

Meeting Session	Panel (Open Session)
Paper Reference	DCUSA_2026_0218_07_DCMDG 94 Headline Report
Action	For Information

## Distribution Charging Methodologies Development Group (DCMDG) Headline Report 94

### 1. Synopsis

- 1.1 This report sets out the headlines from the 95th DCMDG meeting held on 15 January 2026 via Microsoft Teams. The full minutes and associated papers are available on the DCUSA website.
- 1.2 This meeting was chaired by Richard Colwill.
- 1.3 A total of 32 industry participants dialled into the meeting.

### 2. Forward Work Plan and Issues Log

- 2.1 The group reviewed the Forward Work Plan and Issues Log, with two current issues.

#### Provide Targeted Relief from Residual Charges for Electric Bus Depots

- 2.2 The Chair confirmed that the Secretariat has reached out to Zenobe to seek any further updates and will update the group once a response has been received.

#### DCMDG Live Subgroups

- 2.3 Subgroup 02 *[‘Annual Allocation Review and Exceptional Circumstances for Future Electricity Transmission Price Control’](#)*

- No further updates were provided since the previous DCMDG meeting.

- 2.4 Subgroup 03 *[‘Site Specific Shared Network Asset Categories’](#)*

- No further updates were provided since the previous DCMDG meeting.

- 2.5 Subgroup 04 *[‘Schedule 32 – Exceptional Circumstances’](#)*

- This subgroup has been closed due to CP (DCP 466 *[‘Tariff Band to Follow Capacity’](#)*) being raised. .

### 3. Ofgem Update

- 3.1 It was noted that several derogation requests had been received in relation to managing the effects of surplus residual charges. Ofgem shared the following link with the group - [Managing the effects of surplus residual charges: derogation requests and directions | Ofgem](#).

- 3.2 It was noted that the tariffs for affected regions would likely be delayed until end of February. DCMDG members discussed the potential of raising a CP to address this EDCM issue moving forward.
- 3.3 AM informed the group that [DCP 446 'Emergency Disconnections'](#) is likely to be sent back with the aim of making a decision within the next 4 weeks.

## 4. DP-218 'Review of the SEC Charging Methodology' (Uplift in DCC Charges) - Update

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- 4.1 The Chair informed the group that there is a current plan to increase the DNO charges from 6% to 40%.
- 4.2 Following the previous DCMDG (93) meeting, the DNOs held discussions offline and ultimately agreed to include the increase into their DUoS pricing forecast.

## 5. AOB

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### DNO Allowed Revenues

- 5.1 The group discussed an emerging issue concerning how DNOs will determine allowed revenues for the 2028/29 charging year, which is the first year of the ED3 price control. Because the Price Control Financial Model (PCFM) outputs for 2028/29 will not be available until late 2027, DNOs face a challenge: they are required by licence to use the PCFM, but must set tariffs before that data is issued.
- 5.2 To address this, members suggested that DNOs may need to seek a licence derogation, allowing them to temporarily use the final year ED2 revenue figures when setting ED3 year-one charges. Several participants supported forming a separate working group to explore the issue further, and agreed to progress the conversation offline.

### FCP Methodology

- 5.3 The group discussed an issue with the FCP (Forward Cost Pricing) methodology, following problems encountered in producing tariffs for certain regions.
- 5.4 It was noted that the methodology failed to generate valid charges in the East Midlands and produced negative residual charges in the West Midlands. This was linked to extremely high Charge 1 values, which in turn escalated capacity charges and caused the model to fail. A action was taken to create a DCMDG subgroup to discuss this issue further.

## 6. Next Meeting

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- 6.1 The next DCMDG meeting will be held on 19 February 2026 via Microsoft Teams.

## 7. Actions

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- 7.1 The DCUSA Panel is invited to:
- **NOTE** the contents of this Paper.

**Richard Colwill**  
**Resource & Change Delivery Manager**