

Consultation

Notice period options for network charges for the start of ED3

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The next electricity distribution price control is due to start in April 2028. We are consulting on options for the notice period to apply to network charges for the first two years.

Distribution networks companies have asked us to consider a change (called a derogation) from the current notice period of 15 months. They have proposed options for reducing the notice period.

The consultation outlines the options and our assessment of them. We want views from people, such as energy suppliers and non-domestic consumers, on the options and our assessment. We plan to make our final decision by the end of September 2026.

Consultation Notice period options for network charges for the start of ED3

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Consultation Notice period options for network charges for the start of ED3

Contents

1. Introduction.....	4
Purpose of this consultation	4
Context and related publications	5
Consultation stages	7
How to respond	7
Your response, data, and confidentiality	7
How to track the progress of a consultation	8
2. DNOs’ request and proposed options	9
DNOs’ evidence to support their request	9
Options	10
Consultation questions	13
3. Our initial assessment of the options	14
Our assessment framework.....	14
Assessment of options for Year 1 of ED3.....	14
Assessment of options for Year 2 of ED3.....	19
Consultation questions	20
Send us your feedback	21
Appendix 1. Privacy policy	22
Personal data	22

Consultation Notice period options for network charges for the start of ED3

1. Introduction

We are consulting on options proposed by network companies to reduce the notice period for publishing network charges for the first two years of the next price control period. We have previously responded to similar requests to reduce notice periods. We are seeking views until 20 August.

Purpose of this consultation

- 1.1 On 1 May 2026, the electricity Distribution Network Operators (DNOs) wrote to us requesting formal directions to relieve them of their obligations in respect of the notice periods for publication of distribution use of system (DUoS) charges for the first two years of the next price control (ED3), which commences from 1 April 2028.¹
- 1.2 The DNOs raised concerns that, if they were required to publish DUoS charges for 2028 to 2029 and 2029 to 2030 with the existing 15 months' notice, they would have to set prices before Final Determinations on allowed revenue under ED3 are published. This could require large corrections being made in later years when the Final Determinations are known, which they consider would result in significant year-on-year variability.
- 1.3 To mitigate any associated risks, DNOs are asking that we² issue directions for 2028 to 2029 and 2029 to 2030. Any such directions would be issued under clause 19.1B of the Distribution Connection and Use of System Agreement (the DCUSA) that the periods of notice described in clause 19.1A of the DCUSA need not apply.³
- 1.4 If these directions were to be made, DNOs have proposed that they would publish charges for both years by the end of January 2028, following publication of Final Determinations in December 2027. As a consequence, the 15-month notice would be reduced to:
 - 2 months for the first year of ED3 (2028 to 2029)
 - 14 months for the second year of ED3 (2029 to 2030).

¹ <https://www.ofgem.gov.uk/consultation/sector-specific-methodology-consultation-electricity-distribution-price-control-ed3>

² 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.

³ [DCUSA Digital Document](#)

Consultation Notice period options for network charges for the start of ED3

1.5 The DNOs also presented some alternative options for addressing this issue. In Section 2 we explain the options and in Section 3 we provide our initial assessment of the options. In this consultation we are seeking views on the options, our initial assessment and any alternative approaches. We will consider responses ahead of making a decision on the DNOs' request.

Context and related publications

1.6 In 2015, we approved a modification to DCUSA (known as DCP178) to increase the notice period for DUoS changes from 40 days to 15 months, because we concluded that the benefit of earlier notice of DUoS charges for suppliers and large customers outweighed the forecasting risk faced by the DNOs.⁴ This consultation is not to reopen that overarching decision, but we acknowledge that the start of a new price control period can create significantly more uncertainty than within a price control period, potentially leading to greater annual variability in charges.

1.7 Applying the current 15-month notice period for DUoS charges in conjunction with the start of ED3, would mean the following with respect to the ED3 timetable:

- December 2026 – DNOs submit their final business plans and publish their DUoS charges for the first year of ED3 (2028 to 2029)
- Mid-2027 – we expect to publish our ED3 Draft Determinations for consultation
- December 2027 – we expect to publish our Final Determinations on the DNOs' allowed revenue and a statutory consultation on the licence changes; by 31 December 2027 DNOs publish their DUoS charges for the second year of ED3 (2029 to 2030)
- 1 April 2028 – start of the ED3 period.

