

Decision

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 consulted on options for the notice period to apply to network charges for the first two years. Distribution networks companies had asked us to consider a change (called a derogation) from the current notice period of 15 months, proposing options for reducing the notice period.

Following review of stakeholder feedback, this document explains our decision to maintain the existing (15-month) notice period for the first year of ED3 and reduce the notice period to 14 months for the second year.

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1. Introduction

Following consultation, we have decided on the length of notice period for publishing network charges for the first two years of the next price control period. We provide the relevant background and context for the decision.

Background

- 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 requested that we² issue directions that the notice periods for the first year of ED3 (2028 to 2029) and the second year of ED3 (2029 to 2030) need not apply. 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 The DNOs' proposal would involve publishing 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).
- 1.5 We published our consultation on the different options on 9 July 2026.

¹ [ED3 sector specific methodology](#)

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](#)

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Context and related publications

- 1.6 In 2015, we approved a modification to DCUSA (known as DCP178) to increase the notice period for DUoS charges 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 Our July consultation was not about reopening 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.
 - 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.

⁴ [DCP178 Decision](#)

⁵ [ED2 DUoS Notice Period Decision](#)

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- 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 the DCUSA Charging Objectives relating to competition, cost-reflectivity and efficiency.
- 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 work to improve predictability and stability under the 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.
- 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 that DNOs must publish 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 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.

Decision-making stages

- 1.14 Our consultation opened on 9 July and closed on 20 August. We received 27 responses to our consultation: 19 from energy suppliers (or representative bodies); six from networks (DNOs, LDNOs, network associations) one from a non-domestic customer and one from an individual.

⁶ [DCP437 Decision](#)

⁷ [DCP469 Working Group](#)

⁸ [Second preliminary Strategic Direction Statement for industry codes-2026](#), page 87

⁹ [Managing the effects of surplus residual charges: derogation requests and directions](#)

¹⁰ [DCUSA: CIRPs](#)

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

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2. Options for network charges at the start of ED3

We consulted on four options for the notice period for the first year of ED3. Options ranged from 15 months (the status quo) to two months. The second-year options were the status quo or a reduction to 14 months. We sought views on how these options could work in practice.

Questions from the consultation

- Q1. Are there any other notice periods options that may be appropriate for Year 1 of ED3?
- Q2. Under Option 1, is a letter of comfort required to address the risk of over-and under-recovery – as we did for ED2?
- 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?
- Q4. How long do LDNOs need to prepare and publish charges after DNO charge publication where a notice period derogation is in place?

Consultation options

- 2.1 Our consultation presented four options for final charges for the first year of ED3 and two options for the second year of ED3, as proposed by the ENA. The options for the first year are summarised in Table 1 (on the following page).¹²
- 2.2 We also consulted on one alternative option for the second year of ED3, where the notice period would be 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, rather than Draft Determinations under the status quo.

¹² The Price Control Financial Model (PCFM) is the calculation engine used by Ofgem to determine a network company's Allowed Revenue each year under a price control.

Decision Notice period options for network charges for the start 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

Stakeholder feedback

- 2.3 Most respondents considered that the four options were comprehensive. However, some respondents (principally suppliers) suggested some additional options. These included longer notice periods and allowing suppliers to pass through network charge changes to existing fixed contracts, though the respondent acknowledged this would require supply licence changes. Other options included setting a cap on the first year of ED3 charges and/or revenue re-profiling of ED3 revenues over the price control period, to help manage annual variability while maintaining the notice period.
- 2.4 Of those respondents expressing a view on Question 2, there was broad support for a letter of comfort required to address the risk of DNO over- and under-recovery associated with maintaining the 15-month notice period (Option 1). Some considered that this would allow DNOs flexibility in setting tariffs without transferring forecasting risk to suppliers and consumers. However, some respondents noted that the need for such a letter would depend on the final ED3 arrangements, which will not be finalised until ED3 Final Determinations towards the end of 2027.
- 2.5 Question 3 was directed at DNOs who responded that 4-8 weeks would be required to develop, validate, assure and publish tariffs following the receipt of final charging inputs. They note that the longer timeframe would be associated with Option 3, owing to competing obligations at that time.

