


DCUSA Change Proposal (DCP)		At what stage is this document in the process?			
<h2>DCP 477</h2> <h3>Managing the effects of excessive surplus residual revenue in the EDCM</h3> <p>Date Raised: 08/06/2026</p> <p>Proposer Name: Emma Clark</p> <p>Company Name: Scottish and Southern Electricity Networks</p> <p>Party Category: DNO</p>		01 – Change Proposal			
		02 – Consultation			
		03 – Change Report			
		04 – Change Declaration			
<p>Purpose of Change Proposal:</p> <p>The purpose of this Change Proposal is to include within DCUSA Schedule 17 solutions, previously approved by Ofgem through derogation, which can be applied by affected DNOs in instances of excessive surplus residual revenue within the Forward Cost Pricing (FCP) Extra High Voltage Distribution Charging Methodology (EDCM) model at a tariff set case.</p>					
	<p>Impacted Parties:</p> <p> <input checked="" type="checkbox"/> Suppliers <input checked="" type="checkbox"/> DNOs <input checked="" type="checkbox"/> IDNOs <input checked="" type="checkbox"/> CVA Registrants <input type="checkbox"/> OTSO Party <input type="checkbox"/> Gas Suppliers <input type="checkbox"/> SIP Parties </p>				
	<p>Impacted Clauses:</p> <table border="1"> <thead> <tr> <th>Section/Schedule</th> <th>Clause/Paragraph</th> </tr> </thead> <tbody> <tr> <td>Schedule 17</td> <td>New Paragraphs</td> </tr> </tbody> </table>		Section/Schedule	Clause/Paragraph	Schedule 17
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Schedule 17	New Paragraphs				

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Indicative Timeline

The Secretariat recommends the following timetable:

Initial Assessment Report	17 June 2026
Consultation Issued to Industry Participants	August 2026
Change Report Approved by Panel	21 October 2026
Change Report issued for Voting	22 October 2026
Party Voting Closes	12 November 2026
Change Declaration Issued to Parties	16 November 2026
Change Declaration Issued to Authority	16 November 2026
Authority Decision	TBC

1 Summary

What?

- 1.1 To include within the DCUSA legal text Schedule 17, solutions (previously approved by Ofgem) which can be applied by affected DNOs in instances of excessive surplus residual revenue within the Forward Cost Pricing (FCP) Extra High Voltage Distribution Charging Methodology (EDCM) model at a tariff set case. This is an interim solution to avoid the need for annual derogation requests until such time the DUoS SCR has progressed an enduring solution.

Why?

- 1.2 Since late 2023 (2025-26 tariff set case), two out of three DNOs who apply the FCP charging methodology have experienced at some point excessive surplus residual revenue. This can result in either;
- credit fixed charge rates (p/mpan/day) for Final Demand customers which Ofgem agreed was not cost reflective, or
 - the EDCM model can fail to run entirely, and no tariffs would be produced.

Ofgem has therefore approved Derogations to allow affected DNOs to charge outside the EDCM in order to publish a valid set of tariffs.

How?

- 1.3 In November 2024, Ofgem published a guidance document titled 'Managing the effects of surplus residual charges guidance' outlining the intervention options affected DNOs should apply to the 2026-27 FCP EDCM models if excessive surplus residual revenue occurred:
- **Option 1:** Reapportion negative fixed charges for final demand consumers within a residual band to the capacity charge for the same group of consumers. To be used when the principal cause of excessive surplus residual is a reduction in allowed revenue.
 - **Option 3:** Carry over locational components and network use factors from previous years. To be used when the principal cause of excessive residual surplus is an increase in forward-looking charges.
- 1.4 In February 2026 for 2027-28 Tariff setting purposes, an additional intervention option was approved for implementation by Ofgem:
- Carry over load growths used in the last tariff setting process and apply to the Authorised Network Model to be used for the next tariff setting year.

Who?