1.8 We have addressed similar issues ahead of the beginning of the last two Electricity Distribution price controls:

- For ED1 we delayed the implementation of DCP178 so that it was first applied to the third year of ED1, i.e. charges for the first two years of ED1 were published after our Final Determinations.
- For ED2, we received a similar derogation request from the DNOs:⁵
 - We decided to reject that request and maintain the 15-month notice period. We considered that reducing the notice periods would represent a transfer of risk from DNOs to suppliers and consumers, and that DNOs were better placed to manage that forecasting risk.

⁴ <https://www.ofgem.gov.uk/sites/default/files/docs/2015/02/dcp178d.pdf>

⁵ <https://www.ofgem.gov.uk/publications/decision-dnos-request-temporarily-disapply-current-duos-charges-notification-periods>

Consultation Notice period options for network charges for the start of ED3

- Instead, we decided not to not apply penalty interest rates, where any excess over/under recovery eventually incurred by DNOs could be shown to be due to differences between expected and final allowed revenue for the first two years of ED2.
- 1.9 More recently, we rejected DCP437 which was a proposal to reduce the notice period from 15 to 14 months on an enduring basis, not specific to a change in price control.⁶ We rejected it because we considered it would not better facilitate three of the DCUSA Charging Objectives.
- 1.10 DCP469 is examining cross-code standardisation of charging notice periods and is currently in the working group phase.⁷ In addition, we are considering notice periods as part of our Cost Allocation and Recovery Review (CARR).⁸ Both of these are examining notice periods on an enduring basis, rather than specific to a change in price control. The findings from these may be relevant from the second year of ED3 onwards, but are unlikely to be ready for a decision to inform the first year of ED3. For both this consultation and the CARR work we will consider relevant evidence gathered through DCP469.
- 1.11 In recent years, we have given directions that a shorter notice period may apply in specific circumstances, where we consider it to be in the interests of consumers overall. Most recently, we have done so for specific issues with the charging models, known as ‘surplus residuals’, with minimal reductions (one to two months) to notice periods applied to specific DNOs.⁹
- 1.12 It is important to note that the current derogation request applies to publication of final charges. Irrespective of our decision on this request, DNOs must continue to publish Cost Information Review Packs (CIRPs) as stipulated in DCUSA.¹⁰ CIRPs include tariff forecasts and DNOs must publish CIRPs three times a year, though they do not cover customers connected at the highest voltages of the distribution network.
- 1.13 The request from the DNOs applies to the notice period for DNO charges. Under DCUSA, Licensed Distribution Network Operators (LDNOs) are required to provide 14 months’ notice of their charges, one month after the DNOs publish their own

⁶ DCP437: To Shorten the DUoS Pricing Notice Periods. Decision available here: <https://www.ofgem.gov.uk/publications/dcp437-distribution-connection-use-system-agreement-dcusa-changes>

DCP46: Cross Code Standardisation of Charging Arrangement Notice Periods. Working Group page here: <https://www.dcusa.co.uk/group/dcp-469-working-group/>

⁸ <https://www.ofgem.gov.uk/call-for-input/energy-system-cost-allocation-and-recovery-review>

⁹ An explanation of the surplus residual issues, along with derogation requests and directions are available here: <https://www.ofgem.gov.uk/decision/managing-effects-surplus-residual-charges-derogation-requests-and-directions>

¹⁰ <https://www.dcusa.co.uk/network-charges/cost-information-review-packs/>

Consultation Notice period options for network charges for the start of ED3

tariffs.¹¹ Any directions to DNOs to derogate from the 15-month notice period would therefore have a consequential impact on the notice period for LDNOs. Were we to direct that the 15-month notice period no longer applies to DNOs, we would issue an equivalent direction to LDNOs.¹²

Consultation stages

1.14 The consultation will be open until 20 August 2026. We will review responses, which we will publish alongside our decision. We plan to publish our decision before the end of September 2026, ahead of the usual process for tariff setting for 2028 to 2029 DUoS charges.

