Distribution Connection and Use of System Agreement (DCUSA) DCP439 – Backdating of Charges

Decision:	The Authority[1] has decided to reject[2] this modification[3]
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties
Date of publication:	17 November 2025

Background

DCUSA[4] Change Proposal 439 (DCP439) seeks to amend DCUSA Schedule 16[5] to introduce a limitation for the period in which Line Loss Factor Class (LLFC) or Distribution Use of System (DUoS) Tariff ID (DUoS Tariff ID) can be amended following the identification of any errors on the part of a Distribution Network Operator (DNO).

End users have meters to record their use of the system, and each meter has a Meter Point Administration Number (MPAN).[6] These MPANs have a number of identifiers and associated data that ensures relevant information on that meter can be made available to suppliers and DNOs. LLFCs and DUoS Tariff IDs are two such identifiers assigned to MPANs to map specific qualities to the meter and the site where it is located. LLFCs identify a user as having a given Line Loss Factor, which is a multiplier used to calculate Distribution Network losses on a DNO network. These are now limited to MPANs that have not been "migrated" to new metering arrangements under Market Wide Half-Hourly Settlement (MHHS) arrangements.[7] Those MPANs that have been "migrated" to the new

[1] 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.

[2] This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

[3] 'Change' and 'modification' are used interchangeably in this document.

[4] DCUSA Document - DCUSA

[5] DCUSA Schedule 16

[6] MPAN is the Retail Energy Code term. The equivalent term in the Balancing and Settlement Code (BSC) is Metering System Identifier (MSID), which has broadly the same meaning as MPAN. These terms are often used interchangeably.

[7] The MHHS programme exists to move all users to site specific settlement and reconciliation using half-hourly meter readings. This is expected to provide faster, more accurate settlement and enable various other programmes.

MHHS arrangements have DUoS Tariff IDs instead of LLFCs. LLFCs represent a "legacy" arrangement, while DUoS Tariff IDs reflect the new enduring arrangements. Where an MPAN is identified as having an incorrect LLFC or DUoS Tariff ID due to oversight on the part of the DNO, it is expected that the DNO will correct this and re-bill the user. The existing arrangements allow for this correction and reconciliation to take place for records relating to time periods of up to six years prior.

The modification proposal

DCP439 was raised by Eastern Power Networks (the Proposer) on 14th March 2024. DCP439 seeks to reduce the period for which backdating would be required when an error or oversight is found and an LLFC or DUoS Tariff ID is found to require correction. A reduced backdating period was considered to provide efficiency benefits. Following implementation of MHHS, DNOs would be in a position to update their systems and discontinue support for legacy administrative arrangements. The Proposer raised DCP439 to allow DNOs to link backdating practices to settlement arrangements, and in doing so replaces the existing six-year limitation with those inherent in the MHHS administrative arrangements. In practice, this would introduce a 14-month limitation after implementation of DCP439, reducing to 4 months post-MHHS implementation[8].

The Proposer notes that the existing limitation requires manual workarounds when errors are corrected. The DCP439 proposal puts forward the view that the backdating rules should reflect the limitations of MHHS master data.

The initial change report was presented to Ofgem for decision on 18 September 2024. Following consideration of the report, we sent back the proposal for further DCUSA Panel/workgroup consideration and development on 2 April 2025.[9] We stated that a revised Change Report should include:

- consideration of the impact on consumers of using the 4-month post-MHHS RF "Final Reconciliation" settlement window[10], rather than the existing arrangements;

[8] MHHS implementation has started and is expected to be completed in 2027. It is expected that following a testing phase, the settlement timescales will move to the faster 4-month arrangements.

[9] Send back letter for DCP439 "Backdating Tariff Changes" | Ofgem

[10] Under processes governed by the BSC, settlement of charges for trading parties takes place using a number of "settlement runs" that update number where needed to ensure billing uses the latest data available. The RF

- clearer explanation of the benefits of change; and
- fuller impact assessment to better reflect the above two points.

We asked that this additional work be carried out, and a revised report submitted. On 12 August 2025 the workgroup submitted the second change report to us.