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- 2.6 Question 4 was directed at LDNOs who responded that one month, as per current arrangements, would be sufficient time for validation, charging system updates and governance.

Our position

- 2.7 As explained further in Section 3, we have decided to maintain the 15-month notice period for the first year of ED3 and reduce it to 14 months for the second year of ED3.
- 2.8 We welcome the alternative options put forward by some respondents. As we did not hear these proposals ahead of the consultation, we could not include some of the supplier-proposed alternatives in the consultation.
- 2.9 The option of extending the notice period on an enduring basis or changing pass through allowances through supply licence changes are beyond the scope of this decision. In addition, the proposal to place a cap on the first of ED3 charges would require a separate consultation and impact assessment to understand potential impacts on DNO financeability. Any such exercise would mean that the 15-month notice preferred by the suppliers advocating this approach could not be maintained.
- 2.10 We note that the proposal to re-profile revenues across ED3 is something that we consulted upon as part of ED2 Draft Determinations and we intend to consult on that approach again as part of ED3 Draft Determinations. However, it is not a policy that we can consult upon and decide ahead of the publication of the first year of ED3 if we maintain the 15-month notice period.
- 2.11 As we have decided to maintain the 15-month notice period for the first year of ED3, we confirm that we will not penalise DNOs associated with any over/under-recovery exceeding the k-factor bands in the first year of ED3 (2028 to 2029), where this would result from the lack of information on final allowed revenues at the time of setting charges, rather than obvious cases of forecast underperformance on the part of DNOs. We will confirm the process for ensuring no such penalty is applied during 2027 as we finalise the ED3 settlement.
- 2.12 As we are maintaining the 15-month notice period for the first year, DNOs will need to set first year charges based on Draft Business Plans. For the second year, they will need to publish charges by the end of January 2028, which will provide sufficient time to incorporate inputs from the publication of ED3 Final Determinations.
- 2.13 As under the current process, LDNOs will have one month after DNO publication of charges to publish their own charges.

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3. Our final assessment of the options

We present our final assessment of the options, separately considering the first and second years of ED3. We have decided to maintain the status quo of 15 months' notice (Option 1) for the first year of ED3 as we consider it to be in the best interest of consumers. We do not consider that any of the alternatives perform better against our assessment criteria. For the second year, we consider that a reduction to 14 months is proportionate for a change in price control. We consider that 15 months for Year 1 and 14 months for Year 2 have the potential to be combined with revenue re-profiling to address annual variability in charges while maintaining a relatively long notice period.

Questions from the consultation

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?

Our assessment framework

- 3.1 Consistent with our consultation, we used the DCUSA charging objectives¹³ as proxies for our assessment criteria, alongside our principal objective and wider statutory duties.¹⁴ This is the assessment framework that we have used for 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 and not an enduring change to notice periods. We have separately assessed the options for the first and second years of ED3.

¹³ The DCUSA Charging Objectives are in clause 3.2 of DCUSA and are set out in Condition 22A of the Distribution Licences.

¹⁴ Our principal objective is to protect the interests of existing and future consumers. Our statutory duties in this context are detailed mainly in the Electricity Act 1989 (in particular, but not limited to, section 3A) as amended.

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Assessment of options for Year 1 of ED3

Our consultation assessment

- 3.3 Our initial assessment for the first year of ED3 was that Option 3 (5 to 8 months' notice) appeared 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. Our initial view was that Option 3 would limit impacts on competition and improve cost-reflectivity compared to status quo. We also considered that Option 3 would both reduce the risk of higher costs for customers in the first year of ED3 and reduce the potential for year-on-year variability in charges.

