

DCUSA Consultation		At what stage is this document in the process?
DCP 477 Managing the effects of excessive surplus residual revenue in the EDCM Date Raised: 08/06/2026 Proposer Name: Emma Clark Company Name: Scottish and Southern Electricity Networks Party Category: DNO		01 - Change Proposal
		02 - Consultation
		03 - Change Report
		04 - Change Declaration
Purpose of the Change Proposal The purpose of this Change Proposal (CP) 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.		
	This document is a Consultation issued to DCUSA Parties and any other interested parties in accordance with Clause 11.14 of the DCUSA, seeking industry views on this CP. You are invited to consider the questions set in section 12 of this Consultation and submit comments using the form provided to dcusa@electralink.co.uk. The deadline for responses is 18 September 2026.	
	Impacted Parties Suppliers, DNOs, IDNOs and CVA Registrants	
	Impacted Clauses Clause 19 in Section 2A and Schedule 17 (New Paragraphs)	

Contents		 Any Questions?
1	Summary.....	3
2	Governance	4
3	Why Change?	4
4	Working Group Initial Assessment.....	4
5	An Overview of the First Consultation	5
6	Conclusions Following First Consultation	9
7	Second Consultation on Notice Period Requirements ..	10
8	Relevant Objectives	14
9	Impacts & Other Considerations	15
10	Implementation	16
11	Legal Text	16
12	Code Specific Matters	18
13	Consultation Questions.....	18
14	Attachments	19
Timetable		Contact Code Administrator  dcusa@electralink.co.uk  0207 432 3011 Proposer Emma Clark  emma.clark@sse.com
Activity	Date	
Initial Assessment Report	17 June 2026	
Consultation Issued to Parties	17 July 2026	
Second Consultation Issued to Parties	04 September 2026	
Change Report Approved by Panel	21 October 2026	
Change Report Issued for Voting	21 October 2026	
Party Voting Closes	04 November 2026	
Change Declaration Issued	06 November 2026	

Note to Readers

This document forms a second consultation on DCP 477 and therefore includes both the original proposal background and a summary of the Working Group's consideration of responses received during the first consultation phase.

Respondents who are already familiar with DCP 477 and participated in the first consultation may wish to focus their review on:

- **Section 6 – Conclusions Following First Consultation;**
- **Section 7 – Second Consultation on Notice Period Requirements;**
- **Section 9 – Impacts & Other Considerations;**
- **Section 10 – Implementation; and**
- **Section 11 – Legal Text.**

However, respondents are encouraged to review the document in full where they consider this necessary to understand the Working Group's rationale and the evolution of the proposed solution.

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 intended to be an interim solution to avoid the need for annual derogation requests until such time the DUoS SCR (or another project/Change Proposal) has progressed a more robust and 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 revenue¹. This is demonstrated through credit fixed charge rates (p/MPAN/day) for Final Demand customers which Ofgem agreed is not cost-reflective.

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 naming below is as per the Ofgem document):
- 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. This was on the basis that neither Option 1 nor Option 3 from Ofgem's original guidance document were sufficient for NGED's circumstances. For the 2027/28 tariff setting process, NGED's EMEB area, their Authorised Network Model failed to converge due to the scale of load growth in the Holistic Transition scenario, and hence no EDCM tariff rates were produced which eliminated Option 1 as an intervention option. Additionally, NGED changed the software used to create their network models for 2027/28 tariff purposes meaning they could not reflect new EHV customers if intervention Option 3 was applied.
- 1.5 NGED applied the load growth assumptions used for the 2026/27 charging year within the 2027/28 Authorised Network Model, giving them the ability to produce a set of tariffs and which resulted in no excessive surplus residual revenue in the EDCM.

¹ Surplus residual revenue occurs when the revenue collected from forward-looking network charges exceeds the revenue permitted under the price control. 'Excessive' is demonstrated by negative fixed charges or the failure to produce a set of tariffs.

Who?

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

2 Governance

- 2.1 This CP is a Part 1 Matter as it may have a significant impact on the interests of electricity consumers and may discriminate in its effects between one Party (or class of Parties) and another Party (or class of Parties).

3 Why Change?

- 3.1 This change is required to prevent the need for repeated future derogation requests related to excessive surplus residual charges, which will improve efficiency.
- 3.2 It is intended that this solution be temporary and should be replaced following a review of these arrangements, through the DUoS SCR or another Ofgem-led initiative.

4 Working Group Initial Assessment

DCP 477 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess and develop DCP 477: *Managing the effects of excessive surplus residual revenue in the EDCM*.
- 4.2 In total, the Working Group has **11 active members** representing a cross-section of **DNO, IDNO, Supplier and Generator** categories as well as a consultancy, supported by the Code Administrator and Technical Secretariat.
- 4.3 Prior to issuing the consultation, the Working Group held **three formal meetings** between June and July 2026 and developed a consultation document to gather information and feedback from market participants on this CP. During its development of DCP 477, it was agreed by the Working Group that the items under the headings below should be addressed in the consultation.

