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Andrew Malley
Head of Distribution and Residual Charging
Energy Systems Management & Security
Ofgem
10 South Colonnade
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13th February 2026

Dear Andrew,

Re: National Grid Electricity Distribution (West Midlands) plc request for direction in accordance with SLC 13B Part E of the Electricity Distribution Licence.

I am writing on behalf of National Grid Electricity Distribution (West Midlands) plc ('NGED') to request a Derogation against from the Distribution Use of System (DUoS) Extra High Voltage Distribution Charging Methodology (EDCM), issued under Standard Licence Condition (SLC) 13B Part E of the Electricity Distribution Licence.

Reason For The Request

As indicated in our notice period request letter dated 16 December 2025 and subsequently confirmed to Ofgem 21 December 2025, excessive residual surplus occurs in West Midlands EDCM tariffs due to take effect from 1 April 2027.

What led to the residual surplus

NGED West Midlands apply the Forward Cost Pricing (FCP) variant of the EDCM charging methodology as prescribed in Schedule 17 of the Distribution Connection and Use of System Agreement (DCUSA). The FCP methodology is based on allocating costs to EHV network users based on the projected load growth and the future network investments (aggregated up into network branches) that we expect to be triggered in their local region of the network. This is done according to the results of a power flow analysis of the network.

DCUSA requires that the load data used in the power flow analysis is based on network demand data from the DNO Party's Long Term Development Statement (LTDS). The forecast, from the price setting period, is derived from the 'Holistic Transition' pathway.

Surplus Residual Charges have occurred in the 2027-28 EDCM tariff calculations. Our analysis indicated this is caused by high load growth associated with the Holistic Transition pathway.

Potential and Final Solution

NGED tested "Option 1: Reapportion negative fixed charges for final demand consumers within a residual band to the capacity charge for the same group of consumers." Detailed in the Ofgem "Guidance for managing the effects of surplus residual charges" published on the 14/11/2025. This method was used in the East Midlands in 2025/26 where the Negative residual was apportioned across the correct bands. The negative residual was of sufficient magnitude that this solution still resulted in Negative capacity charges and therefore could not be used in this instance.

NGED did not use the "Option 3: Carry over locational components and network use factors from previous years." Detailed in the Ofgem "Guidance for managing the effects of surplus residual charges" published on the 14/11/2025. NGED have a significant number of new EHV customers forecast to connect in the West Midlands in 2027/28. NGED have changed their software used to create their network models, between setting 2026/27 and 2027/28 prices. This prevented them including the new EHV customers if Option 3 was applied.

NGED implemented a new method, applying the load growths used to create 2026/27 prices but with the 2027/28 Authorised network model. This latest method using less onerous demand forecasts did not produce any negative residual. This method has been used and an impact assessment has been submitted to Ofgem.

NGED therefore require a derogation for the West Midlands against using the Holistic Transition pathway load growth, and instead use the load growths used to create 2026/27 prices but with the 2027/28 Authorised network model.

If I could therefore request you provide the necessary Derogation as soon as possible for West Midlands. Should you have any queries in relation to our Derogation request, please do not hesitate to contact me.

Yours sincerely



SIMON YEO
Income Manager
National Grid Electricity Distribution