

# Electricity distribution network charges: notice period options

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## **Individual response**

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## **Submitted in an individual capacity**

This substantive response contains no personal contact details. Any identifying or contact information required for submission can be supplied separately through the consultation channel.

## 1. Respondent capacity

This response is submitted in an individual capacity. It does not claim operational experience as a distribution network operator (DNO), licensed distribution network operator (LDNO), energy supplier, code administrator or large energy user. Where the questions require firm-specific process times, proprietary pricing evidence or direct experience of supplier risk premia, I distinguish policy analysis from evidence that should be obtained from market participants.

The response is therefore directed principally at the regulatory design question: how to allocate transition risk between DNOs, LDNOs, suppliers and different customer groups when the first ED3 DUoS charges must be set before, during or after progressively more mature price-control information becomes available.

## 2. Executive summary

The consultation is best understood as a transition-specific risk-allocation decision, not as a binary contest between fifteen months and two months. The key trade-off is between earlier final-charge notice, which supports supplier pricing and customer budgeting, and later charge setting, which uses more mature information and can reduce forecast error and subsequent correction volatility. Those benefits and costs fall on different actors and are not interchangeable.

My preferred Year 1 approach is Option 3, but only with implementation safeguards. The reason is not that it is a numerical midpoint. Draft Determinations and the draft ED3 Price Control Financial Model (PCFM) are the first identified point at which the tariff-setting information set contains an Ofgem view of allowed revenues rather than only DNO business-plan assumptions. That is a material information threshold. Option 3 also preserves materially more final-charge notice than Option 4. The available public evidence does not robustly quantify the supplier risk-premium effect of reducing notice to two months, and it does not independently establish that the downstream LDNO and supplier processes can absorb that compression without material cost or error risk. [1][2]

Option 4 nevertheless has a serious case. Final Determinations and an updated PCFM should improve the information set further, and the DNO evidence indicates that Draft-to-Final Determination movements can be material. The DNOs also propose preparatory dry runs to protect model-assurance time. Those points mean Option 4 should not be dismissed merely because two months is short. However, the incremental information gain from Draft to Final Determinations must be compared with the additional loss of several months of supplier and customer notice, the LDNO handoff, the possibility of Final Determination or PCFM slippage, and non-hedgeable network-charge risk. On the present public record, that burden has not been discharged sufficiently to prefer Option 4 over a safeguarded Option 3. [1][2]

For Year 2, I support a transition-specific arrangement delivering approximately fourteen months' notice, subject to automatic expiry and a check for any implemented DCUSA, licence or other legally operative decision arising from DCP469, CARR or another competent process. The one-month delay has a qualitatively different function at the ED3 boundary: it is intended to allow Year 2 charges to use Final Determinations. That distinguishes the case from DCP437, which sought an enduring one-month reduction and was rejected in 2025. [1][10]

The central evidential limitation is supplier and customer impact. Historic decisions identify plausible mechanisms - fixed-price contract risk, risk premia, pass-through budgeting and DNO correction volatility - but public material does not provide a reliable, current quantitative estimate of the marginal supplier risk premium under Options 2, 3 or 4. Ofgem should therefore avoid assuming either that the effect is material or that it is negligible. It should require evidence on contract repricing, contract term availability, budget variance and customer segmentation before finalising the direction. [8][9]

## 3. Cross-cutting observations

### 3.1 Notice certainty and tariff accuracy are different forms of certainty

A fifteen-month notice period gives an earlier definitive number, but the number may be based on a less mature allowed-revenue forecast. A shorter notice period gives a later definitive number based on a more mature information set, but leaves suppliers and customers less time to price, contract, budget and communicate. The regulatory objective should not be to maximise one form of certainty in isolation. It should minimise the total expected cost of error, risk transfer and implementation failure across the transition.