How to respond

1.15 We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

1.16 We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

1.17 We will publish non-confidential responses on our website.

Your response, data, and confidentiality

1.18 You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

1.19 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

1.20 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in

¹¹ LDNOs can either be an independent distribution network operator (IDNO) or a DNO operating outside of its own region.

¹² We have done this recently for the surplus residual issues, for example: [LDNOs Direction to derogate - DCUSA Notice Period 2027-28-20260121101511.pdf](#)

Consultation Notice period options for network charges for the start of ED3

domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 1.

- 1.21 If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a consultation

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: 'Open', 'Closed (awaiting decision)', and 'Closed (with decision)'.

Consultation Notice period options for network charges for the start of ED3

2. DNOs' request and proposed options

The DNOs consider that a reduction in the notice period would reduce the risk to suppliers and customers from year-on-year charging variability. We are consulting on four options for the notice period for the first year of ED3, ranging from 15 months (the status quo) to 2 months. For the second year of ED3, we are consulting on either the status quo or a reduction to 14 months. We are seeking views on how these options could work in practice.

DNOs' evidence to support their request

2.1 We have published the DNOs' request alongside this consultation, which contains the evidence from the DNOs to support their proposal. We encourage respondents to consider that evidence when responding to this consultation.

2.2 The DNOs' provided a problem statement, which we summarise below:

- At the point of charge setting, DNOs are forecasting allowed revenue for three incomplete financial years: the current financial year, the financial year ahead, and the financial year to which the charges relate.
- Many factors affecting the allowed revenue forecast are beyond the control of DNOs, for instance, inflation, real price effects, risk free rate and cost of debt indexation, and variances in chargeable volumes.
- To the extent that actual positions and updated forecasts are different to the assumptions used at charge setting, the difference in allowed revenue rolls forwards into charge setting for the next period, inclusive of time value of money adjustments. This is therefore a source of year-on-year variability in allowed revenues and consequently DUoS charges.
- The problem is exacerbated where charge setting straddles price control periods, because the price control review process involves review of funding and incentive mechanisms, rebasing DNO investment plans, redetermining the baseline allowed cost of capital, and reassessing affordability, investability and financeability.
- DNOs have been exploring how deferral of charge setting for the first two years of ED3 could improve the accuracy and reliability of underpinning allowed revenue forecasts, and minimise the downstream volatility created by uncertainty in allowed revenue building blocks.

2.3 The DNOs also present evidence of greater year-on-year variability in allowed revenues during the first two years of ED2 compared with both the rest of ED2 and historically. This includes a comparison with the start of ED1, when a shorter notice period was in place. In their request, the DNOs acknowledge that this

Consultation Notice period options for network charges for the start of ED3

variability “in the first two years of ED2 was strongly influenced by the unprecedented swings in inflation experienced in the UK economy, uncertainty of price control review outcomes also played a role.” In addition, the DNOs state that DUoS charges make up a small proportion of a dual fuel energy bill for domestic consumers.

- 2.4 Reflecting on experience from ED2, where we did not issue a notice period derogation, the DNOs claim that the 15-month notice did not shield suppliers and consumers from risk related to year-on-year variability in allowed revenue.
- 2.5 They also note economic uncertainty coming into the next price control and that Ofgem has issued derogations against the notice period in the past.
- 2.6 The DNOs emphasise that their request is intended to reduce annual revenue variability risks to suppliers and consumers, as the price control framework ensures that DNOs are financially neutral to upward and downward revenue timing adjustments.

Options

- 2.7 The DNOs have presented four broad options for the timing of publication of final charges for the first year of ED3 and one option for the second year of ED3. Their assessment of the different options is included in their request, published alongside this consultation.
- 2.8 We have used the option numbering from the DNOs’ request for consistency, though have separated out the consideration of the first and second years of ED3. We summarise the options here and present our initial assessment of the options in Section 3.
- 2.9 Option 1 would maintain the current 15-month notice period. For ED2, when deciding to maintain the 15-month notice period we stated that we would not apply penalty interest rates, where any excess over/under recovery eventually incurred by DNOs can be shown to be due to differences between expected and final allowed revenue for the first two years of ED2. Some responses to the consultation at the time suggested that, owing to the design of the price control, such a letter of comfort would not be necessary.
- 2.10 Options 2-4 would all involve shortening the notice period, from 13 months’ (Option 2) to 2 months’ notice (Option 4). To give effect to these options, we would need to issue a direction to derogate from the charge setting notice period issued under Section 2A Clause 19.1B of DCUSA, which would reduce the notice period to forty days.