Consultation responses

- 3.4 Stakeholder responses were broadly divided into suppliers, favouring Option 1, and networks, favouring Option 4. Some supplier respondents would also tolerate Option 2 as a second-best option, while networks generally only supported Option 4 and did not support the other options. There was very limited support for our consultation preference for Option 3 and then only if there were earlier indicative charges associated with this option to mitigate the impacts of the notice period reduction from Option 3.

Our decision

Summary of assessment

- 3.5 Having considered the consultation responses and further evidence submitted, we have decided to maintain the status quo of Option 1 and 15 months' notice for the first year of ED3.
- 3.6 This is principally because we consider that Option 1 performs best against our assessment criteria. Option 1 has the potential to be combined with revenue re-profiling, which was an approach raised by respondents to our consultation. This re-profiling could maintain the notice period while reducing the year-on-year variability in charges that the DNOs were seeking to address in their original request.
- 3.7 In contrast, we do not consider the alternatives (Options 2-4) to perform better against our assessment criteria than the status quo. In particular, the DNOs have not been able to persuade us that reducing the notice period to just two months (Option 4) would be in the interests of consumers, not least because of the additional uncertainty and risk premia costs that would result. Similar to our decision on ED2, Options 2-4 would effectively transfer risk from DNOs to suppliers and consumers, who would be less able to manage that risk than DNOs.

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DNO obligations¹⁵

- 3.8 As for our consultation assessment, we continue to consider that there may only be an impact on DNO obligations for Option 3, where DNOs have identified that competing priorities at that time of year may delay tariff publication. DNOs did not highlight such competing priorities for the other options.

Competition¹⁶

Consultation responses

- 3.9 Responses from suppliers supported our initial assessment that longer notice periods are more likely to better facilitate competition. In contrast, networks considered that if a shorter notice period results in more year-on-year stability in charges, that could be beneficial to this competition.
- 3.10 Supplier respondents argued that shorter notice periods (particularly Options 3 and 4) would have a negative impact on competition. Suppliers contended that reducing notice periods transfers forecasting risk from DNOs to suppliers. As suppliers cannot hedge DUoS charges, they argue that they would need to incorporate higher risk premia into tariffs relating to fixed price contracts. They consider this would increase customer prices, reduce tariff choice and weaken supplier competitiveness, particularly in offering fixed tariffs.
- 3.11 One supplier respondent noted that several DNOs have published CIRPs which suggest little to no change in allowed revenue between the end of ED2 and the start of ED3. If the final ED3 settlement is not reflective of these forecasts, Option 4 would result in potentially significant changes in DUoS tariffs compared with supplier and customer expectations based on the CIRPs.
- 3.12 Network respondents took a different view, arguing that competition impacts are likely to be limited, emphasising the importance of tariff accuracy along with reduced future year-on-year variability. Some networks respondents highlighted our decision on CMP286,¹⁷ stating that that decision recognised that less accurate forecasting and greater future volatility can themselves undermine competition, with respect to Transmission Use of System (TNUoS) charges.
- 3.13 Network respondents also considered that any increase in supplier risk premia from shorter notice would likely be small. Some stated that improved cost reflectivity and reduced future tariff adjustments would likely benefit market

¹⁵ Facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence.

¹⁶ 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.

¹⁷ [CMP286: Improving TNUoS Predictability through Increased Notice of the Target Revenue used in the TNUoS Tariff Setting Process Decision](#)

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outcomes even if notice periods are shortened. Notably, the ENA highlighted the CIRPs as a useful path of future charges, though it did not explicitly address their reliability for forecasting charges at the start of the next price control.

3.14 Only three respondents supported Option 3 as a balanced compromise.

Our position

3.15 On balance, we consider that the longest notice period (Option 1) performs best for facilitating competition. Some consultation respondents stated that the reduction in year-on-year variability that may arise from Option 3 would be outweighed by the increase in risk premia associated with effective halving of the notice period. In addition, we note that other approaches (notably re-profiling) may reduce year-on-year variability while maintaining the longest notice period. We consider that suppliers are better placed than networks to assess the materiality of impacts of notice periods on the tariffs they can offer and the consequent impacts on competition.

