

Jakub Komarek  
DCC Regulation and Oversight  
Ofgem  
10 South Colonnade  
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London  
E14 4PU

24 November 2025

Dear Jakub

**Financing Arrangements for DCC1 and DCC2 During Business Handover  
(Statutory Consultation)**

We welcome the opportunity to respond to the above consultation seeking views on the financing arrangements for DCC1 and DCC2 during the Business handover period.

Our answers to the consultation questions are in Annex 1. We agree with Ofgem that these arrangements should be made to ensure a smooth transition period. We have suggested some points we think it would be helpful for Ofgem to clarify, including:

- In the event that DCC1 wins the bid for the licence, eligible handover costs should be disallowed; these systems would already be in place for DCC1 to carry on the business and these costs should not be included in the charging statement.
- In the event that Ofgem proceeds to increase the Parent Company Guarantee, it should be made clear that these costs cannot be recovered from suppliers as this reflects a commercial relationship between DCC and its parent company.

Should you wish to discuss further or have any questions please do feel free to reach out.

Yours sincerely,



**Richard Sweet**  
Director of Regulatory Policy

**FINANCING ARRANGEMENTS FOR DCC1 AND DCC2 DURING BUSINESS HANDOVER  
(STATUTORY CONSULTATION) - SCOTTISHPOWER RESPONSE**

**Q1. What are your views on the proposed mechanism to enable DCC2 to recover necessary Business Handover costs prior to Transfer Date?**

We have no comments.

**Q2. Do you agree that the proposed modification to the definition of Pass-Through Costs accurately and sufficiently captures the policy intent? Do you have any views on the wording of the proposed modification?**

Yes, we agree that the proposed modification to the definition of Pass-Through Costs accurately captures the policy intent.

**Q3. What are your views on the criteria for allowable DCC2 handover costs?**

Yes, we agree with the criteria established for allowable DCC2 handover costs. However these criteria appear to presuppose that the successor licence will be granted to an entity other than the current licence holder. Should the current licence holder be awarded the rights to manage DCC2, these costs should not qualify as eligible handover costs. This is because costs such as setting up of internal systems required for mobilisation, procurement of legal and commercial expertise to support contract novation, regulatory compliance and the transfers of assets are already embedded within the current structure of the existing licence holder and should not be included as part of the charging statement.

**Q4. What are your views on the proposed mechanism to enable DCC1 to recover necessary costs for mandatory activities after Transfer Date and for pre-agreed assistance by DCC2 to be considered Mandatory Business under the Successor Licence? if DCC2 Can't start properly on handover date?**

We have no objections to DCC1 recovering any necessary costs it has incurred and is entitled to in the discharge of its licence obligations. However, the consultation does not address the scenario in which DCC2 is unable to properly manage the Authorised Business after the transfer date, requiring DCC1 to continue managing or supporting these activities. It would be prudent to clarify that such costs, if the situation occurs, should be included as necessary costs, provided they relate solely to the mandatory business.

**Q5. Do you have any comments on how best to reflect the proposed mechanism for DCC1 cost recovery post-Transfer Date in the Successor Licence?**

Please refer to our point in Q4 about the scenario in which DCC1 is required to manage or support DCC2 in managing the Authorised Business.

**Q6. What are your views on our proposals (Proposal 1 and 2) to ensure that potential liabilities, which may arise after Transfer Date, can be met?**

We have no objections to the proposals suggested by Ofgem. Should Ofgem proceed with proposal 1 and opt to increase the Parent Company Guarantee, it must ensure that it is made explicitly clear that DCC1 cannot charge parties for any extra costs incurred for this. This is a clear commercial requirement between DCC1 and its parent company and should remain as such.

**Q7. Do you agree that the proposed licence modification (introduction of LC 41A) accurately and sufficiently captures the policy intent? Do you have any views on the wording of the proposed modification?**

Yes, we agree the proposed wording meets the policy intent. DCC1 would be fully aware that failure to manage the Authorised Business effectively without incurring unnecessary and avoidable liabilities could result in the loss of all its margin components.

**Q8. Do you have any views on changes that would need to be made in the draft Successor Licence?**

No, we support these changes.

**Q9. Do you have any other views or concerns**

N/A

**ScottishPower**  
November 2025