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By email only to: [DCCregulation@ofgem.gov.uk](mailto:DCCregulation@ofgem.gov.uk)

24 November 2025

Dear Jakub,

### **Consultation Financing arrangements for DCC1 and DCC2 during Business Handover**

Thank you for the opportunity to respond to this consultation, dated 24 October 2025. This response is on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. We are Great Britain's largest electricity Distribution Network Operator, dedicated to delivering a safe, secure and sustainable electricity supply to 8.5 million homes and businesses.

We are supportive of the proposed mechanism to enable DCC2 to recover necessary business handover costs prior to the transfer date. We believe there is merit in including scope for an audit arrangement as part of your proposed mechanism, to ensure customers get value for money. Our responses to the questions raised in the consultation document are in the Appendix of this letter.

I hope that you will find our response helpful. If you have any questions, please do not hesitate to contact me.

Yours sincerely

**James Hope**

Head of Regulation & Regulatory Finance, UK Power Networks

Copy: James Allison, Head of Technology, UK Power Networks



## Appendix

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

UK Power Networks are supportive of the proposed mechanism to enable DCC2 to recover necessary business handover costs prior to the transfer date.

### **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?**

UK Power Networks agree that the proposed modification both accurately and sufficiently captures the policy intent. We have no objections to the wording of the modification.

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

UK Power Networks agree with the criteria for allowable DCC2 handover costs but would recommend that Ofgem put in place an audit structure to verify these allowable costs.

### **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?**

UK Power Networks agree with the proposed mechanism to enable DCC1 to recover necessary costs and for pre-agreed assistance by DCC2 to be considered under the successor licence.

### **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?**

UK Power Networks do not have any comments on how best to reflect this in the Successor Licence.

### **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?**

UK Power Networks believe that the proposals 1 and 2 will ensure that potential liabilities can be met. We have also considered that the current on-demand bond may not be sufficient to meet all financial liabilities. Therefore, we agree with the proposal to increase the bond from the value set in 2013.

### **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?**

UK Power Networks agree that the proposed licence modification, accurately and sufficiently captures the policy intent and we support the wording of the proposed modification.

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

UK Power Networks do not have any views on changes that could be required to the Successor Licence.

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

None.