An assessment of the reasons for including the three solutions previously approved through derogations, to the DCUSA

- 4.4 The Working Group noted that the three solutions contained within DCP 477 have previously been approved by Ofgem through the derogation process and have been used by DNOs to resolve instances of excessive surplus residual revenue within the EDCM.
- 4.5 The Working Group's initial view was that there may be benefit in incorporating these solutions directly into the DCUSA, providing greater certainty, consistency and efficiency by removing or reducing the need for future derogation requests where similar circumstances arise.
- 4.6 The Working Group sought views from Parties on whether these previously approved solutions should now be formalised within the DCUSA.

An assessment of criteria for when each solution, or multiple solutions, can be used by the DNOs.

- 4.7 The Working Group developed draft legal text which sets out the circumstances in which each solution may be applied, based on the primary driver of the excessive residual.
- 4.8 The Working Group's initial view was that the selection of a solution should be linked to the underlying cause of the excessive surplus residual revenue and the behaviour of the EDCM model in the relevant year.
- 4.9 The Working Group sought views on whether the proposed criteria are appropriate, sufficiently clear and capable of supporting consistent application across affected DNOs.

An assessment of whether there were any other options to deal with issue of excessive negative residual charges produced by the FCP variant of the EDCM.

- 4.10 The Working Group recognised that the three solutions included within this CP have been developed to address an immediate and known issue that has previously required derogations from Ofgem.
- 4.11 The Working Group's initial view was that this change proposal should remain narrowly focused on codifying those existing, previously approved solutions within the DCUSA, thereby providing a practical and timely mechanism that can be utilised where similar circumstances arise in future.
- 4.12 The Working Group did not consider the proposal to be the appropriate vehicle for the development, assessment or implementation of entirely new approaches, particularly given the accelerated timetable being pursued and the temporary nature of the solutions being formalised.
- 4.13 However, the Working Group acknowledged that stakeholders may identify alternative approaches which could provide a more enduring or efficient solution to the underlying issue of excessive surplus residual revenue within the EDCM. Whilst such alternatives are not currently being considered within the scope of this CP, the Working Group considered it helpful to capture stakeholder views on any potential future developments.
- 4.14 The Working Group therefore invited stakeholders to identify any alternative solutions that they believed should be explored through a future Change Proposal or be considered by the Authority as part of any wider review of distribution charging arrangements. These suggestions will not form part of the assessment of DCP 477 itself but are recorded in this Change Report for future consideration by Parties (one of which would need to raise a new Change Proposal) and the Authority.

5 An Overview of the First Consultation

Summary of responses to the DCP 477 Consultation

- 5.1 The DCP 477 Working Group issued a consultation on 14 July 2026 with a response deadline of 31 July 2026 which sought views from industry on the proposed solution and legal text for DCP 477.
- 5.2 There were 5 respondents to the consultation comprising of 4 DNOs and 1 IDNO. Set out below are the questions that the Working Group sought views on, and a summary of the responses received. A copy of the consultation document alongside the Party responses and Working Group conclusions can be found in Attachment 3.

1. Do you agree with the proposal to add the three solutions, previously approved through derogations, to the DCUSA? Please provide your rationale.

5.3 The Working Group noted that all five respondents agreed with the proposal to add the three solutions, previously approved through derogations, to the DCUSA and in doing so, they provided rationale that the proposal:

- should be an interim measure and that some respondents would like to see a long-term solution developed under the DUoS SCR;
- covers all of the required solutions to known issues;
- provides increased certainty, with respect to when tariffs will be published.
- was built based on solutions that have been reviewed and approved by Ofgem before; and
- avoids the need for repeated derogation requests which would otherwise result in delays.

2. Do you agree with the Working Group's assessment of criteria for when each solution, or multiple solutions, can be used by the DNO? Please provide your rationale.

5.4 The Working Group noted that respondents broadly supported the proposed criteria but that there were two additional items raised, being:

- A request for additional guidance to be developed to supplement the legal text and provide DNOs with clearer, step-by-step direction where the issue is caused by a reduction in allowed revenue as the text doesn't provide the level of granular instruction on how this is to be completed in practice.
- A request that the legal text include clearer wording regarding the circumstances when each option should be used.

5.5 In considering this feedback, the Working Group agreed that additional guidance should be developed to supplement the legal text and provide DNOs with clearer, step-by-step direction in terms of implementing the solution to be used where the issue is caused by a reduction in allowed revenue as the text doesn't provide the level of granular instruction on how this is to be completed in practice.