3.16 With respect to CMP286, we noted in our decision on that proposal that it sought 'only to change the timescales under which one input into the calculation of network tariffs is set' rather than the tariff setting timescale more broadly. In addition, since our decision on CMP286 (in May 2024), we have established the CARR work programme, which has identified potential changes to the TNUoS notice period to improve predictability, as stated in our second preliminary Strategic Direction Statement for industry codes.¹⁸

Cost reflectivity¹⁹

Consultation responses

3.17 Network respondents generally supported Option 4 as providing the highest degree of cost reflectivity as charges would be based on Final Determinations. They stated that revenue differences between Draft and Final Determinations in ED2 were material and could result in substantial corrections if tariffs were based on Draft Determinations under Option 3.

3.18 Supplier respondents argued that the incremental improvement in cost reflectivity from a shorter notice period would not justify the increase in supplier forecasting risk, customer uncertainty and risk premia. These respondents favoured retaining Option 1 and managing tariff volatility through mechanisms such as revenue re-profiling.

¹⁸ See pages 86-87 of [Second preliminary Strategic Direction Statement for industry codes-2026](#)

¹⁹ 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.

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3.19 Those respondents supporting Option 3 viewed it as a better balance than alternatives by basing charges on Draft Determinations and Draft PCFM information while retaining materially more notice than Option 4.

Our position

3.20 We consider 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.

3.21 However, the status quo of Option 1 should not increase risk premia, with increases in risk premia associated with the other options potentially reducing the cost reflectivity of charges faced by customers.

3.22 Therefore, though Option 1 does not perform as well as Option 4 against cost reflectivity, its shortcomings are relative rather than absolute. We also accept that there can be material changes in allowed revenue between Draft Determinations and Final Determinations for individual DNOs, which weakens the case for Option 3 against this criterion.

DNO Business Development²⁰

Consultation responses

3.23 Network respondents generally argued that Option 4 would be most beneficial for DNO financial planning and business development because revenues and tariffs would better reflect the final regulatory settlement.

3.24 Those supplier respondents commenting on this criterion argued that the principal beneficiary of Option 4 would be DNOs themselves through reduced forecasting, revenue recovery and regulatory risk, rather than customers.

Our position

3.25 We consider that shorter notice periods are more likely to better facilitate this criterion, in the specific context of a new price control. A shorter notice period, particularly Option 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.

3.26 While Option 1 would perform worse than Option 4 against this criterion, we note that DNO financing impacts and/or cashflow risks were not raised as significant issues by networks. Further, the ENA's support for Option 4 was principally about

²⁰ Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business.

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reducing year-on-year tariff variability for customers rather than DNO cashflow concerns.

Efficiency²¹

Consultation responses

- 3.27 Networks respondents contended that Option 4 still provides sufficient opportunities for model testing and assurance activities. They also considered that using Final Determinations would reduce forecasting errors, minimise any over- or under-recovery corrections which would reduce the need for future tariff adjustments, leading to a more efficient charging framework over the price control period.
- 3.28 Supplier respondents argued that shorter notice periods may increase supplier forecasting complexity, contractual uncertainty and risk management costs. They consider that any efficiency gains for DNOs could be offset by additional costs and inefficiencies in the market.