This distinction was present when DCP178 was approved: Ofgem recognised that longer notice improved predictability without eliminating underlying volatility and that DNOs would have to set charges using forecast allowed revenue. It nevertheless concluded that the competition and customer-certainty benefits outweighed the cost-reflectivity disadvantage.

[8] The present transition can justify a temporary exception only if the information gained by waiting is sufficiently material to outweigh the notice that is lost.

### 3.2 DNO financial neutrality is not system-wide neutrality

A correction term and time-value-of-money adjustment can reduce a DNO's exposure to the timing of revenue recovery. It does not follow that suppliers, LDNOs or customers are neutral. A supplier may have fixed-price contracts with no ex post true-up; a pass-through customer may have budget or procurement constraints; an LDNO must process an upstream DNO tariff before publishing its own charge; and later consumers may bear correction terms arising from earlier forecast error. The decision should therefore track each risk to the actor that actually bears it.

### 3.3 Historical ED2 variability is informative but not causal proof

The DNO annex presents a counterfactual in which allowed revenue set later, with approximately two months' notice, is materially smoother than the revenue used under the fifteen-month regime. It also compares ED1 and ED2 tariff paths. This is useful evidence that information maturity can affect the size and timing of corrections, but it does not establish that the notice period caused ED2 volatility. The annex itself acknowledges the strong influence of unusually large inflation movements; policy changes, demand/volume variance, indexation, incentives and price-control design are also plausible confounders. [2]

The appropriate inference is narrower: waiting for later information can reduce one identifiable source of forecast error, especially at a price-control boundary. The magnitude of that benefit in ED3 remains uncertain and should not be extrapolated mechanically from ED2.

### 3.4 The first material information threshold matters more than calendar symmetry

The four options correspond to different information states. Option 1 uses the Business Plan stage; Option 2 uses Final Business Plans but still precedes Ofgem's Draft Determinations; Option 3 follows Draft Determinations and a draft ED3 PCFM; Option 4 follows Final Determinations and an updated PCFM. [1] This architecture suggests that Option 2 is comparatively weak unless evidence shows that Final Business Plans themselves materially improve the tariff-setting information set: it sacrifices some notice without crossing the first Ofgem determination threshold.

| Option | Indicative / expected DNO lead time | Information state                       | Principal strength                                                                                          | Principal weakness                                                                                                      |
|--------|-------------------------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| 1      | 15 months                           | Business Plan stage                     | Maximum final-charge notice; strongest support for supplier/customer budgeting and fixed-price contracting. | Highest reliance on forecast allowed revenue before an Ofgem determination; correction risk carried into later years.   |
| 2      | c.13-14 months                      | Final Business Plans                    | Small additional information relative to Option 1 while retaining long notice.                              | May lose notice without gaining an authoritative Ofgem view; weak incremental rationale.                                |
| 3      | c.5-8 months                        | Draft Determinations + draft ED3 PCFM   | First material Ofgem information threshold; preserves materially more notice than Option 4.                 | Draft values can still move; timing may coincide with heavy regulatory workload; risk-premium effect uncertain.         |
| 4      | c.2 months                          | Final Determinations + updated ED3 PCFM | Most mature identified information set; strongest potential to reduce forecast error and later corrections. | Largest transfer of notice risk to suppliers/customers; tightest LDNO handoff; sensitivity to timetable/model slippage. |

### 3.5 Temporary derogation and enduring reform must remain separate

The current DCUSA live version is 18.4, released 25 June 2026. The enduring framework provides fifteen months' notice for DNO charges and fourteen months for IDNO/LDNO charges. Clause 19.1B enables the Authority to direct that those

periods need not apply, in which case the code notice period becomes forty days. Separately, Standard Licence Condition (SLC) 14.11 requires not less than three months' notice before amendment of Use of System Charges unless the Authority otherwise directs or consents under SLC 14.12. [3][4] A genuinely sub-three-month arrangement, including Option 4 if implemented on its indicative timetable, would therefore require the implementation package to address both the DCUSA and licence layers where necessary. The actual DNO and LDNO publication dates must also be calendar-tested against the applicable forty-day DCUSA period after any clause 19.1B direction. Headline descriptions such as 'two months', 'one month after DNO publication' and 'fourteen months' should therefore be understood as target or expected publication lead times under a temporary arrangement, not as amendments to the enduring clause 19.1A periods. A transition direction should specify the expected publication deadline rather than allowing the forty-day fallback to become the practical policy by default.