Workgroup discussions and Request for Information (RFI)

The workgroup issued an RFI to allow DNOs to feed in on the number and types of requests to update tariff information, and the time period for which the changes related. The responses to the RFI, which were not exhaustive, showed material numbers of changes in all time periods up to the existing limitation point and beyond, suggesting that a limitation of 14 months (as would be the case pre-MHHS) would potentially exclude a significant number of the requested changes.

The existing settlement window is currently 14 months, but it is planned that this will reduce to a 4-month window post-MHHS implementation. This was noted in the original change report, with workgroup participants noting enduring MHHS administrative arrangements will reduce the effective window of available data to 4 months from 14 months. We considered that discussion and evaluation of DCP439 as it may apply to a 4-month limitation was important, and noted in our send back letter that we did not consider the original RFI and responses to provide sufficient discussion of the interactions of the DCP439 proposal with the expected changes to settlement timescales under MHHS.

Following our send-back letter, the workgroup issued a further RFI, and presented the return data in the second change report. Details were provided of the volume of overall corrections, and the numbers and overall values relating to changes over 4 months prior, those between 4 and 14 months, and those over 14 months. This data confirmed that roughly 3% of money to be refunded to end users would be captured by a 4-month limit. It also suggested that a 4-month limit would capture roughly 1.5% of money owed by end users. This suggests that a move to the eventual endpoint limitation period of 4 months could see significant customer refunds not captured by this proposal, and that bill

(Final Reconciliation) settlement run is the last required timetabled settlement run used for final reconciliation of charges. More information on settlement is available on the Elexon website: [Settlement & Invoicing - Elexon BSC] corrections needing additional charges would see significant funds picked up by other users, rather than the user accountable for the charges. Workgroup discussion noted that workarounds would be available, and while administrative benefits were highlighted from the change, all respondents asked suggested that they would need to keep archive data regardless to fulfil other obligations.

Consultation and Responses

For the initial consultation, consultee responses to DCP439 were mixed, with 5 consultation respondents supporting the change, 7 opposing it and another agreeing with the proposal's intent but expressing concerns about the effect of the change[11]. Those opposing the change noted potential detrimental impacts on consumers who have incorrect tariffs, and the knock-on impacts this could have on suppliers. It was noted that DNO's ability to manage errors would be reduced by reducing the period of redress.

DCUSA Parties' recommendation

Vote 1

In the original voting, for each party category where votes were cast,[12] there was majority (>50%) support among the DNOs, unanimous support from the IDNOs, and a low-level support from the Suppliers for the proposal and for its proposed implementation date. In accordance with the weighted vote procedure, the recommendation to the Authority was that DCP439 be accepted. The outcome of the original weighted vote is set out in the table below:

[11] Change report 2, section 5

[12] There are currently no gas supplier parties. No votes were cast in the CVA (Central Volume Allocation) Registrant party category as the party category of CVA Registrant was not eligible to vote.

DCP439 Vote 1 – Weighted voting (%)

	DNO[13] ACCEPT	DNO REJECT	IDNO / OTSO [14] ACCEPT	IDNO / OTSO REJECT	Supplier Accept	Supplier Reject
CHANGE SOLUTION	84%	16%	100%	0%	25%	75%
IMPLEMENTATION DATE	84%	16%	100%	0%	25%	75%

Vote 2 after send back

Following the send back a further vote was held. For each party category where votes were cast,[15] there was majority support among the DNOs (despite a fall in support) and again there was unanimous support from the IDNOs. Suppliers were now unanimously against the proposal in this vote. In accordance with the weighted vote procedure, the recommendation to the Authority was again that DCP439 be accepted. The detail of the second weighted vote is set out in the table below:

DCP439 Vote 2 – Weighted voting (%)

	DNO ACCEPT	DNO REJECT	IDNO / OTSO ACCEPT	IDNO / OTSO REJECT	Supplier Accept	Supplier Reject
CHANGE SOLUTION	64%	36%	100%	0%	0%	100%
IMPLEMENTATION DATE	71%	29%	100%	0%	0%	100%

[13] Distribution Network Operator

[14] Independent Distribution Network Operator/Offshore Transmission System Operator

[15] There are currently no gas supplier parties. No votes were cast in the CVA Registrant party category.