5.6 Members discussed the suggestion that supplementary guidance should be developed to support implementation of the proposed intervention to be used where the issue is caused by a reduction in allowed revenue. It was noted that guidance material had previously been developed as part of discussions between impacted DNOs and Ofgem and that this information could provide the basis for additional implementation guidance. Members discussed whether such material should form part of the legal text, be included as an appendix, or be maintained separately as supporting guidance. Whilst no final decision was reached regarding format, the Working Group agreed that development of supplementary guidance would assist future users of the methodology and should be progressed separately without delaying implementation of DCP 477.

5.7 Members also discussed whether a hierarchy should apply between the available options, taking account of previous practice, consistency of approach and the technical challenges associated with forecasting new customers and operating the EDCM model.

5.8 The Working Group recognised that different DNOs may adopt different approaches because of their individual circumstances. However, members considered that a DNO should ordinarily continue to use

the intervention approach previously approved by Ofgem unless a material change in circumstances justified an alternative.

- 5.9 The Working Group agreed that the legal text should be amended to clarify the circumstances in which each option may be used which is captured within documents previously issued by Ofgem on this topic, including where the model fails to run entirely, and to reinforce consistency with previously applied approaches.

3. Are there any alternative solutions that should be developed through a future Change Proposal or by the Authority as part of a future SCR? Please provide your rationale.

- 5.10 The Working Group noted, that three respondents did not identify any immediate alternatives, one respondent suggested that those DNOs currently using the FCP variant of the EDCM could consider moving to the LRIC variant of the EDCM and the remaining respondent indicated that they planned to submit a future change proposal to address the issue in the mid-term.

- 5.11 With respect to the suggestion that affected DNOs consider moving to the LRIC variant of the EDCM, it was noted that the rationale for this is because it didn't have any known issues with excessive surplus residual revenue and that in doing so, it would remove the need for an additional schedule within the DCUSA and would ensure all DNOs are using the same processes. In response, members of the Working Group who utilise the FCP variant explained that, whilst this might sound good in theory, it would be a decision that each individual DNO would need to make for themselves, and aside from that, there were a few things to consider, being:

- that moving to alternative methodologies would require significant time and resources to implement and thus would not necessarily be a quick fix;
- that the LRIC variant of the EDCM potentially has other issues which would warrant further investigation and discussion (e.g., whether its use of a 40 year time horizon and flat 1% load growth scenarios remain appropriate); and
- that it would likely result in substantially different tariffs for EHV end users, and that this volatility would likely be an issue for end customers.

4. Do you believe the proposed solution better facilitates the DCUSA Charging Objectives? Please provide your rationale.

- 5.12 The Working Group noted that all five respondents agreed that the proposal better facilitates DCUSA Charging Objectives, particularly Charging Objectives 1, 2, 3, and 6. The supporting rationale set out in the responses included that DNOs compliance with their licence conditions would be improved as the proposal provides mechanisms for valid tariff production, and that it would also reduce regulatory uncertainty and improve efficiency because DNOs would be able to produce tariffs without the need to rely on Ofgem derogations which results in the delayed publication of tariffs which has knock on impacts across both IDNOs and Suppliers.

- 5.13 It was additionally noted that one respondent considered that Charging Objective 4 may also be better facilitated by the proposal, although no other respondents explicitly commented on this point.

5. Are there any consumer impacts, benefits or risks arising from the proposal that should be considered as part of the assessment of this CP?

- 5.14 The Working Group noted that respondents generally considered the proposal to formalise arrangements already applied through approved derogations and did not identify any fundamentally new charging approaches or material consumer risks.
- 5.15 The Working Group also noted that the proposed solutions would provide greater stability and certainty in the short term. However, one respondent cautioned that prolonged reliance on these interim arrangements could lead to significant tariff volatility for affected end users when a longer-term solution is introduced.
- 5.16 Members further noted that the complexity of the charging methodologies and associated models means that affected customers may have limited visibility of the factors driving future charging changes. The Working Group recognised that this could make any future transition to a longer-term solution more challenging for impacted customers and that this consideration should be acknowledged as part of the overall assessment of the proposal.

6. Aside from the DUoS SCR, are you aware of any other wider industry projects or initiatives that this CP may impact upon?

- 5.17 The Working Group noted that no respondents identified any other wider industry projects or initiatives that DCP 477 may impact upon.

7. Do you agree with the Working Group's view that this CP should be implemented by no later than 5 November 2026?

- 5.18 The Working Group noted that all five respondents supported implementing the solution by no later than 5 November 2026. Three respondents highlighted that implementing the solution by that date would provide certainty/guidance for DNOs for 2028/29 tariff setting processes. Two respondents noted that implementing the solution by that date would remove the need for derogations in the future.

