

DCUSA Derogation Application

Originator Details	
Companies	All DNOs and (subject to confirmation) all IDNOs – currently confirmed are: • EASTERN POWER NETWORKS PLC (DNO) • LONDON POWER NETWORKS PLC (DNO) • NATIONAL GRID ELECTRICITY DISTRIBUTION (EAST MIDLANDS) PLC (DNO) • NATIONAL GRID ELECTRICITY DISTRIBUTION (SOUTH WALES) PLC (DNO) • NATIONAL GRID ELECTRICITY DISTRIBUTION (SOUTH WEST) PLC (DNO) • NATIONAL GRID ELECTRICITY DISTRIBUTION (WEST MIDLANDS) PLC (DNO) • NORTHERN POWERGRID (NORTHEAST) PLC (DNO) • NORTHERN POWERGRID (YORKSHIRE) PLC (DNO) • SCOTTISH HYDRO ELECTRIC POWER DISTRIBUTION PLC (DNO) • SOUTH EASTERN POWER NETWORKS PLC (DNO) • SOUTHERN ELECTRIC POWER DISTRIBUTION PLC (DNO) • SP DISTRIBUTION PLC (DNO) • SP ELECTRICITY NORTH WEST LIMITED (DNO) • SP MANWEB PLC (DNO) • ADVANCED ELECTRICITY NETWORKS LIMITED (IDNO) • AGR NETWORKS LIMITED (IDNO) • AIDIEN LIMITED (IDNO) • AURORA UTILITIES LIMITED (IDNO) • E.ON UK NETWORK ASSETS LIMITED (IDNO) • ECLIPSE POWER DISTRIBUTION LIMITED (IDNO) • ECLIPSE POWER NETWORKS LIMITED (IDNO) • EDGE UTILITY NETWORKS LIMITED (IDNO) • ENERGY ASSETS NETWORKS LIMITED (IDNO) • ESP ELECTRICITY LIMITED (IDNO) • FULCRUM ELECTRICITY ASSETS LIMITED (IDNO) • GREEN GENERATION ENERGY NETWORKS CYMRU LIMITED (IDNO) • GRID LINE POWER NETWORKS LIMITED (IDNO) • HARLAXTON ENERGY NETWORKS LIMITED (IDNO) • INDEPENDENT DISTRIBUTION CONNECTION SPECIALISTS LIMITED (IDNO) • INDEPENDENT POWER NETWORKS LIMITED (IDNO) • INDIGO POWER LIMITED (IDNO) • LAST MILE ELECTRICITY LIMITED (IDNO) • LEEP ELECTRICITY NETWORKS LIMITED (IDNO) • MUA ELECTRICITY LIMITED (IDNO) • OPTIMAL POWER NETWORKS LIMITED (IDNO) • SPHERE ENERGY CONNECT LIMITED (IDNO) • STARK INFRA-ELECTRICITY LIMITED (IDNO) • THE ELECTRICITY NETWORK COMPANY LIMITED (IDNO) • UK POWER DISTRIBUTION LIMITED (IDNO) • UTILITY ASSETS LIMITED (IDNO) • VITAL ENERGI POWER NETWORKS LIMITED (IDNO)
Originator's Name	Chris Ong (on behalf of all DNOs and IDNOs above)
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Details of obligation(s) to which you are seeking a derogation, quoting relevant DCUSA clause(s)	
Paragraph	Paragraph 6.11 of Schedule 32
Obligation	<u>Note, that Paragraph 6.10 has been included for completeness but is not specifically being derogated against.</u> 6.10 On or before 15 September of the Annual Allocation Review, the DNO/IDNO Party shall provide each Supplier Party with a list of each and every MPAN associated with a Non-Domestic Premises that is connected to the DNO/IDNO Party's Distribution System that has been reallocated to a New Charging Band as a result of the Annual Allocation Review, identifying the Old Charging Band and the New Charging Band and LLFC Id or for MHHS the DUoS Tariff ID to which each such MPAN has been reallocated. 6.11 The New Charging Band will be effective from the later of 1 August of the prior year or the date on which the Old Charging Band was applied. Charging band reallocations are actioned by amending the LLFC Id or for MHHS the DUoS Tariff ID assigned to the MPAN, which must be completed by the DNO/IDNO Party before the date of the Final Reconciliation Settlement Run (as defined in the BSC) for 1 August of the prior year.
Reason Derogation Sought - details of the justification for seeking this derogation	
DCP 389 'TCR – Clarification on Exceptional Circumstances and Allocation Review for 'New' Sites', which was implemented on 01 April 2023, introduced a process for an Annual Allocation Review (AAR) of any new Final Demand Sites as well as those Final Demand Sites which were initially allocated to a Residual Charging Band based on no recorded data (i.e., by using a best guess approach). The process instructed DNOs/IDNOs to potentially backdate rebates/charges past a point which was realistically possible/practical. This was originally picked up in 2023, when DNOs/IDNOs completed the process for the first time, and a derogation was granted at the time. To provide an enduring solution a Change Proposal (DCP 433 'Limitation for backdating of rebates/charges under Schedule 32') was raised which was approved by the Authority on 14 November 2024, although a separate derogation was also raised that year due to the timing of the approval of that change. This CP limited backdating to 14 months (01 August in the prior year). We now face a similar issue caused by the MHHS programme, where sites that have migrated to MHHS cannot be backdated beyond the date of the MHHS migration. The particular paragraph causing the issue is Paragraph 6.11 in Schedule 32 but for ease of reference, both 6.10 and 6.11 related to the process are included above. Paragraph 6.11 of Schedule 32 instructs DNOs/IDNOs to backdate the charging band by amending the LLFC Id or DUoS Tariff ID to the latter of 01 August of the prior year or the date on which the old charging band was applied. <u>Establishing the maximum backdating window:</u> Paragraph 6.5 states "reallocated from its current charging band (the "Old Charging Band") to a new charging band (the "New Charging Band"). The use of the term 'current' means that due to the ET3 allocation exercise and accompanying change of banding thresholds, the change can only be effective from 1 April 2026 when the new ET3 allocation and banding thresholds took effect. This is regardless of whether the ET3 allocation resulted in the site being allocated to a 'different' charging band than it was on in the ET2 period immediately prior to 01 April 2026. Therefore in the 2026 AAR there will be no backdating beyond 01 April 2026.	

