Company	Confidential/ Anonymous	1. Do you understand the intent of this CP?	Working Group Comments
UKPN	Non-confidential	Yes	Noted.
NPg	Non-confidential	Yes	Noted.
SPEN	Non-confidential	Yes	Noted.
Centrica	Non-confidential	Yes	Noted.
NGED	Non-confidential	Yes	Noted.
SSE Generation	Non-confidential	We understand that the intent of the CP is to manage the effects of surplus residual charge in the CDCM, by codifying a solution which Ofgem had set out in their guidance issued as part of their second round of derogations for the 2026/27 charges. We understand that the swift timelines for this CP are intended to avoid the need for a third round of Ofgem derogations.	Noted.
The ENC	Non-confidential	Yes	Noted.
ENWL	Non-confidential	Yes	Noted.
SSEN	Non-confidential	Yes	Noted.

Working Group Conclusions	All 9 respondents understand the intent of this CP.
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Question 2

Company	Confidential/ Anonymous	2. Are you supportive of the principle of the CP?	Working Group Comments
UKPN	Non-confidential	Yes	Noted.
NPg	Non-confidential	Yes. We believe this change is essential in the interim, to ensure DNOs can produce valid tariffs without the need to seek derogation from the Authority on a known issue.	Noted.
SPEN	Non-confidential	Yes	Noted.
Centrica	Non-confidential	Yes	Noted.
NGED	Non-confidential	Yes	Noted.
SSE Generation	Non-confidential	<p>Overall, we are, at this point, not supportive of the approaches taken by this CP, for the reasons outlined below.</p> <ol style="list-style-type: none"> <u>On the intent of the CP</u> We agree that the issue needs to be managed but we would prefer the Working Group to have used the opportunity of this CP to assess, in more depth, the impacts of the current solution (which was developed under time constraints, and not necessarily as an enduring approach) and to have explored other, potentially better (and more enduring), 	<p>DNOs agreed that there is nothing to compare the model to. The DRM produces erroneous outputs, making before/after comparisons invalid.</p> <p>There is need for further work, will reduce the need for derogations in the long-term. CO confirmed that Schedule 15 projections only</p>

		<p>solutions to the defect.</p> <p>2. <u>On the impacts of the CP</u> We are very concerned that, as stated at 4.11 of the consultation, it is not possible to perform an impact assessment on customers' charges using the proposed approach of scaling the 'gross asset costs' model inputs because the current charges the Distribution Reinforcement Model (DRM) produces are, for some DNOs, erroneous and can hence not be used as a 'before' scenario, to be compared with the proposal's 'after' charges. We would like the Working Group to confirm whether, for the DNOs who experience the surplus residual issue, a meaningful 'before' scenario can be obtained from their quarterly published tariff projections ('illustrative prices'), or whether these have also had to be adjusted as per the Ofgem derogation approach.</p> <p>3. <u>On the DRM</u> Noting the observations of the DRM consultants, CEPA/TNEI, in their assessment of the proposed solution (summarised under 4.14 of the consultation), we are concerned that many of the workings of the DRM are difficult to describe and understand, and appear random in parts, and potentially unfair. If this is the case, it would not be in conformance with the legal framework that applies to GB electricity network charging.</p> <p>4. <u>On the next steps</u> Notwithstanding the above, we note that at the June 2025 meeting of the DCMDG, the Proposer explained that wider changes (in terms of the solution) would remain outside of the scope of this CP but acknowledged that there was potential to develop an improved solution in the future.</p>	<p>update allowed revenues and incentives, and do not revise full asset cost calculations (therefore cannot be used for comparisons).</p> <p>May be comfortable having a time limit stated but will need to stay in place until the DUoS SCR have put in a solution – could be revisited. Concern was also raised with the time limit as may delay a solution being put in place for DUoS SCR.</p>
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The ENC	Non-confidential	Yes	Noted.
ENWL	Non-confidential	Yes	Noted.
SSEN	Non-confidential	<p>No. We don't think it's appropriate to encode a change within the DCUSA legal text which was intended as an interim measure. The solution does not address the root cause issues and simply adjusts the balance of unit rate and fixed charges until the model does not enter an error state. These adjustments are not based on first principles assessment of how costs should be allocated and therefore does so on an arbitrary basis e.g. some HV customers have no unit rates or fixed charge.</p> <p>Fundamental changes to cost allocation such as this need to be considered as part of a wider review led by the Regulator of how the network should be paid for, by whom, and on what basis this should</p>	WG acknowledge that this is an interim solution, but the sooner the DUoS SCR solution is developed the better this will be for a long-term solution. Need to ensure that this is noted within the Change Report (interim solution).

		be calculated.	
Working Group Conclusions		7 out of 9 respondents are supportive of the principles of this CP. A number of concerns were raised, and members agreed that there is not an alternative model to compare the 'before and after'. Although there is still need for further work, members agreed that this interim solution will reduce the need for derogations in the long-term. The Working Group discussed the above concerns and acknowledged again that this is an interim solution and that there is an interaction with the DUoS SCR. Overall, the group reiterated that the longer-term DUoS SCR solution will be most suitable, however it was agreed that an interim solution is better than no solution.	