8. Do you think paragraphs 18.22 to 18.24 should reside under the Demand Scaling header, as currently drafted, or somewhere else (e.g., under a new heading)? If somewhere else, please provide suggestions.

- 5.19 It was noted that one respondent expressed a preference for a new section heading, while others were comfortable with the current placement of the text (i.e., under the 'Demand Scaling' heading) or had no strong views on the matter. It was noted that one respondent had suggested that, given the main body of Schedules 17 and 18 are essentially aligned in terms of their paragraph numbering and text, that there may be reason to amend Schedule 18 to include the proposed 18.22 – 18.24 and 22.5 new numbering with 'Not Used' to maintain alignment between the schedules.
- 5.20 Whilst members acknowledged the rationale behind maintaining alignment between Schedules 17 and 18, the Working Group did not reach a definitive view regarding whether additional "Not Used" provisions should be introduced solely for drafting consistency purposes. It was agreed that this point would be referred to the legal advisors when the updated legal text is submitted for review, allowing specialist drafting advice to be obtained before any decision is taken.

9. Do you have any comments on the legal text?

- 5.21 The Working Group reviewed the responses to question 9, which asked whether respondents had any comments on the proposed legal text. Members noted that two respondents supported the legal drafting

as provided with the consultation and two others reiterated feedback they had provided in response to question 2 which covered:

- A request for additional guidance to be developed to supplement the legal text and provide DNOs with clearer, step-by-step direction where the issue is caused by a reduction in allowed revenue as the text doesn't provide the level of granular instruction on how this is to be completed in practice.
- A request that the legal text include clearer wording regarding the circumstances when each option should be used.

5.22 One respondent highlighted that the legal text appears to include the addition of a new paragraph 5.4 in Annex 1, but that there is an existing paragraph 5.4. in Annex 1 and asked if the proposed text is supposed to read as a replacement of the existing text in that paragraph, or an addition to those existing paragraphs under the same heading. The Working Group confirmed that the text should be read as an additional paragraph being included, and not a replacement, and noted that its placement needs to be reviewed and that either an update needs to be made to the paragraph number or its placement changed with the legal text as necessary.

6 Conclusions Following First Consultation

- 6.1 Following its review of the five consultation responses, the Working Group noted unanimous support for adding the three solutions previously approved through derogations to the DCUSA. Respondents considered that the proposal covered the known circumstances requiring intervention, was founded on approaches already reviewed and approved by Ofgem, would increase certainty over tariff publication and would avoid repeated derogation requests and the consequential delays for DNOs, IDNOs and Suppliers. The Working Group also noted the consistent view that these arrangements should remain an interim measure pending a more robust and enduring solution through the DUoS SCR or another appropriate initiative.
- 6.2 The Working Group agreed to address four particular points raised by respondents and these are set out under the headings below.

Suggestion to develop supplementary step-by-step guidance

- 6.3 With respect to the request for additional guidance to be developed to supplement the legal text, the Working Group noted that text to this effect should be in circulation as this information was shared in documents exchanged between DNOs and Ofgem. It was agreed that this would be a good way of achieving the desired outcome and that it need not form part of the legal text but could be a document shared between the impacted DNOs. It was suggested that in any case, the guidance could be developed concurrently and should not delay the progress of this change.

Applying a hierarchy between the available interventions and the approach to use where an option has been used previously

- 6.4 As set out in paragraphs 5.4 to 5.9 above, feedback was received and discussed by the Working Group as to whether a hierarchy should apply between the available options, taking account of previous practice, consistency of approach and the technical challenges associated with forecasting new customers and operating the EDCM model.

- 6.5 The Working Group agreed that the legal text should be amended to clarify the circumstances in which each option may be used which is captured within documents previously issued by Ofgem on this topic, including where the model fails to run entirely, and to reinforce consistency with previously applied approaches.
- 6.6 The Working Group amended the text as described further in Section 10 below.

The placement and numbering of the proposed additional paragraph in Annex 1, given the existing paragraph 5.4.

- 6.7 As set out in Paragraph 5.22 above, a respondent highlighted that the legal text appears to include the addition of a new paragraph 5.4 in Annex 1 of Schedule 17 but noted that there is an existing paragraph 5.4. in Annex 1 and asked if the proposed text is supposed to read as a replacement of the existing text in that paragraph, or an addition to those existing paragraphs under the same heading. The Working Group confirmed that the text should be read as an additional paragraph being included, and not a replacement. The placement of the text in question was reviewed and it was determined that it should be added as new Paragraph 5.5A in Annex 1 and will be reviewed by the legal advisors to confirm if appropriate.