Consultation Notice period options for network charges for the start of ED3

- 2.11 In recent directions derogating against the notice period related to surplus residual issues, we have included an expectation that the relevant DNO publish charges as soon as reasonably practicable and by a specific deadline. The specific timing has been related to the complexity of the issue to be resolved. To date, all DNOs have met the expected deadline.
- 2.12 If we decide a reduction in the notice period is appropriate, we anticipate that we could adopt the equivalent approach this time, setting a timing expectation in our direction. Through this consultation, we are keen to understand what as soon ‘as reasonably practicable’ would mean for the different options.
- 2.13 As noted above, there would be consequences for LDNOs of a shorter notice period for DNOs. We would also need to direct that LDNOs publish charges no later than one month after publication of tariffs by the DNOs. We are seeking views on how long LDNOs need to prepare and publish charges after DNO publication.
- 2.14 For the equivalent issue for ED2, we also consulted on the possibility of using the DCUSA modification process to formalise any change to notice periods for the first two years of ED2. We rejected this option owing to its lengthiness and resource intensity. We note that DCP469 is currently in progress, considering broader alignment of notice periods for network charges, beyond just the change in price control. Given its progress to date, we do not expect to be able to make a decision on DCP469 ahead of this specific issue.

Options for Year 1 of ED3

- 2.15 The DNOs consider that a shorter notice period would result in more year-on-year stability in charges as the tariff setting would be based on more reliable information. This principally concerns the overall basis of allowed revenues on which to calculate charges.
- 2.16 Typically, in a price control setting process, the allowed revenues become more reliable in stages, from Business Plans to Draft Determinations and Final Determinations. For example, for ED2, on aggregate the Final Determinations allowed revenues were c.13% (or £3bn) lower than those requested in Business Plans and c.5% (or £1bn) higher than those consulted on in Draft Determinations.
- 2.17 Other key sources of information cited by the DNOs are the Office for Budget Responsibility inflation forecasts and the available version of the Price Control Financial Model (PCFM).¹³ The DNOs consider that there is a step change in the

¹³ The Price Control Financial Model is the calculation engine used by Ofgem to determine a network company’s Allowed Revenue each year under a price control.

Consultation Notice period options for network charges for the start of ED3

increased reliability of information from Option 3 onwards, principally related to the publication of Draft Determinations and the Draft ED3 PCFM. Table 1 summarises the DNO proposals as applied to the first year of ED3.

Table 1 – Summary of Year 1 of ED3 options

Option	Notice period (DNO)*	Month of publication	ED3 publication	Inflation forecast	Regulatory tool
1	15 months	December 2026	Draft Business Plans	November 2026	Letter of comfort
2	13 to 14 months	January to February 2027	Final Business Plans	November 2026	Direction
3	5 to 8 months	July to October 2027	Draft Determinations Draft ED3 PCFM	March 2027	Direction
4	2 months	January 2028	Final Determinations Updated ED3 PCFM	November 2027	Direction

* The notice period for LDNO charges would be c.1 month shorter

2.18 For options 2 and 3 we have presented a range of notice periods. This is because, for those options, the DNOs have proposed publishing charges two months after the availability of the latest relevant evidence, compared to one month after for options 1 and 4. In addition, please note that we have not yet confirmed the timing for key ED3 milestones, such as publishing Draft Determinations.

2.19 Should it be required, in any direction we could set an expectation of tariff publication no later than a certain number of working days after the publication of key information (for example, Draft Determinations). We are seeking views on the time necessary to publish charges from availability of relevant information.

Options for Year 2 of ED3

2.20 DNOs have requested a derogation so that the notice period for the second year of ED3 is reduced to 14 months irrespective of the option applied for the first year. This would allow those charges to be informed by ED3 Final Determinations. We are keen to hear views from stakeholders on both the 14- and 15-month options

Consultation Notice period options for network charges for the start of ED3

for Year 2, not least after we rejected modification proposal DCP437, which sought an enduring change to a 14-month notice period for DUoS charges.