Our position

- 3.29 In our consultation, we noted advantages and disadvantages to both Options 1 and 4 with respect to efficiency. In light of responses to our consultation, we now consider that the main disadvantages with Option 1 can be potentially mitigated through revenue re-profiling, while the potential for model failure issues under Option 4 can be less easily mitigated.
- 3.30 A longer notice period gives more time to correct errors with model failure. While networks respondents stated that Draft Determinations figures would allow advanced warning of potential issues with Option 4, they separately identify the potential for material changes in allowed revenues for DNOs between Draft and Final Determinations. Therefore, we remain concerned that a two-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.
- 3.31 A longer notice period also reduces or avoids (with Option 1) the additional administrative burden in calculating risk premia (by maintaining the status quo). However, a longer notice period (Options 1 and 2) results in more scope for over and under recovery that DNOs must account for in subsequent years, with potential knock-on impacts on year-on-year charge variability for users. We

²¹ Compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.

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consider those impacts have the potential to at least be partially mitigated by re-profiling revenues over the price control period.

Principal objective and statutory duties

Consultation responses

- 3.32 Most supplier respondents argued that Options 3 and 4 would transfer forecasting risk from DNOs to suppliers and customers, which would increase risk premia, customer bills, supplier financial exposure and reduce the availability or competitiveness of fixed price products. They consider that retaining Option 1 or 2 would better support affordability, competition and consumer protection.
- 3.33 Networks respondents argued that Option 4 would better protect future consumers by improving cost reflectivity and reducing and year-on-year variability.

Our position

- 3.34 Our final assessment is that Option 1 is in the best interests of consumers. Option 1 has the potential to both reduce the risk of higher costs for customers in the first year of ED3 and, when combined with revenue re-profiling, to reduce the potential for year-on-year variability in charges. It should also help minimise risk premia while maximising certainty and tariff choice.
- 3.35 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, Option 2 based on Business Plans, would likely result in higher costs for customers in the first year of ED3, which then must be corrected for in subsequent years. Option 1 would be based on Draft Business Plans. Based on the most recent CIRPs (published on 30 September 2026), on average, typical domestic bills are expected to remain broadly stable between the last year of ED2 and the first year of ED3. While we note increases for some DNOs, others are forecasting reductions for the first year of ED3.
- 3.36 The evidence from suppliers is that a shorter notice period would increase risk premia costs that outweigh any consumer benefits from more stable charges, particularly if such stability can be achieved through revenue re-profiling combined with maintaining the notice period.

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Assessment of options for Year 2 of ED3

Our consultation assessment

- 3.37 Our initial assessment of the differences between shorter (14 months) and longer (15 months) notice periods for the second year of ED3 was similar to that for the first year, though less pronounced given that there is only one month difference between the two. On balance, our initial assessment was 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.

Stakeholder feedback

- 3.38 Of those expressing a view, there was an even split in first preference from respondents between 15 months' and 14 months' notice with each option receiving 12 first preferences. All network respondents supported 14 months, along with some suppliers and a large customer. 15 months was supported by suppliers, though five of those suppliers were not opposed to 14 months.

Our decision

Summary of assessment

- 3.39 We continue to consider 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. Particularly if it can be combined with revenue re-profiling, if this is adopted, as the second-year charges could be based on ED3 Final Determinations.
- 3.40 We consider that a reduction to 14 months' notice would perform best against our assessment framework, including our principal objective, as detailed below.

Competition

Consultation responses

- 3.41 Network respondents stated that the additional month would allow tariffs to reflect the more accurate Final Determinations which should reduce year-on-year variability in charges.
- 3.42 Supplier views were mixed. Some expressed concerns, arguing that any reduction of notice could increase forecasting risk, supplier risk premia and customer prices, while potentially reducing the availability and competitiveness of longer term fixed-price products. In contrast, several other suppliers regarded 14 months as an acceptable transitional compromise suggesting the marginal reduction in notice period would not make a material difference to pricing and contracting.

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Our position

- 3.43 While we note that the status quo would minimise risk premia, the reduction by one month has the potential to reduce year-on-year variability in charges, which may promote competition. Revenue re-profiling should be able to more effectively reduce year-on-year variability if Year 2 charges are based on Final Determinations. We therefore consider that 14 months' notice for Year 2 of ED3 would, on balance, better facilitate competition.