7 Second Consultation on Notice Period Requirements

- 7.1 A potential issue was raised within the Working Group regarding the 15-month notice period applicable to DNOs with respect to the publication of their charges which had not been explicitly considered during the first consultation exercise.
- 7.2 Members discussed whether the proposal, as drafted, fully addressed the practical circumstances experienced by DNOs when applying intervention options. Whilst the proposal would allow affected DNOs to apply approved interventions without seeking a methodology derogation from Ofgem, some members noted that the application of those interventions may still require additional time beyond existing DCUSA notice period requirements.
- 7.3 The Working Group acknowledged that the original consultation had solely focused on removing the requirement to seek repeated methodology derogations and had not explicitly consulted on shortening publication notice periods. Members recognised that stakeholders may reasonably consider any amendment to notice period requirements to be a distinct issue and one which could have implications for suppliers and customers.
- 7.4 Members therefore agreed that any proposal to alter publication notice periods should be subject to additional stakeholder consultation before being progressed. This is the core of the purpose of this consultation and set out below is the Working Group's thinking and rationale with respect to some specific areas they are seeking feedback on.

Consideration of whether notice period provisions should form part of DCP 477

- 7.5 The Working Group considered a number of potential approaches.
- 7.6 One option discussed was to continue progressing DCP 477 solely as a methodology change, thereby codifying previously approved intervention options but leaving any future notice period derogations to

be dealt with separately through existing Ofgem processes. Members noted that this approach would still represent an improvement over the current position by reducing the number of derogations required and removing the need for repeated methodology-specific impact assessments.

- 7.7 However, some members also recognised that this approach would not fully address the position of DNOs which may continue to require additional time following identification of excessive surplus residual revenue issues. One member explained that, based upon previous experience, the application of certain intervention options required significant engineering analysis, load flow model updates, assurance activities and internal approvals. As a result, they considered it unlikely that the existing publication timeline could always be achieved even where approved intervention options were already available within the DCUSA.
- 7.8 The Working Group therefore considered whether the proposal should be expanded to include an enduring notice period solution. Whilst there was broad recognition that such an approach would provide a more complete solution, members also acknowledged that introducing notice period provisions at this stage would necessitate a further consultation exercise and could ultimately lead to the position of the change not being in place for the tariff setting process for the 2028/29 charging year which would generally be undertaken during November and December this year (2026).
- 7.9 It was agreed by the Proposer and the Working Group that there appeared to be valid concerns relating to progressing the change without also including provision for a reduced notice period and that views from industry should be sought on the inclusion of such provisions within DCP 477.

Question 1: Do you agree with the proposal to include the provision for a reduced notice period where a DNO needs to utilise an intervention option to ensure their EDCM charges don't contain negative fixed charges? Please provide your rationale for agreeing or disagreeing.

Views on what level of reduced notice period would be sufficient

- 7.10 With respect to how long a DNO might need to carry out any additional work and thus which timeline would potentially be appropriate, if any, form the basis of further consultation.
- 7.11 Members noted that previous Ofgem-approved directions relating to EDCM excessive surplus residual revenue issues had permitted publication later than standard DCUSA timescales. The Working Group considered whether a publication requirement based on a 14-month or 13-month notice period would be most appropriate. It should be noted that any such reduced notice period would apply to all DNO charges (i.e., both CDCM and EDCM charge). Ofgem make reference to both the rationale for granting derogations against the notice period requirement and that it impacts both the CDCM and EDCM charges in their directions to DNOs to derogate from the notice period set out within the DCUSA. Below is an example of such text with emphasis added²:

“3. Our assessment

We have considered SSEN’s proposal to delay publishing final charges for SHEPD and SEPD against the process set out in our guidance for managing the effects of surplus residual

² https://www.ofgem.gov.uk/sites/default/files/2026-01/SSEN_Direction_to_derogate-DCUSA_Notice_Period_2027-28-20260106160138.pdf

charges, which has been developed in accordance with our principal objective and wider statutory duties.

*We regard SSEN's request to be consistent with our guidance document. **By receiving a direction to derogate from the 15-month notice period, SSEN will have sufficient time to confirm the presence of an excessive residual surplus in the EDCM, apply the relevant intervention option and produce an impact assessment.** It will then submit a request for direction to derogate against the EDCM to us and subsequently publish final charges following our decision.*

***Following this approach will allow SSEN to manage the effects of surplus residual charges within the EDCM and therefore avoid a fixed daily credit being paid to some sites.** We do not consider that a fixed daily credit for Final Demand Sites is cost-reflective nor conducive to competition in the generation and supply of electricity.*

*We therefore consider that a delay to publication of charges, that will enable a potential subsequent request to derogate from the charging methodologies, would better facilitate the achievement of our principal objective and wider statutory duties. **The derogation covers both the CDCM and EDCM owing to the interactions between the two.***

- 7.12 During a discussion on this topic, it was highlighted that the most recent precedent had allowed publication as late as the end of February 2026 (for charges relating to the 2027/28 charging year), equating to approximately a 13-month notice period. However, members noted that this approval related to a specific set of circumstances and reflected an intervention option which had not previously been available through existing guidance. The Working Group therefore acknowledged that it was not possible to conclude with certainty that 13 months would always be required or that 14 months would always be sufficient, whilst also acknowledging that differing DNO circumstances may affect implementation timescales.
- 7.13 The Working Group agreed that views from industry should be sought on whether a minimum of 13 months' notice (i.e., a reduction of 2 months) period be included for DNOs to complete the work required to ensure their charges are correct and that the intervention used has solved the issue and with the expectation that impact DNOs would keep the period as short as possible.