Sites that migrated to MHHS after 01 April 2026:

Once an MPAN is migrated under MHHS, the backdating would need to be effective from the migration date, as system restrictions will prevent a change prior. Therefore a DNO would be unable to backdate a MHHS site to 01 April 2026 if they have migrated after that date.

We therefore require a derogation to disapply the instruction to backdate to the date on which the old charging band was applied for sites that have migrated to MHHS after the date the old charging band was applied. Such sites will be backdated as far as is possible under system restrictions, to the date of the MHHS migration (and for absolute clarity - no earlier than 01 April 2026).

To ensure there is an enduring solution in place to resolve this issue, a DCUSA change proposal will be raised in the next couple of months to revise Schedule 32 relating to this issue, although DCP466 which is currently with the Authority for decision would mean that there would be no requirement for the Annual Allocation Review to take place for HH sites in future, but the requirement would remain for NHH sites.

The Derogation should apply to all Distributors (i.e., all DNOs/IDNOs) and with the assistance of the DCUSA Code Administrator, confirmation of the inclusion of a number of the IDNOs in this application have been received.

Conditions – description of the conditions of this derogation (i.e. the extent to which a derogation is needed / whether a less onerous obligation will be met for the period of the derogation)

In line with the wording of paragraph 6.5 and following the ET3 allocations and change of banding thresholds the backdating cannot be effective before 1 April 2026 for this Annual Allocation Review, and once an MPAN has migrated to MHHS the LLFC cannot be changed prior to the migration date. This derogation will allow us to backdate reallocations as far as possible under the current system restrictions and within the current price control period. As a result this derogation is required by all parties as the current arrangements cannot be delivered as drafted.

Impact - details of the anticipated impact on the costs and operations of other parties:

Consideration was given to the potential impacts with the consensus being that proceeding with a derogation was likely to be in the best interests of all Parties (i.e., Suppliers and DNOs/IDNOs).

The change which this derogation is seeking will apply to sites which require a change of banding because of the Annual Allocation Review, both those moving to a lower band, as well as those moving to a higher band, where it is not possible to backdate to the date the current charging band took effect.

