

Tim Aldridge  
Ofgem  
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London

E14 4PU

12 December 2024

Dear Tim,

**Request to derogate against the 15-month notice period due to the likelihood of an excessive surplus residual within our tariffs.**

I'm writing to request a derogation against the 15-month notice period for the publication of our 2026/27 DUoS charges and Charging Statement, in line with the Ofgem Guidance for managing the effects of surplus residual charges<sup>1</sup>. As you are aware, the guidance sets out that Distribution Network Operators should request such a derogation if they believe an excessive surplus residual is likely to create errors in their Common Distribution Charging Methodology (CDCM) due to the CDCM exhausting the ability to apply discounting and failing to produce a complete set of charges for some network users. Although, we have not finalised our DUoS charges we do believe it is likely that our Price Control Financial Model Allowed Revenue value for 2026/27 will result in these errors arising when following the CDCM.

It is on this basis that we are seeking a direction that the notice periods set out in paragraph 19.1A of the Distribution Connection and use of System Agreement<sup>2</sup> (DCUSA) should not apply under the provisions of paragraph 19.1B.

We would like to highlight that further directions may be required by those IDNOs and DNOs acting outside their distribution services area who mirror our tariffs. Under DCUSA paragraph 19.1A.2 such parties are normally allowed to publish charges with 14 months' notice, which would normally be one month later than our publication. If our publication of charges is delayed by one month as per the guidance, then these parties would be unable to mirror our charges as the publication dates would be aligned.

We do not anticipate any separate issues resulting from the Extra-high voltage Distribution Charging Methodology (EDCM), but due to the interdependencies between the charging models we expect that we are also not able to produce our EDCM DUoS charges due to the errors in the CDCM outputs.

<sup>1</sup> [https://www.ofgem.gov.uk/sites/default/files/2024-11/Guidance\\_for\\_managing\\_the\\_effects\\_of\\_surplus\\_residual\\_charges\\_Distribution\\_Use\\_of\\_System\\_Charges.pdf](https://www.ofgem.gov.uk/sites/default/files/2024-11/Guidance_for_managing_the_effects_of_surplus_residual_charges_Distribution_Use_of_System_Charges.pdf)

<sup>2</sup> <https://www.dcusa.co.uk/dcusa-document/>



As per the process set out in the guidance we intend to confirm if issues do materialise, and if so apply the remedy set out in the guidance ("Option 1A") and conduct an impact assessment by 10 January 2025. Following the Ofgem assessment, and if a further derogation is granted at that point to allow the required changes to be made outside the CDCM methodology, we would expect to publish the revised 2026/27 DUoS charges for our area by 31 January 2025.

In the event we can produce final valid DUoS charges for 2026/27 without error by following the CDCM and EDCM, we will publish our 2026/26 DUoS charges and charging statement by 31 December 2024 as normal.

Please inform us of your decision regarding this request for a derogation by 24 December 12pm, as if the change to the notice period is not confirmed by then we will need to make resourcing decisions to put contingency arrangements in place for the issuing of DUoS charges as per our current obligations.

**Secondary request to derogate against the requirement to publish an Annual Review Pack (ARP).**

Section 35B of the DCUSA states we must complete an ARP by 31 December each year. This timing is sensible when we publish new DUoS charges according to the normal provisions of DCUSA but could be unhelpful for users of the ARP in cases where we have not yet published new tariffs.

We expect that a derogation application covering this issue on behalf of all DNOs that are required to delay publication will be submitted for your consideration. We support this application, however if it is not approved, we request that you consider the provision of a separate derogation that allows us to publish our ARP alongside our DUoS charges, if our DUoS charges publication is delayed.

Thank you for giving this letter and our request your consideration. Please do not hesitate to contact me in the event of any queries.

Yours sincerely,

*Paul Auckland*

**Paul Auckland**  
**Head of Economic Regulation**

c.c. Mick Watson, Ofgem