- 1.5 As this proposal relates to EDCM DUoS charges, it may impact DNOs, Suppliers, IDNOs, CVA registrants and Consumers.

2 Governance

Proposers view on items that impact the progression of the CP

- 2.1 ☒ Tick this box if you feel that you are raising this change to try to address a current or imminent issue that has significant adverse commercial or safety implications or which would otherwise place Parties in breach of relevant regulations.
- 2.2 Do you believe this Change Proposal will have a significant impact on any of the following? (Select all that apply)
- ☒ Electricity consumers
 - ☒ Supply
 - ☒ Distribution
 - ☐ Generation
 - ☐ Commercial activities connected with any of the above
 - ☐ None of the Above
- 2.3 Do you believe this Change Proposal will? *(Select all that apply)
- ☒ Have a significant commercial impact on any a Party or Party Category or on customers
 - ☒ Be likely to discriminate in its effects between at least one Party or another
 - ☒ Be the subject of controversy between Parties
 - ☒ Cause at least one Party to be in breach of this Agreement if not urgently addressed
 - ☐ Change the governance or the change control arrangements applying to the DCUSA
 - ☐ None of the Above
- 2.4 ☒ Tick this box if you either, haven't developed any proposed legal drafting or if you have, but you feel that further development will be required (i.e., via a Working Group)?
- 2.5 Progressing to a working group urgently would be the preferred next steps so we can submit to Ofgem for review asap and in time for 2028-29 tariff setting process.
- 2.6 Proposer's view on prioritisation

Prioritisation Criteria	High Impact
Strategic Direction Statement Alignment: The CP strongly supports key government energy policy actions that require immediate progress and aligns with SDS priorities under the Act Now category.	Yes
Complexity: The CP is highly complex, with a fast-approaching deadline, significant implementation challenges, and a requirement for extensive stakeholder engagement.	Yes
Importance: The CP addresses a high-risk or critical issue, making timely action important for stakeholders as it is anticipated to deliver substantial benefits and value.	Yes
Priority Category (To be considered High priority all 3 Criteria must be High Impact.)	High Priority

- 2.7 Given we believe that this CP be treated as an Urgent change, we also believe that it has a high impact on all three of the Prioritisation Criteria and thus, should be considered as 'High Priority' if the Panel decide that it is not an Urgent change.

Code Admin view on progression route for this CP

- 2.8 Based the answers provided by the Proposer to the above questions the Code Administrator believes that this Change Proposal should:
- Be treated as a Part 1 Matter;
 - Be treated as an Urgent Change; and
 - Proceed to the Definition phase via a Working Group for further development.

3 Reasons for raising the Change Proposal

- 3.1 Details outlined in Section 1. Ofgem stipulated in Derogations published early 2026 that it would not be possible to progress a long-term solution via the DUoS SCR in time for 2028-29 tariff setting, and hence we're looking to formalise the intervention options applied to date in the short term to avoid repeated derogations.
- 3.2 Links to the Ofgem guidance document, EDCM Direction documents published to date and CDCM counterpart solution are provided below:
- [Managing the effects of surplus residual charges guidance | Ofgem](#)
 - [Derogation for SSEN EDCM Final](#)
 - [Derogation for EDCM NGED](#)
 - [SSEN direction to derogate CDCM and EDCM](#)
 - [NGED Direction to Derogate Charging Methodologies 2027-28](#)
 - [SSEN Direction to Derogate Charging Methodologies 2027-28](#)
 - [Distribution Connection and Use of System Agreement \(DCUSA\) – DCP450: Managing the effects of surplus residual charge in the CDCM](#)

4 Solution and Legal Text

Solution Overview

- 4.1 To include within DCUSA Schedule 17 the various Ofgem approved intervention options and the circumstances in which each should be to be applied by affected DNOs in instances of excessive surplus residual revenue within the EDCM FCP model at a tariff set case.