Question 3

Company	Confidential/ Anonymous	3. Do you consider that the proposal better facilitates the DCUSA Charging Objectives? Please give supporting reasons.	Working Group Comments
UKPN	Non-confidential	As Proposer we believe that DCUSA Charging Objectives 1, 2, 3 and 6 are better facilitated by this CP as it delivers an enduring solution to the charging methodology which should avoid the need for future derogations in relation to an issue which has existed for some time. This will also provide clarity for DNOs where such an issue is identified in the future, as well as to Suppliers who will have clear visibility of the arrangements.	Noted.
NPg	Non-confidential	Yes, we agree with the Proposer's assessment of the Objectives.	Noted.
SPEN	Non-confidential	Objectives 1,2, 3 and 6 (per consultation)	Noted.
Centrica	Non-confidential	I agree with the proposer that this proposal better facilitates DCUSA charging objectives 1,2,3 and 6.	Noted.

		<p>This modification seeks to remove the requirement for a derogation and potential delay in tariff setting to mitigate the impacts of large negative residuals, which is inefficient.</p> <p>The proposal also provides clarity to DNOs and wider industry on the process for tariff setting under these circumstances.</p>	
NGED	Non-confidential	Yes	Noted.
SSE Generation	Non-confidential	<p>RCO 1 – we agree. The proposal enables those DNOs affected by surplus residual charges to comply with the CDCM whereas, as it stands currently, they cannot comply.</p> <p>RCO2 – we do <i>not</i> agree. Given that it is not possible to fully assess the impacts of the solution on consumer tariffs, and that many of the workings of this approach appear random in parts, we consider that there is a risk of unfair tariffs in at least some tariff categories, which in turn may create distortions which could negatively affect competition in the generation and supply of electricity.</p> <p>RCO3 – we do <i>not</i> agree. It is not clear to us that the proposed solution results in charges which reflect the costs incurred.</p> <p>RCO6 – we agree. The proposal avoids the need for DNOs affected by the negative residual issue to apply for annual derogations (two sets thereof), promoting efficiency.</p>	Noted.
The ENC	Non-confidential	Charging Objective 1 – Efficient compliance with licence obligations is achieved through this change. By enabling DNOs to modify the network asset costs themselves without the need for derogations, the charge setting process is more streamlined.	Noted.

		<p>Charging Objective 2 – This change supports effective competition by ensuring charge setting is consistent across DNOs and not reliant on derogations when model errors occur due to surplus residual.</p> <p>Charging Objective 6 – The charge setting process will be more efficient as a result of this change, as errored charges can be amended by DNOs, using the Ofgem guidance to reduce the asset values, without the requirement to seek derogations.</p>	
ENWL	Non-confidential	Yes, we agree with the views of the proposer. The change will enable a schedule of charges to be produced in the event of an excess surplus residual.	Noted.
SSEN	Non-confidential	No	Noted.
Working Group Conclusions		7 out of 9 respondents agree that the proposal better facilitates the DCUSA Charging Objectives. The Secretariat agreed to summarise the views within a table to include in the draft Change Report.	

Question 4

Company	Confidential/Anonymous	4. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?	Working Group Comments
UKPN	Non-confidential	None that we are aware of.	Noted.
NPg	Non-confidential	No. We agree with the working group assessment that change would need to be considered as part of the DUoS SCR.	Noted.
SPEN	Non-confidential	No	Noted.

Centrica	Non-confidential	No	Noted.
NGED	Non-confidential	No	Noted.
SSE Generation	Non-confidential	<p><u>DUoS SCR</u></p> <p>We note that “the Working Group noted that [the proposal] does result in the charges that are produced not always being logical. This can only be avoided if wider changes are considered. However, this would cross over into the work which is likely to be considered as part of the DUoS SCR and so is outside the scope of this change proposal (paragraph 6.3).” As such, we consider that DCP450 has brought into even sharper focus the need to review the way DUoS tariffs are calculated, and urge that the DUoS SCR is progressed at the soonest opportunity to include a review of the DRM.</p> <p><u>REMA</u></p> <p>We understand that the DUoS SCR has been on hold pending the UK Government’s decision on REMA (which will, in turn, affect any review of network costs) but now that that decision has been issued (on 10 July ’25), we hope that the DUoS SCR can, finally, be started.</p> <p><u>Ofgem’s System Cost Recovery work</u></p> <p>We note that this work will examine how system-wide costs are distributed among all customers, and how costs are shared between different types of consumer groups, and we await Ofgem’s Call for Input, which we understanding will be forthcoming this summer.</p>	Noted.
The ENC	Non-confidential	DUoS SCR may address broader issues with residual charge design in the future; however, we acknowledge that wider changes in this area	Noted.