Action Being Taken - details of the action you will take to become compliant with the obligation including dates of any key milestones associated with these actions:

The intent is for all DNOs/IDNOs to follow the obligations in Schedule 32 to the extent where possible (that being backdating up to but not beyond 01 April 2026). We expect this to be possible for the majority of sites in the 2026 AAR.

The action we seek for this derogation is to waive the maximum backdating period where it is not possible due to system restrictions (e.g., MHHS migrations) and to instead backdate as far as the system restrictions allow (e.g., the date of the MHHS migration).

To be clear there is no need for this derogation to set a maximum backdating period of 01 April 2026, this is already prescribed in schedule 32 due to the fact all current ET3 allocations started 01 April 2026 or later (as mentioned above).

Timescales - period of time for which the derogation is sought

This Derogation is only necessary for the 2026 Annual Allocation Review period and for prudence the derogation should be long enough to cover the entire period of the 2026 Annual Allocation Review.

Associated Derogations – details of any previous or current derogations which are related to this one

Derogations have previously been granted for the initial Annual Allocation Review period in September 2023 as well as in September 2024 prior to DCP 433 being approved by the Authority. This additional Derogation is requested for the fourth Annual Allocation Review period (2026) following the introduction of new banding thresholds and the impact of MHHS migrations.

A DCUSA change proposal will be raised in due course to provide an enduring, future-proofed solution to this issue.

To be completed by Panel Secretary

Date received	28 July 2026
Representations received (see representations below)	Two representations received
Date presented to DCUSA Panel	19 August 2026
Outcome	TBC

Party	Representation
Eastern Power Networks	As the party submitting this derogation request on behalf of all DNOs and IDNOs, I strongly support its approval. Due to the changes to the band thresholds introduced in 2026 not being fully reflected in the drafting of Schedule 32, particularly in relation to the AAR process, network companies are currently unable to comply with the legal text as written. In addition, once a site has migrated under MHHS, it is not possible to amend the relevant data retrospectively before the migration date. The approach proposed in the derogation request provides a pragmatic and proportionate solution, ensuring that affected sites are assigned to the correct bands and that any necessary corrections are applied from an appropriate effective date. As outlined in the derogation submission, DNOs intend to raise a DCUSA modification in the coming months to permanently address this issue. Consequently, the requested derogation is intended solely as a temporary measure for 2026.
Indigo Power Limited	Indigo Power Limited supports the joint derogation application against Paragraph 6.11 of Schedule 32 for the 2026 Annual Allocation Review. The constraints set out in the application the change of banding thresholds effective 1 April 2026, and the inability to amend LLFC / DUoS Tariff IDs prior to MHHS migration reflect our own operational position, and we agree the current arrangements cannot be delivered as drafted. Ahead of the Panel's consideration, we would like to raise two related points. 1. Interaction with DCP 466

	The application notes that DCP 466 would remove the requirement for an Annual Allocation Review for HH sites in future. We would ask the Panel and the applicant group to also consider the transitional effect of that change on the current cycle. The DCP 466 Change Report states at Paragraph 4.9 that, if approved, "Distributors would initially need to assess tariff bands for all HH settled sites and reallocate as necessary," with those customers reallocated from the date of implementation. Paragraph 9.3 further requires that this alignment of site MIC to the appropriate charging band be completed in advance of the implementation date, so that sites are correctly banded from day one. DCP 466 is presently with the Authority for decision. Depending on the timing of that decision, this one off realignment of the full HH population could fall close to, or shortly after, the 2026 Annual Allocation Review. Where a site falls within both exercises, it could move charging band twice within a short period which is the outcome this derogation is expressly intended to avoid, as set out in the Conditions section of the application. 2. Proposed deferral of the Paragraph 6.10 Supplier notification date We recognise that Paragraph 6.10 has been included in the application for completeness and is not currently within the scope of the relief sought. Nevertheless, we would ask the applicant group to consider whether the derogation should be extended to permit deferral of the 15 September notification date until the DCP 466 decision is known. Our rationale is that a notification issued on 15 September, followed shortly afterwards by a further set of band changes arising from a DCP 466 realignment, would require Suppliers to process two sets of changes for overlapping populations within a matter of weeks. A single consolidated notification, issued once the position is settled, would in our view be materially clearer for Suppliers and reduce the risk of reconciliation and billing errors on both sides.
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