

Registered Office:
Newington House
237 Southwark Bridge Road
London SE1 6NP

Company:
UK Power Networks
(Operations) Limited



Registered in England and Wales No: 3870728

Steve McMahon
Director for Network Price Controls
The Office of Gas and Electricity Markets
10 South Colonnade
Canary Wharf
London
E14 4PU

By email only to:
electricitynetworkcharging@ofgem.gov.uk
andrew.malley@ofgem.gov.uk
steven.mcmahon@ofgem.gov.uk
DUOS@ofgem.gov.uk

9 January 2025

Dear Steve

**Derogation request to deviate from DCUSA Charging Methodology:
Use of System Charges, effective 1 April 2026, for London Power Networks plc**

This letter is on behalf of London Power Networks plc.

Following the 'Direction to derogate from the Distribution Use of System (DUoS) charge setting notice period' on 20 December 2024, and in line with the Ofgem '*Managing the effects of surplus residual charges guidance*' we now seek a derogation from the DCUSA Charging Methodology in order to publish Use of System tariffs which have been calculated in line with the afore-mentioned guidance.

We confirm that our original CDCM model returned a number of errors as the surplus residual could not be fully accounted for. We have re-run the model, in line with the guidance, by uniformly decreasing the 'gross asset costs' for each network level of the Distribution Reinforcement Model by the minimal extent to ensure the CDCM model is able to calculate a complete set of tariffs. Accompanying this letter is a draft Schedule of Charges and other tables, which include the annexes requested in the guidance.

We have reviewed the impacts of this and confirm that the intervention applied results in a complete set of tariffs, and whilst a negative residual remains, this is then applied in line with the methodology. As part of our assessment of the impacts we have not identified any unintended consequences.

We will publish Use of System prices on or before 31 January 2025, subject to the requested derogation being issued before this date.



If you have any queries about this derogation request, please contact Andy Harris via email at andrew.harris@ukpowernetworks.co.uk or by telephone on 07917 441930.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James', followed by a stylized flourish.

James Hope
Head of Regulation & Regulatory Finance, UK Power Networks

Copy Andy Harris, Income Pricing & Registration Manager, UK Power Networks
Paul Measday, Regulatory Reporting & Compliance Manager, UK Power Networks
Sepair Zalmi, Regulatory Reporting & Compliance Manager, UK Power Networks