		are outside the scope of this change. DCP 450 is a sensible short-term solution that fits within the current methodology.	
ENWL	Non-confidential	Not materially, although the change is positively complimented by DCP 437 which would align the publication date for charges with the Ofgem Surplus Excess Residual guidance.	Noted.
SSEN	Non-confidential	A fundamental review of the DUoS methodologies from the ground up should be prioritised by the Regulator urgently as we believe they are no longer working as intended following the implementation of TCR. We don't believe this can wait until other workstreams e.g. REMA have concluded.	Noted.
Working Group Conclusions		The main theme of the feedback provided is that this short-term solution can only go so far and reiterated that the best solution will come from the development of the DUoS SCR solution. The Working Group also agreed that it may be beneficial to summarise any recommendations that members/industry may want to put forward within the draft Change Report. The Secretariat agreed to take this as an action.	

Question 5

Company	Confidential/Anonymous	5. Are you supportive of the proposal to implement this CP by 1 April 2027?	Working Group Comments
UKPN	Non-confidential	Yes, this will allow the charges for 2027/28 to be set using this revised arrangement where negative residual exists.	Noted.
NPg	Non-confidential	Yes, as this will prevent the need for DNOs to seek further derogations on an issue that the Authority has already reviewed and provided guidance on.	Noted.
SPEN	Non-confidential	Yes	Noted.
Centrica	Non-	Yes	Noted.

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NGED	Non-confidential	Yes	Noted.
SSE Generation	Non-confidential	We understand that the swift implementation timeline for this CP is intended to avoid the need for a third round of Ofgem derogations later this year. However, in the absence of a detailed impact assessment and an exploration of alternative solutions, we would like to see the proposed solution to be time-limited, with a specified timeline to carry out the above work.	May revisit this.
The ENC	Non-confidential	Yes	Noted.
ENWL	Non-confidential	Yes	Noted.
SSEN	Non-confidential	No, for reasons outlined.	Noted.
Working Group Conclusions		7 out of 9 respondents agree that they are supportive of the proposal to implement this CP by 01 April 2027. One respondent did not agree as they do not agree with the principles of this CP overall. Another respondent stated that they understand the swift implementation timeline for this CP, however they would like to see the proposed solution to be time limited – the Working Group agreed that this may be revisited. The Working Group noted the comments provided.	

Question 6

Company	Confidential/Anonymous	6. Do you have any comments on the draft legal text?	Working Group Comments
UKPN	Non-	Following a review, we believe that the addition to the legal text as	ACTION: Can seek legal advice from

	confidential	drafted, should not be as clause 25A but should in fact be 94B, as this is the part of the methodology that relates to the residual calculation.	Gowlings to confirm movement of wording.
NPg	Non-confidential	No	Noted.
SPEN	Non-confidential	No	Noted.
Centrica	Non-confidential	It appears fit for purpose	Noted.
NGED	Non-confidential	I believe the legal drafting covers the intent of the CP to address and manage the impact of significant residual values within the CDCM.	Noted.
SSE Generation	Non-confidential	<p>We note that the detailed workings of the DRM aren't set out in the DCUSA, and that, as such, the proposed DCUSA legal text addition is high level. We consider that both the lack of codification and the overall lack of clarity of the detailed workings of the DRM are significant shortcomings but we recognise that addressing these is not in scope of DCP 450.</p> <p>We note that the proposal does not address the surplus residual issue that has occurred under the EDCM, and that therefore, a separate change proposal is required. We would welcome clarity on if, how and when this will be raised</p>	The WG noted that the CP was raised solely for the CDCM as that was the only area that the Proposer had seen an impact with; meaning another DNO (if impacted) could raise another CP for the EDCM if they wish to do so.
The ENC	Non-confidential	We support the proposed legal text.	Noted.
ENWL	Non-confidential	No	Noted.
SSEN	Non-confidential	Not at this time.	Noted.

Working Group Conclusions	The Chair informed the group that 7 out of 9 respondents did not have any further feedback in relation to the draft legal text. The Working Group agreed to the amendment of the additional wording within the draft legal text, and the Secretariat took an action to send the draft legal text for legal review. In terms of this CP only being raised for the CDCM, the Working Group agreed for the Secretariat to reach out to both NGED and SSEN to seek further clarity around their impacts to the EDCM and potentially whether another CP needs to be raised.
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