Question 2: Do you agree the proposed notice period of 13 months (reduced from 15 months) is appropriate? Please provide your rationale for agreeing or disagreeing.

Whether affected DNOs should be required to issue advance notification where publication of charges will be delayed

- 7.14 The Working Group considered whether the legal text should require affected DNOs to provide direct notification to impacted parties when an intervention option is applied and publication of charges will be delayed.
- 7.15 Members observed that under the existing derogation process, affected parties would usually become aware of delays to DNOs publishing their charges within the 15-month notice period through Ofgem correspondence and published directions with respect to requested derogations. It was noted that if an enduring DCUSA mechanism were introduced that allowed for a reduced noticed period, then that external trigger would no longer necessarily exist.
- 7.16 The Working Group therefore expressed support for introducing a notification requirement to ensure that affected parties, including Suppliers, IDNOs, CVA Registrants and DNOs operating outside their own distribution services areas, received sufficient advance notice where a DNO was going to apply one of

the intervention options and that doing so would cause a delay to them publishing their charges. Members considered that this would help maintain transparency and support forward planning activities.

- 7.17 A date of 20 December was chosen on the basis that this was the latest point at which the request for a derogation against the notice period was to be requested by a DNO Party in accordance with Ofgem's published guidance and that it would be expected that all DNOs would be in a position to know whether or not they have been impacted by the excessive negative residual issue and will need to use one of the intervention options available. An extract from Ofgem's guidance is set out below:

2.10 We outline the process that we ask DNOs to follow, alongside indicative dates, below:

- **14 November 2024** – *Our Guidance for managing the effects of excessive surplus residual charges (this document) is published.*
- **14 November 2024 to 20 December 2024** – *DNOs to conduct ongoing assessment of the likelihood of an excessive surplus residual within their tariffs. If there is a risk of excessive surplus residual, the DNO submits a request to derogate against the 15-month notice period. Ofgem publishes directions in response to DNO requests.*
- **Up to 10 January 2025** – *DNOs finalise their 2026/27 charging figures and confirm whether excessive surplus residual charges occur in their tariffs. If so, the DNO submits a request to derogate against the affected Charging Methodology, alongside their impact assessment of the applied intervention option as set out in this guidance document.*
- **10 January 2025 onwards** – *Ofgem assesses the submitted derogation requests and publishes directions in response to DNOs requests.*
- **Before 31 January 2025** – *Affected DNOs with directions from Ofgem publish 2026/27 charging tariffs by 31 January 2025.*

Question 3: Do you agree with the proposal to require affected DNOs to provide direct email notification to impacted parties when an intervention option is applied and publication of charges will be delayed? If not, why not? If so, then do you believe that the latest date that this should occur on is 20 December in a given year? If not, please suggest an alternative date and reasons for that date.

Discussion on LDNO Linked Notice Period Requirements

- 7.18 Working Group members discussed the follow-on impacts in terms of the notice period requirements for LDNOs when publishing their charges, which it was noted that, as it stands today, is 14 months ahead of publication (i.e., one month following the DNO 15-month requirement).
- 7.19 Members discussed whether a fixed notice period adjustment (i.e., set at 12 or 13 months) or a relative notice period adjustment (i.e., no later than one month after the host DNO has published charges) would be more appropriate. The Working Group agreed to consult on using a relative notification requirement on the basis that this was what was set out in Ofgem's derogation direction to LDNOs in January 2026³. It was noted that within the direction Ofgem stated:

*"The period of notice by which the LDNOs must publish their DUoS charges for these areas is reduced to forty days, **however we expect the LDNOs to publish those charges as soon as reasonably practicable but no later than one month after the respective host distribution network operator (DNO) has published its own DUoS charges.**"*

³ https://www.ofgem.gov.uk/sites/default/files/2026-01/LDNOs_Direction_to_derogate_-_DCUSA_Notice_Period_2027-28-20260121101511.pdf

Question 4: Do you agree with the proposal to include a relative notice period adjustment (i.e., no later than one month after the host DNO has published charges) for LDNOs? If not, please suggest an alternative approach. And in either case, please provide your rationale for agreeing or disagreeing.