Legal Text Amendments

- 4.2 We have provided some draft legal text which we believe will achieve the solution specified above and this is set out below for ease of reference:

18.22 Where excessive surplus residual revenue occurs within the EDCM model (demonstrated by negative fixed charges or the failure to produce a set of tariffs), the following implementation option(s) should be applied by affected DNOs depending on the primary driver:

- Reapportion negative fixed charges for final demand consumers within a residual band to the capacity charge for the same group of consumers. To be used when the principal cause of excessive surplus residual is a reduction in allowed revenue.

- Carry over locational components and network use factors from previous years. To be used when the principal cause of excessive residual surplus is an increase in forward-looking charges.

- Carry over load growths used in the last tariff setting process and apply to the Authorised Network Model to be used for the next tariff setting year. To be used when the EDCM model fails to produce a set of tariffs entirely due to the scale of negative residual revenue.

There may be instances where the selected intervention option does not completely eradicate credit fixed charge rates due to the scale of negative residual revenue and therefore a second intervention option should be applied also.

Add new paragraph 5.4 -

5.4 Per Paragraph 18.22, if the EDCM model fails to run and this is driven by the demand (loads) forecast within the LTDS, the DNO may apply the load growth scenario from the prior tariff setting process to the latest Authorised Network Model to ensure a valid set of tariffs are produced.

Add new paragraph 22.4 –

22.4 If an intervention option to alleviate excessive surplus residual has been applied at a tariff set case in line with section 18.22, any new EDCM connectees for that year should have their charges calculated on an equivalent basis.

Legal Text Commentary

4.3 Updates are consistent with Ofgem guidance released to date.

Addition/Amendment to DCUSA Owned Market Message (Data Flow) or Data Item

4.4 N/A

Market Message (Data Flow) / Data Item Commentary

4.5 N/A

5 Relevant Objectives

5.1 Our view as to which of the DCUSA Objectives would be better facilitated by the implementation of this Change Proposal is set out below.

DCUSA Charging Objectives ★(expand to select all that apply)

1) The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks

Positive

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	Neutral
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	Neutral
6) That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Positive
5.2 Relative to the status quo, Charging Objectives 1, 2, 3 and 6 are better facilitated by this change. The intervention options ensure DNOs would be able to calculate a set of EDCM tariffs in instances where the model fails to run and also ensures there would be no negative fixed charges which are not cost reflective.	

6 Impacts & Other Considerations

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

6.1 We believe that this CP has impacts on the DUoS SCR.

Impacts on Other Codes

6.2 We have considered whether any other industry codes might be impacted as a result of this Change Proposal, and my/our initial view is set out below.

Grid Code.....	<input checked="" type="checkbox"/>	SEC...	<input checked="" type="checkbox"/>	CUSC...	<input checked="" type="checkbox"/>	None.....	<input checked="" type="checkbox"/>
Distribution Code...	<input checked="" type="checkbox"/>	REC....	<input checked="" type="checkbox"/>	BSC.....	<input checked="" type="checkbox"/>		

Impacts on DCUSA Owned Data Flows

6.3 We do not believe that this change will require any amendments to DCUSA owned Data Flows (Market Messages) or the applicable Scenario Variants or any Data Items

Consumer Impacts

6.4 We believe that this change has impacts on consumers which will need to be assessed by the Working Group.

Environmental Impacts

6.5 In accordance with DCUSA Clause 10.4.5A, we have assessed whether there would be a material impact on greenhouse gas emissions if this CP were implemented. We have not identified any material impact on greenhouse gas emissions from the implementation of this CP.

7 Implementation

Lead Time for Implementation

7.1 N/A

Proposed Implementation Date

7.2 ASAP in advance of 2028-29 final tariff setting process.

8 Recommendations

The Code Administrator will provide a summary of any recommendations/determinations provided by the Panel in considering the initial Change Proposal. This will form part of a Final Change Report.