

DCMDG FCP Subgroup Headline Report

1. Synopsis

- 1.1 This report sets out the conclusions from the DCMDG FCP Subgroup meetings held on 13 May 2026 and 28 May 2026 via Microsoft Teams. The full minutes are available on the DCUSA website.
- 1.2 This meeting was chaired by Richard Colwill.

2. Key Message

- 2.1 The Subgroup identified a clear case to formalise existing derogation practices within the DCUSA, with strong support to progress an urgent Change Proposal to ensure consistent, transparent, and timely tariff setting.

3. Summary of Discussion

- 3.1 The Subgroup met to review current derogation approaches adopted by DNOs to address failures within the charging models and to assess whether these approaches should be codified as an enduring solution.
- 3.2 The Subgroup discussed and agreed that three primary intervention methods had been applied under derogation:
 - 3.2.1 reallocation of negative fixed charges into capacity charges;
 - 3.2.2 use of prior-year inputs (e.g. locational factors) where models fail; and
 - 3.2.3 moderation of extreme load growth forecasts to stabilise models.
- 3.3 These approaches had been used in some combinations, but none provided a complete or universally applicable solution.
- 3.4 The Subgroup discussed several practical and policy limitations, including:
 - 3.4.1 risk of creating unintended distortions (e.g. negative capacity charges);
 - 3.4.2 reduced cost reflectivity when historic inputs are reused; and
 - 3.4.3 ongoing model instability driven by high forecast demand growth.
- 3.5 The Subgroup recognised that the current reliance on annual derogations is inefficient and resource intensive.

4. Formalisation via DCUSA Change Proposal

- 4.1 The Subgroup agreed there is sufficient justification to raise a Change Proposal to codify these approaches, reflecting methods already accepted by Ofgem.
- 4.2 The Change Proposal is expected to:
 - 4.2.1 define when each intervention is permitted;
 - 4.2.2 clarify which approaches can be combined (if any); and
 - 4.2.3 align with existing Ofgem guidance and precedent.
- 4.3 Emma Clark, of SSEN, agreed to raise the new Change Proposal.

5. Next Meeting

- 5.1 No further meetings of the DCMDG FCP Subgroup are currently planned.

Richard Colwill
Resource & Change Delivery Manager