8 Relevant Objectives

Assessment Against the DCUSA Objectives

8.1 For a DCUSA CP to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. This CP is being assessed against the DCUSA Charging Objectives.

	DCUSA Charging Objectives	Identified impact
☒	1. That compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	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

8.2 The majority of the Working Group believes that, relative to the status quo, DCUSA Charging Objectives 1, 2, 3 and 6 are better facilitated by this change as the intervention options ensure DNOs will 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.

9 Impacts & Other Considerations

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

- 9.1 The Working Group believes that this CP has impacts on the DUoS SCR and is aligned to the Strategic Direction Statement in that it deals with near term improvements to the methodology.

Impacts on other Codes

- 9.2 The Working Group does not believe this CP impacts upon any other codes.

Consumer Impacts

- 9.3 The Working Group considered whether an impact assessment should be undertaken, noting that the proposal does not introduce a new charging methodology or new intervention mechanisms. Rather, the proposal seeks to formalise, within the DCUSA, a number of solutions that have previously been reviewed and approved by the Authority through the derogation process and subsequently implemented by affected DNOs. The Working Group's initial view was therefore that this CP primarily codifies existing arrangements rather than creating new consumer impacts.
- 9.4 The Working Group further noted that the applicability of the proposed solutions is dependent upon specific circumstances arising within an individual DNO's EDCM model and that the most appropriate intervention is determined by the underlying driver of the excessive surplus residual revenue. As a result, the Working Group considered it difficult to undertake a meaningful quantitative assessment of consumer impacts that would be representative of all future applications of the proposal. The Working Group also noted that, in the absence of the solution, affected DNOs would likely continue to rely on derogation requests in similar circumstances.
- 9.5 The Working Group sought stakeholder views on whether there were any consumer impacts, benefits or risks arising from the proposal that should be considered as part of the assessment of this change. The views of respondents on this topic are set out in Paragraphs 5.14 to 5.16 above.

Impacts due to the inclusion of provisions allowing for a reduced notice period to be used

- 9.6 The Working Group identified that any potential legal text amendments which would permit affected DNOs to publish their charges on a reduced notice period arrangement should be subject to industry review, particularly as this also crosses over into other ongoing work set out below:
- [DCP 469 'Cross Code Standardisation of Charging Arrangement Notice Periods'](#) is progressing through the DCUSA change process concurrently with DCP 477. It proposed to look at the wider issues around notice periods and to seek to identify the most appropriate notice period in order to minimise annual volatility and if possible, seek alignment to other existing arrangements. The DCP 469 Working Group are consulting on moving to a 2-month notice period.
 - Separately, the issue was also recently subject to an [Ofgem Consultation](#) on the approach DNOs should take with their DCUSA notice period requirements in light of the setting of their Allowed Revenue for the first two years of RIIO-ED3, which even if addressed for ED3 through a derogation, will also be an issue in 2033 for the first two years of ED4 and so on.

- 9.7 Whilst those two workstreams contemplate the broader impact of reduced notice periods, the Working Group would like stakeholder views on whether there were any consumer impacts, benefits or risks arising from the proposal that should be considered as part of the assessment of this change.

Question 5: Do you believe that any additional consumer, supplier or operational impacts should be considered?

- 9.8 The Working Group's view continues to be that a formal impact assessment is unlikely to provide additional value in assessing this CP.

Environmental Impacts

- 9.9 In accordance with DCUSA Clause 11.14.6, the Working Group assessed whether there would be a material impact on greenhouse gas emissions if DCP 477 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

Consideration of wider industry impacts

- 9.10 The Working Group does not believe DCP 477 impacts on any wider industry developments that have not already been covered in this document.

10 Implementation

- 10.1 It was originally intended that this CP was to be implemented as soon as possible in advance of 2028/29 tariff setting, by no later than 5 November 2026. However, with the inclusion of the reduced notice period arrangements necessitating an additional consultation, the original date is no longer possible and as such, the intent is for implementation to be 5 Working Days following Authority approval.

11 Legal Text

Legal Text

- 11.1 Following the first consultation, the Working Group re-developed the legal text, which can be found in Attachment 1.

Legal Text Commentary

Applying a hierarchy between the available interventions and the approach to use where an option has been used previously

- 11.2 Following the first consultation, respondents requested greater clarity regarding the circumstances in which each intervention option should be applied and whether a hierarchy should exist between the available solutions. The Working Group reviewed the legal text alongside the guidance and derogation decisions previously issued by Ofgem and concluded that additional drafting was required to better reflect the intended application of the solutions. As a result, the legal text has been amended to:

- clarify the different circumstances in which the available intervention options should be used depending on the principal cause of the excessive surplus residual revenue;
- introduce specific provisions covering circumstances where the EDCM model fails to produce a valid set of tariffs;

- establish an approach for determining which intervention option should be used where a DNO encounters the issue for the first time; and
- provide that, where a DNO has previously utilised an intervention option to resolve excessive surplus residual revenue, that intervention should ordinarily continue to be applied in subsequent years unless a different solution is required due to a material change in circumstances.