Our decision

We have considered the issues raised by the Change Proposal, the Change Declaration and Change Report dated 26 August 2024, as well as the second Change Report submitted on 15 August 2025. We have considered and taken into account the DCUSA charging objectives.

It is our decision that proposal DCP439 should be rejected because it does not better facilitate the DCUSA Charging Objectives. We consider this Change Proposal, in the round, to have a negative impact on the applicable charging objectives.

Reasons for our decision

Workgroup summary

As per the second Change Report, following the send back, the majority of the workgroup were of the view that this Change Proposal would positively impact the Sixth Charging Objective, and would have no impact on Charging Objectives One to Five.

Our View

We agree with the workgroup's view on the neutral impact of this proposal on the first two applicable DCUSA Charging Objectives, and on the Fourth and Fifth Charging Objectives. In contrast to the workgroup, we consider there to be a negative impact on the Third Charging Objective, due to the potential for negative consumer impacts from incorrect billing. Further, and also in contrast to the workgroup, we consider the proposal to have a neutral impact on the Sixth Charging Objective.

Third Applicable DCUSA Objective – 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

Workgroup view

The workgroup considered that the Change Proposal would have no impact on the Third Charging Objectives.

Our View

We consider there to be some negative impacts on this Charging Objective, pertaining to cost reflectivity, if consumers or their suppliers are unable to have incorrect billing information updated. Charges which have been levied which are later found to be incorrect, but which cannot be corrected, will not be reflective of the costs incurred by the licensee. Where charges are produced according to an approved methodology, until the point that methodology is updated by a code change, we accept them as cost-reflective. If charges known to be incorrect cannot be corrected (subject to a reasonable process), the charges cannot be considered to be cost-reflective in those instances.

Under DCP439, charges would not be corrected in certain circumstances in the way they currently are. We therefore consider that the cost-reflectivity of the charges under DCP439 to be less than as under the baseline methodology. The Third Charging Objective requires that charges are cost-reflective to the extent reasonably practicable after accounting for implementation costs. The baseline methodology provides an indication of the level of cost-reflectivity that is currently reasonably practicable, and this proposal does not provide further evidence of additional costs or practical barriers that would justify less cost-reflective charges.

We therefore find that the proposal is likely to produce less cost-reflective charges in some circumstances. We have not seen justification for why the reduction in cost-reflectivity is a necessary adjustment to ensure the practical implementation of the charging methodology. As a result, we consider DCP439 to be negative against the Third Charging Objective, as it reduces the cost-reflectivity of charges against the existing arrangements but does not provide justification for the necessity of such a change as "reasonably practicable after taking account of implementation costs".

Sixth Applicable DCUSA Objective – That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.

Workgroup view

It was the view of the workgroup that this proposal would improve the simplicity and efficiency of the DCUSA administration arrangements and so have a positive impact on promoting efficiency in the methodology's implementation and administration. One identified route for such improvement came through legacy systems not needing to be maintained. Other reasons discussed included a shorter backdating window providing a greater incentive to parties to capture and correct errors in a timely manner.

Our View

We have concluded that, while there is the *potential* for such a proposal to have a positive impact on the Sixth DCUSA Charging Objective, the specific improvements and their impact on consumers have not been sufficiently elaborated or quantified. In addition, it has been noted that many records will need to be maintained regardless of whether DCP439 is implemented. Therefore, the degree of efficiency improvement is not clear enough for the impact on this Charging Objective to be anything other than neutral. Overall, we do not consider the proposal to improve on the baseline methodology for this Charging Objective.

Statutory duties and Principal Objective

In reaching a negative assessment against the applicable objectives, we have not formally assessed this proposal against our statutory duties and our principal objective[16].

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority has decided that modification proposal DCP439: Backdating of Charges should not be made.

Andrew Malley

Head of Distribution and Residual Charging

Signed on behalf of the Authority and authorised for that purpose

[16] The principal objective of the Secretary of State and the Gas and Electricity Markets Authority (in this Act referred to as "the Authority") in carrying out their respective functions under this Part is to protect the interests of [existing and future] consumers in relation to electricity conveyed by distribution systems [or transmission systems].