Consultation questions

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| <p>Q1. Are there any other notice periods options that may be appropriate for Year 1 of ED3?</p> <p>Q2. Under Option 1, is a letter of comfort required to address the risk of over-and under-recovery – as we did for ED2?</p> <p>Q3. How long do DNOs need to prepare and publish charges after receiving the final inputs relevant for a given option (for example, Final Determinations for Option 4)? Does it vary for different options?</p> <p>Q4. How long do LDNOs need to prepare and publish charges after DNO charge publication where a notice period derogation is in place?</p> |
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Consultation Notice period options for network charges for the start of ED3

3. Our initial assessment of the options

We present our initial assessment of the options, separately considering the first and second years of ED3. Our initial view is that for the first year of ED3, Option 3 (5 to 8 months' notice) appears to be a pragmatic approach for the specific issue of the first year of a new price control, balancing maximising the notice period while reducing year-on-year variability. For the second year, we consider that a reduction to 14 months would be proportionate given the change in price control. We are seeking views on our initial assessment and any evidence to help support our final decision.

Our assessment framework

- 3.1 We have assessed the options against the DCUSA charging objectives,¹⁴ our Principal Objective and wider statutory duties. The notice period is defined in DCUSA, and this is the assessment framework that we use for DCUSA modification proposals and recent derogation requests related to surplus residual issues.
- 3.2 Our assessment of the notice period options is specific to the challenges related to a change in price control rather than an enduring change to notice periods. In this initial assessment, we have not separately assessed each option. Instead, we compare longer and shorter notice periods, with the longest notice period option represented by Option 1 and the shortest by Option 4.
- 3.3 We have separately assessed the options for the first and second years of ED3. We have only included our assessment of a DCUSA Charging Objective where we consider the different options to have an impact on the facilitation of that objective.
- 3.4 We will refresh our assessment ahead of our decision, taking into account consultation responses and any other relevant evidence.

Assessment of options for Year 1 of ED3

Summary of assessment

- 3.5 Our initial assessment presents a mixed picture. While a longer notice period would likely better facilitate competition, a shorter notice period would appear to better facilitate cost-reflectivity and DNO Business Development, as well as potential benefits to consumers not captured by the DCUSA Charging Objectives.

¹⁴ The DCUSA Charging Objectives are in clause 3.2 of DCUSA and are set out in Condition 22A of the Distribution Licences.

Consultation Notice period options for network charges for the start of ED3

In our assessment of efficiency, we consider that a moderately shorter notice period may best be able to mitigate the disadvantages for Options 1 and 4.

- 3.6 Our initial view is that Option 3 could represent a pragmatic and balanced approach for the specific issue of the first year of a new price control, balancing maximising the notice period while reducing year-on-year variability. Our initial view is that Option 3 would better facilitate the DCUSA Charging Objectives overall and be in the best interests of consumers, as explained further below. We are seeking views and evidence on this position.
- 3.7 Our final assessment will depend on weighing up the impact on DCUSA Charging Objectives and our Principal Objective and statutory duties, informed by responses to this consultation and other relevant evidence.

DNO obligations¹⁵

- 3.8 We only consider that there may be an impact on DNO obligations for Option 3, where DNOs have identified that competing priorities at that time of year may make tariff publication difficult to achieve. However, we would expect to be able to mitigate this by proposing expected timing for publication of tariffs if Option 3 was selected.

Competition¹⁶

- 3.9 Our initial assessment is that longer notice periods are more likely to better facilitate competition. However, we also note that if a shorter notice period results in more year-on-year stability in charges, that could also be beneficial this objective. Option 3 is the option with the longest notice period that has the potential to reduce year-on-year variability.
- 3.10 As we have noted in previous related decisions, a longer notice period typically better facilitates competition in supply because suppliers take on less forecasting risk, with savings on risk premia passed onto customers. In contrast, a shorter notice period may increase risk premia, which could reduce competition and restrict consumer choice, for example in the length of fixed contracts. We have previously stated that DNOs are better placed to manage this uncertainty (from a longer notice period) than suppliers or customers (from a shorter notice period).

¹⁵ DCUSA Charging Objective 1: 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.

¹⁶ DCUSA Charging Objective 2: 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).