Cost-reflectivity

Consultation responses

- 3.44 Network respondents argued that 14 months' notice, allowing publication of charges after Final Determinations, would result in more accurate tariffs, reduced forecasting error, fewer corrective adjustments and charges that better reflect underlying network costs. Respondents supporting 14 months considered that the one-month reduction in notice would be proportionate and believe the improvement in tariff accuracy would outweigh the reduction in notice.
- 3.45 Those respondents opposed to 14 months' notice argued that any reduction in notice periods would transfer risk to suppliers and customers through risk premia.

Our position

- 3.46 Our final 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 based on 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 we consider this reduction in notice period is proportionate.

DNO Business Development

Consultation responses

- 3.47 Network respondents considered that a 14-month notice period for Year 2 would better support DNO business development than retaining a 15-month notice period, because charges would be based on Ofgem's Final Determinations rather than Draft Determinations. Network respondents argued that using final revenue allowances improves alignment between revenue recovery and expenditure, reduces forecasting error, lowers cashflow risk and enables more accurate investment and business planning.

Our position

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- 3.48 Our final 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

Consultation responses

- 3.49 Network respondents argued that using Final Determinations would improve tariff accuracy, reduce forecast errors and minimise administrative effort associated with over- and under-recovery adjustments. Several respondents considered the one-month reduction proportionate and more efficient than continuing to set charges using less certain revenue assumptions.
- 3.50 Some suppliers argued that reducing notice periods would increase supplier forecasting costs, contractual complexity and risk management activity, potentially leading to higher risk premia and customer costs. These respondents generally favoured retaining the 15-month notice period.

Our position

- 3.51 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.

Principal objective and statutory duties

Consultation responses

- 3.52 Some of those respondents supporting a 14-month notice period considered it would be in the interests of consumers because it should limit the need for future tariff corrections that could ultimately be borne by consumers. These respondents generally considered the one-month reduction proportionate and capable of delivering better long-term outcomes for current and future consumers through more accurate and stable charging arrangements.
- 3.53 Those respondents supporting the status quo cited concerns over increases to risk premia and reductions in competition as not in the interests of consumers.

Our position

- 3.54 Our final assessment is that a 14-month notice period would be in the interests of consumers. This is principally because the extent to which a shorter notice period could reduce year-on-year variability, particularly when combined with revenue re-profiling, should outweigh the costs of a minimal reduction in the notice period.

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

4. Next steps

This section confirms that DNOs should prepare 2028 to 2029 charges for publication by the end of December 2026. In addition, we intend to issue a direction to allow DNOs to publish 2029 to 2030 charges by the end of January 2028.

- 4.1 DNOs should prepare 2028 to 2029 charges for publication by the end of December 2026.
- 4.2 Given ongoing work related to notice periods (CARR and DCP469) which may affect the notice period for the second year of ED3, we will not issue a derogation until nearer to the time, if it is required (that is, if the notice period for 2029 to 2030 remains longer than 14 months).
- 4.3 We also note that one DNO considered that any reduction in notice periods for charge setting would require an equivalent reduction in notice periods for setting tariff time bands. As this issue is also under consideration as part of DCP469, we will review the conclusions of that modification proposal before we decide whether any action is required for the second year of ED3.
- 4.4 As part of the finalisation of the ED3 settlement:
 - We will consult on the potential for re-profiling revenue over the price control as part of Draft Determinations.
 - We will confirm the arrangements to suspend the penalty interest rate associated with any over- or under-recovery exceeding the k -factor bands in the first year of ED3 where this would result from the lack of information on final allowed revenues at the time of setting charges, rather than obvious cases of forecast underperformance on the part of DNOs.
- 4.5 LDNOs should continue to publish DUoS charges no more than one month after their host DNOs.
- 4.6 We encourage stakeholders to continue to engage with our CARR sub-workstream that is focusing on ways of improving predictability of network costs for both industry and consumers.

Decision 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 decision. 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.