11.3 The Working Group considered that these amendments improve clarity, promote greater consistency between affected DNOs and reduce the need for future interpretation regarding intervention selection.

The placement and numbering of the proposed additional paragraph in Annex 1, given the existing paragraph 5.4.

11.4 As set out in paragraph 6.7 above, the placement of what was originally added as a new Paragraph 5.4 within Annex 1 of Schedule 17 was reviewed, with the result being to relocate and renumber it as new Paragraph 5.5A of Annex 1. This amendment ensures the existing structure of Annex 1 is maintained whilst allowing the additional provision to be incorporated without creating ambiguity regarding the status of the existing text.

Introduction of reduced notice period arrangements

11.5 As set out in Section 7 above, during development of the Change Report following the first consultation, Working Group members identified that the proposal, as originally drafted, addressed the methodology derogation aspect of the issue but did not address circumstances where a DNO may require additional time to apply an intervention option, complete assurance activities and produce a set of valid tariffs.

11.6 The Working Group therefore developed additional legal text which would create an enduring notice period arrangement for circumstances where one or more of the intervention options contained within Schedule 17 are applied.

11.7 The proposed drafting in Clause 19 of Section 2A would:

- permit an affected DNO to publish its Use of System Charges on a reduced notice period basis where one or more of the intervention options contained within Schedule 17 have been applied;
- require the affected DNO to provide advance notification to impacted parties where the reduced notice period will be utilised; and
- establish corresponding arrangements for IDNOs and DNOs operating outside their own Distribution Services Area whose charging arrangements are dependent upon the publication of charges by a host DNO.

Additional Clarification of Intervention Options

11.8 In addition to the amendments described above, the Working Group considered whether it would be beneficial to include limited explanatory text describing the what the intervention options mean in practice. Whilst respondents requested supplementary guidance, the Working Group considered whether some additional explanatory wording within the legal text itself could improve transparency and assist future users in understanding the purpose and operation of the intervention options.

11.9 With respect to the intervention options allowing an affected DNO to 'reapportion negative fixed charges to the capacity charge' or to 'carry over locational components and network use factors' the Working Group agreed that it would be beneficial for the drafting to include additional provisions which describe, at a high level, how the relevant intervention options operate in practice. These additions are not intended to provide detailed step-by-step implementation instructions and would not replace any supporting guidance that may be developed separately. Rather, they are intended to assist readers in understanding the broad approach that would be taken when applying them.

11.10 With respect to the intervention option allowing an affected DNO to 'apply load growth assumptions used for the previous charging year within the current charging year Authorised Network Model' the Working Group deemed it to be inappropriate to include such text as the relevant DNO teams understand what to do and introducing it potentially creates unwanted ambiguity due to it being of such a technical nature requiring engineering knowledge to undertake.

Question 6: Do you have any comments on the proposed legal text?

Other Impacted/Relevant CPs

11.11 The Working Group reviewed the legal text for Change Proposals that are out to vote or pending implementation and did not identify any interactions with these.

12 Code Specific Matters

Reference Documents

12.1 There are no additional reference documents included with this document.

13 Consultation Questions

13.1 The Working Group is seeking industry views on the following consultation questions:

No.	Question
1.	Do you agree with the proposal to include the provision for a reduced notice period where a DNO needs to utilise an intervention option to ensure their EDCM charges don't contain negative fixed charges? Please provide your rationale for agreeing or disagreeing.
2.	Do you agree with the proposed notice period of 13 months (reduced from 15 months) is appropriate? Please provide your rationale for agreeing or disagreeing.
3.	Do you agree with the proposal to require affected DNOs to provide direct email notification to impacted parties when an intervention option is applied and publication of charges will be delayed? If not, why not? If so, then do you believe that the latest date that this should occur on is 20 December in a given year? If not, please suggest an alternative date and reasons for that date.
4.	Do you agree with the proposal to include a relative notice period adjustment (i.e., no later than one month after the host DNO has published charges) for LDNOs? If not, please suggest an alternative approach. And in either case, please provide your rationale for agreeing or disagreeing.
5.	Do you believe that any additional consumer, supplier or operational impacts should be considered?
6.	Do you have any comments on the proposed legal text?

14 Attachments

- Attachment 1 – DCP 477 Legal Text
- Attachment 2 – DCP 477 Consultation 1 and Responses
- Attachment 3 – DCP 477 Consultation Response Form