Consultation Notice period options for network charges for the start of ED3

- 3.11 Furthermore, those customers on pass through contracts have more certainty with longer notice periods. This may be especially true for customers on IDNO networks, who already experience a shorter notice period, and for higher voltage customers where there has historically been more year-on-year variability in charges than for lower voltage customers.
- 3.12 In contrast, DNOs argue that a longer notice period increases year-on-year variability which exposes suppliers and customers to more uncertain revenue/cashflow. DNOs consider that a shorter notice period, specifically for the transition in price control, would introduce more stability in the interests of suppliers and customers.
- 3.13 We consider that Options 3 and 4 could result in greater stability in charges as charges would be informed by Ofgem's view on allowed revenues, with Option 3 having a smaller impact on risk premia than Option 4.
- 3.14 The DNOs also consider that DUoS is a relatively small component of the overall electricity bill. However, unlike for wholesale costs, suppliers have stated they are unable to hedge against DUoS risk.

Cost reflectivity¹⁷

- 3.15 Our initial assessment is that shorter notice periods are more likely to better facilitate cost-reflectivity. A shorter notice period means that charges would more closely reflect allowed revenues and other relevant factors. However, we also note that if a longer notice period results in a reduction in risk premia that could also be beneficial to this objective. Option 3 would appear to strike the best balance by maximising the notice period for charges that are informed by Ofgem's (initial) view on allowed revenues.
- 3.16 We would expect cost reflectivity to be better facilitated as the notice period shortens. This is because charges would be set based on information that better reflects the allowed revenue that the charges are seeking to recover and the specific relevant mechanics of the price control. Publication of Draft Determinations is the earliest indication of Ofgem's view on DNOs' proposed allowances. We therefore consider that Option 3 represents the longest notice period that gives a more reliable indication of the likely allowances.

¹⁷ DCUSA Charging Objective 3: 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.

Consultation Notice period options for network charges for the start of ED3

- 3.17 A shorter notice period would also have more recent evidence on other relevant parameters such as inflation forecasts to help further enable cost-reflectivity when setting charges.
- 3.18 However, the extent to which a shorter notice period increases risk premia, this has the potential to reduce the cost-reflectivity of charges faced by customers. That is, the charges faced by customers will include higher risk premia in addition to the other components of the charge.
- 3.19 We also note that this charging objective requires that charges ‘reflect the costs incurred, or reasonably expected to be incurred, by the DNO party’ [emphasis added]. That is, earlier setting of charges based on the information available at the time would still facilitate this objective.

DNO Business Development¹⁸

- 3.20 Our initial assessment is that shorter notice periods are more likely to better facilitate this objective, in the specific context of a new price control. A shorter notice period, Options 3 or 4, would more accurately reflect the ED3 settlement and reduce cashflow risk for DNOs associated with mismatches between expenditure and revenue recovery. In contrast, Options 1 and 2 would result in charges that are less likely to reflect the final ED3 settlement.

Efficiency¹⁹

- 3.21 Our initial assessment is that there are disadvantages to both Options 1 and 4 with respect to better facilitating this objective. We consider that Option 3 may be able to best mitigate these issues.
- 3.22 A longer notice period gives more time to correct errors with model failure, while a two-month month notice period (Option 4) may be insufficient to deal with the surplus residual model issues experienced in calculating charges in recent years, or at least could further reduce the already truncated notice period, especially for customers of LDNOs.
- 3.23 A longer notice period also reduces or avoids (with Option 1) the additional administrative burden in calculating risk premia. However, a longer notice period (Options 1 and 2) results in more scope for over and under-recovery that DNOs

¹⁸ DCUSA Charging Objective 4: 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.

¹⁹ DCUSA Charging Objective 6: that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.

Consultation Notice period options for network charges for the start of ED3

must account for in subsequent years, with potential knock-on impacts on year-on-year charge variability for users.

