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## Distribution Connection and Use of System Agreement (DCUSA)- To Shorten the DUoS Pricing Notice Periods (DCP437)

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<b>Decision:</b>	The Authority <sup>1</sup> has decided to reject <sup>2</sup> this modification <sup>3</sup>
<b>Target audience:</b>	DCUSA Panel, Parties to the DCUSA and other interested parties
<b>Date of publication:</b>	10 October 2025

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### Background

Distribution Use of System (DUoS) charges are set with a deadline of 31 December for the prices due for implementation in the April which follows 15 months later. DUoS charges are levied by Distribution Network Operators (DNOs) to recover their allowed revenues<sup>4</sup> and are calculated according to the Charging Methodologies as approved by the Authority. DNOs invoice Suppliers using the calculated DUoS charges, which the Supplier in turn incorporates within a customer's final supply bill.

### Status quo for submission to Ofgem and publication of the Price Control Financial Model

New licence conditions were introduced for RIIO-ED2<sup>5</sup>, resulting in DNOs being required to submit a version of the Price Control Financial Model (PCFM)<sup>6</sup> with their proposed allowed revenue to Ofgem. The PCFM is published by Ofgem at the end of November. DNOs may then be directed to alter their inputs by Ofgem and are obligated to reflect

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<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> 'Change' and 'modification' are used interchangeably in this document.

<sup>4</sup> Allowed revenues are determined by the RIIO process. View further information on Network price controls 2021-2028 (RIIO-2) on the Ofgem website

<sup>5</sup> [RIIO-ED2 Final Determinations | Ofgem](#)

<sup>6</sup> For each Regulatory Year, the RIIO-ED2 PCFM provides for the calculation of, 'Live' Calculated Revenue, the value of Adjusted Revenue and Allowed Revenue, and can be read about further in the [ED2 Price Control Financial Handbook](#)

changes to PCFM in their tariff calculations.<sup>7</sup> Ofgem require submission of the DNOs PCFMs along with their allowed revenue, annually in early December, no less than 14 days before they publish their tariffs, currently on 31 December. It is noted that this process currently takes the applicable DNO teams most of December. The Change Proposal states that DNOs cannot sign off their inputs until Ofgem have confirmed whether they require any changes to said inputs. The timescales DNOs adhere to are shorter in comparison to the process prior to the license changes introduced for RIIO-ED2.

### **The modification proposal**

DCP437 was raised by National Grid Electricity Distribution (the Proposer) on 13 February 2024. The Authority issued a send back decision on 21 November 2024<sup>8</sup> requesting additional information on the consumer impact of the Proposal, following which a second Change Declaration was received on 16 June 2025. The Proposal intends to shorten the DUoS Pricing Notice Periods (the Notice Periods) from 15 to 14 months, for DNOs, and from 14 to 13 months, for IDNOs and out of area DNOs so there is a longer period (approximately one month) between the submission of the Price Control Financial Model (PCFM), where Ofgem have the option to make changes to DNOs' allowed revenue at short notice, and the publication of the prices.

This proposal would be implemented by a change to wording in DCUSA section 2A 19.1.1 (Distributor to Supplier / Generator relationship) to state a notice period of 14 months for DNOs and change the wording in section 2A 19.1.2 to state a notice period of 13 months for IDNOs and DNOs acting outside of that DNO Party's Distribution Service Area.

As a result, DUoS charges would be set one month later than at present. The Proposer considers that shortening the Notice Periods and providing an extra month to set DUoS tariffs will increase accuracy of their published charges. This is considered by the proposer to better facilitate DCSUA Charging Objective One, Three, Four and Six. Consequently, Suppliers would have visibility of confirmed DUoS charges one month later than currently. It is noted that this would result in the requirement of additional risk premia to be included in some consumer's contracts, reflecting the reduced tariff horizon.