Principal Objective and statutory duties

- 3.24 We have assessed the options in line with our Principal Objective and statutory duties. Our initial assessment is that a moderately shorter notice period has the potential to be in the interests of consumers. On balance, Option 3 appears to both reduce the risk of higher costs for customers in the first year of ED3 and to reduce the potential for year-on-year variability in charges. Though we also note that a shorter notice period would likely increase risk premia and reduce certainty for consumers.
- 3.25 Based on previous price controls, we note that any charges based on Draft Determinations (Option 3) or Final Determinations (Option 4) are likely to be lower than those based on the DNOs' Business Plans. In contrast, Options 1 and 2 would likely result in higher costs for customers in the first year of ED3, which then must be corrected for in subsequent years.
- 3.26 The overall benefits to consumers on fixed contracts would partly depend on the extent to which shorter notice periods increase risk premia costs. Such costs are more likely to outweigh the benefits if the notice period is reduced to two months (Option 4), with the overall impact less clear for Option 3. We would welcome evidence on this in responses to this consultation.
- 3.27 For customers on pass through contracts, we are keen to understand their views and any evidence of the impact of shorter or longer notice periods. We would like to understand from customers and their suppliers the potential for impacts both on non-domestic customers and on those domestic customers protected by the price cap.
- 3.28 Such customers may benefit from shorter notice periods through lower charges in the first year of ED3 followed by more stability in year-on-year DUoS charges. In contrast, a longer notice period when moving between price controls risks creating a step change in tariffs that customers may find it more difficult to foresee, compared to a more gradual change under shorter notice period options. Though we note that any such benefits of a shorter notice period would be at the cost of less certainty and more forecasting risk.

Consultation Notice period options for network charges for the start of ED3

Assessment of options for Year 2 of ED3

Summary of assessment

3.29 The differences between shorter (14 months) and longer (15 months) notice periods for the second year of ED2 are similar to those for the first year, though less pronounced given that there is only one month difference between the two. On balance, our initial assessment is that a delay of one month to publication of the second year of charges to allow more accurate information to set tariffs is proportionate at a change in price control.

Competition

3.30 While a longer notice period would reduce risk for suppliers, the reduction by one month has the potential to reduce year-on-year variability in charges, which may promote competition.

Cost-reflectivity

3.31 Our initial assessment is that a one-month reduction in the notice period would better facilitate cost-reflectivity. A notice period of 14 months would allow charges to be set on the basis of allowed revenues from Final rather than Draft Determinations. While this reduction in notice could increase risk premia which could reduce cost reflectivity, for a change in price control this reduction in notice period appears proportionate.

DNO Business Development

3.32 As for the first year of ED3, our initial assessment is that a shorter notice period would more accurately reflect the ED3 settlement and reduce cashflow risk for DNOs associated with mismatches between expenditure and revenue recovery.

Efficiency

3.33 Our initial assessment is that a shorter notice period would better facilitate this objective.

3.34 Both options would allow sufficient time to correct any issues with model failure. A longer notice period avoids the additional administrative burden in calculating risk premia. However, we consider that, for a one-month reduction in notice, this is outweighed by the additional accuracy from waiting for Final Determinations that reduces scope for over and under-recovery that DNOs have to account for in subsequent years.

Consultation Notice period options for network charges for the start of ED3**Principal Objective and Statutory Duties**

3.35 Our initial assessment is that a 14-month notice period has the potential to be in the interests of consumers. This is principally because the extent to which a shorter notice period could reduce year-on-year variability has the potential to outweigh costs of a moderate reduction in the notice period.

Consultation questions

Q5. Do you agree with our initial assessment of the options for Year 1? Please provide evidence to support your views, including benefits and risks with each option. In particular, please provide evidence of the degree to which risk premia could change under Options 2, 3 and 4 as compared with the baseline of Option 1.

Q6. Do you agree with our initial assessment of the options for Year 2? Please provide evidence to support your views, including benefits and risks with each option.

Q7. What was the impact of the year-on-year variability in charges at the start of ED2 on contractual arrangements, budgeting and any other relevant elements of your business/experience? Please include reference to the impact this had on your customers. Did the longer notice period compensate for this variability?

Consultation Notice period options for network charges for the start of ED3

Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

Consultation Notice period options for network charges for the start of ED3

Appendix 1. Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name, address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

We will not be sharing your personal data with organisations outside Ofgem.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for six months after the project is closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data

Consultation Notice period options for network charges for the start of ED3

- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information For more information on how Ofgem processes your data, click on the link to our “[ofgem privacy promise](#)”.