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<sup>7</sup> [Standard conditions of the Electricity Distribution Licence, Condition 13, Part E Approvals process](#) sets out the provision under which the Authority can direct changes to the Charging Methodology

<sup>8</sup> [DCP437 to shorten the DUoS Pricing Notice Periods - Authority decision to send back change proposal | Ofgem](#)

## DCUSA Parties' recommendation

In each party category where votes were cast<sup>9</sup> there was majority support for the proposal and for its proposed implementation date. In accordance with the weighted vote procedure, the recommendation to the Authority is that DCP437 is accepted. The outcome of the weighted vote is set out in the table below:

### DCP437 Weighted Voting (%)

	DNO <sup>10</sup> Accept	DNO Reject	IDNO/OTSO <sup>11</sup> Accept	IDNO/OSTO Reject	Supplier Accept	Supplier Reject
CHANGE SOLUTION	100%	0%	100%	0%	0%	100%
IMPLEMENTATION DATE	100%	0%	100%	0%	0%	100%

## Our decision

We have considered the issues raised by the proposal and the Change Declaration and Change Report dated 16<sup>th</sup> June 2025. We have considered and taken account of the vote of the DCUSA Parties on the proposal which is attached to the Change Declaration. We have concluded that

- implementation of the modification proposal will not better facilitate the achievement of the Applicable DCUSA objectives<sup>12</sup>
- directing that the change is made would not be consistent with our principal objective and statutory duties.<sup>13</sup>

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<sup>9</sup> No votes were cast in the CVA Registrant party category and there are currently no gas supplier parties.

<sup>10</sup> Distribution Network Operator

<sup>11</sup> Independent Distribution Network Operator/Offshore Transmission System Operator

<sup>12</sup> The Applicable DCUSA Objectives are set out in Standard Licence Condition 22.2 of the Electricity Distribution Licence.

<sup>13</sup> The Authority's statutory duties are wider than matters that the Parties must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

## **Reasons for our decision**

We consider this modification proposal will not better facilitate Applicable DCUSA Charging Objectives Two, Three and Six and has a neutral impact on the other applicable objectives.

### ***Applicable DCUSA Objective One –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***

The majority of the Working Group members consider that the impact of the proposal on the first DCUSA Charging Objective would be positive. The impact of shortening the notice period provides DNOs additional time to complete the assurance process if Ofgem directs any amendments to DNO's version of the PCFM that includes their allowed revenue. At present, the DNOs expect they would have a 5 working day period to complete any necessary amendments and assurance checks prior to publication. The implementation of the proposal would be considered to improve the resilience of the tariff setting process, with the uniform approach to a shorter notice period across all DNOs mitigating any potential negative impact on IDNO parties. The proposal is also considered to address perceived issues which have arisen due to the implementation of the new licence conditions under RIIO-ED2 while enabling the DNO parties to comply with their new obligations. Therefore, the majority of Working Group members consider the Proposal will enable them to better meet their licence obligations through the completion of a longer assurance period.

### **Our View**

In comparison to the status quo, we consider that the proposal would have a neutral impact on DCUSA Charging Objective One. The status quo enables DNOs to meet their obligations under the licence. The benefit of a shorter notice period would be to allow more time for the DNO parties to complete any amendments and assurance process prior to publication. However, under the terms of the licence conditions implemented due to RIIO-ED2, Ofgem is not required to direct changes to DNOs PCFM calculations unless they have a valid reason and this change is considered necessary. Therefore, the impact on Charging Objective One is considered to be neutral, as with or without the shortened notice period, DNOs would retain the ability to be compliant with their obligations under the Act and their Distribution licence.

***Applicable DCUSA Charging Objective Two – 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)***

The Proposal is considered by the Proposer and the majority of the DCP437 Working Group to have a neutral impact on the DCUSA Charging Objective Two due to a perceived limited impact on parties other than the DNOs and IDNOs. In the Working Group consultation and their voting statements, supplier parties involved in the Working Group highlighted concerns that the Proposal would negatively impact this charging objective.

Our View

On balance we consider that this DCUSA Charging Objective would be negatively impacted if the Proposal was implemented. The baseline 15 month notice period was introduced as a method of reducing market volatility. With a shorter notice period, suppliers consider that the level of unpredictability within their contracts with consumers would increase. The impact of reducing the notice period is noted by suppliers to create the need for additional risk premia to be included in consumer bills. The increased cost for consumers from all supplier groups due to a higher risk premium could reduce competition between suppliers and restrict consumer choice when agreeing supplier contracts in both the domestic and non-domestic markets. Overall, we consider that the Proposal would have a negative impact on this DCUSA Charging Objective due to the negative impact in competition of supply and suppliers.

***Applicable DCUSA Objective Three –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***

DCP437 was considered by the Proposer to better facilitate DCUSA Charging Objective Three because the DNO parties would remain compliant with the Charging Methodologies by producing charges which are reasonable and consider their business operations. The DUoS charges published in line with the shorter notice period advocated for in the Proposal would still be reflective of the costs incurred or expected to be incurred by the DNO party within its Distribution business. The additional time afforded by the Proposal

would allow for the DNO parties to dedicate more time in comparison to the status quo to completing the assurance process ensuring that the published charges are accurate and valid if Ofgem directed amendments.

#### Our View

The DUoS charges published following the current notice period and those published following the proposed shortened notice period should reflect the costs incurred or expected to be incurred by the DNO parties. On balance, we consider the increased uncertainty for suppliers under the proposed new notice period for the publication of the DUoS charges would necessitate a risk premium to be included in consumer contracts with suppliers. The inclusion of a risk premium alongside the DUoS charges passed on from the tariffs published by the DNOs means the proposal is considered to create an environment where consumer bills are less cost reflective, as the risk premium will take the charges passed through by the supplier further from the tariffs set by the DNO. Therefore, the Proposal is considered to negatively impact this DCUSA Charging Objective when compared to the baseline arrangements.

***Applicable DCUSA Charging Objective Four – 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***

This Charging Objective was considered by the DCP437 Working Group to be better facilitated by the Proposal due to the impact of new licence conditions which were implemented for RIIO-ED2 relating to the PCFM. The DNOs have developed their business model to consider their obligation to alter their inputs if directed by Ofgem to reflect changes in the PCFM. This is understood to provide the DNOs with a 5 working day period to recalculate and publish their tariffs. The Proposer of DCP437 considers that implementation of the proposal would provide DNOs an additional month to complete this process. This would ensure a more complete assurance process prior to publication of tariffs. The implementation of the proposed solution is considered in line with the changed nature of the tariff setting process following RIIO-ED2 and therefore DCUSA Charging Objective four would be better facilitated by providing DNOs an appropriate timescale to implement possible directed changes within the Tariffs.

### Our View

We consider on balance that the implementation of the proposal would have a neutral impact on DCUSA Charging Objective Four. We acknowledge that the Proposal would provide additional time for the assurance process, if Ofgem was to direct amendments to the submitted PCFM. On the other hand, in the situation where Ofgem does not direct changes or does not direct substantial changes to the DNOs submitted PCFM then the additional time afforded by the shortened notice period to publish DUoS charges may not be reflective of developments in the DNOs business operations.

### ***Applicable DCUSA Objective Six – that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.***

DCP437 is considered by the Proposer and most of the working group to better facilitate the DCUSA Charging Objective Six. The proposal is considered to improve the efficiency in implementation and administration of the DUoS charges as a longer period of time for the DNOs to reflect any Ofgem directions to alter the PCFM reduces the risk of errors by completing a proper assurance process. As such, the principle of having additional time built into the tariff setting process is considered more efficient than the status quo. Overall, an increased period of time and set timescale when Ofgem directs further amendments to the PCFM is considered to improve efficiency and better facilitate this DCUSA Charging Objective.

### Our View

We consider on balance that the implementation of the proposal would have a negative impact on DCUSA Charging Objective Six. We acknowledge that the Proposal could allow more time for the DNO assurance process when setting DUoS Charges, which then might reduce any future need for the Authority to issue derogations. However, the proposal creates the need for a risk premium to be calculated by suppliers and applied to customer contracts dependent on their renewal date, an additional step which would add administrative burden to wider industry processes. Overall, this DCUSA Charging Objective is considered to be impacted negatively as the perceived positive impact is offset by the impact on the administrative process for suppliers.

**Decision notice**

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority has decided that modification proposal DCP437: '*To Shorten the DUoS Pricing Notice Periods*' should not be made.

**Andrew Malley**

**Head of Distribution and Residual Charging**

Signed on behalf of the Authority and authorised for that purpose