The current consultation is not a decision on the enduring future of notice periods. DCP469 remains live in working group - with a seventh working-group meeting held on 4 August 2026 - and CARR remains a separate, broader review of cost allocation and recovery. [11][12] A Year 1 or Year 2 direction should expire automatically and should not be cited as deciding the merits of cross-code standardisation or an enduring fourteen-month, sixty-day or other notice period.

### 3.6 Current statutory and charging-objective framework

The relevant current framework remains the Electricity Act 1989 principal objective and duties, including protection of the interests of existing and future consumers and the statutory net-zero interest added by the Energy Act 2023; the Growth Duty applying to Ofgem; the Strategy and Policy Statement in force since 1 May 2024; and the Applicable Charging Methodology Objectives in Standard Licence Condition 22A and DCUSA clause 3.2. [4][5][6][7]

For this decision, the objectives most directly engaged are: compliance with DNO obligations; competition; cost reflectivity; proper account of developments in the distribution business; and efficient implementation and administration. A material point is that those objectives are assessed in the round. Objective 3 is nevertheless narrower than the overall consumer assessment: it asks whether the Relevant Charging Methodology results, so far as reasonably practicable after taking account of implementation costs, in charges reflecting costs incurred or reasonably expected to be incurred by the Distribution Services Provider in its Distribution Business. Supplier retail risk premia are not themselves costs of the DNO Distribution Business and should therefore be assessed separately under competition, consumer interests and the wider statutory balance. A later tariff may improve the information underpinning Objective 3 cost reflectivity while creating retail-market costs elsewhere; conversely, an earlier tariff is not automatically more pro-competitive if stale inputs generate large later corrections. [4]

The April 2026 Ofgem Review announced proposed reforms to Ofgem's duties, including equal-status principal objectives. The government's report expressly states that reforms to Ofgem's duties require primary legislation. Those proposals should therefore not be treated as replacing the current statutory framework for this September 2026 decision unless and until the relevant legislation is enacted and commenced. [16]

## 4. Responses to consultation questions

### Q1. Are there any other notice period options that may be appropriate for Year 1 of ED3?

**Direct answer: I do not recommend creating a fifth fixed calendar option. The four options already capture the meaningful information thresholds. Ofgem should instead improve the implementation design of the preferred option by using an information-triggered deadline and strengthened indicative information.**

A further fixed date between the existing options would mainly split the difference in months without necessarily changing the information state. The better design is to link final tariff publication to the actual availability of the relevant ED3 information. For Option 3, for example, the direction could state an expected deadline measured in working days after publication of Draft Determinations and the usable draft PCFM, subject to an evidence-based process plan. This would remain an implementation rule for Option 3 rather than a new substantive option.

The same direction should state what happens if the triggering material is delayed, corrected or materially incomplete. A deadline should not run merely because a nominal publication has occurred if a necessary model input is unavailable or unusable. Conversely, a DNO should not be able to defer publication simply because it would prefer to wait for later information that is outside the chosen option.

CIRPs can reduce the informational cost of shorter final notice because they provide recurring indicative tariffs, but they are not substitutes for final charges and they do not cover the highest-voltage customers. [1] During the transition, Ofgem should consider requiring clearer uncertainty ranges, key assumptions and change explanations in the existing indicative information, while separately addressing the information gap for customers not covered by CIRPs. This would improve planning without creating false finality.

## **Q2. Under Option 1, is a letter of comfort required to address the risk of over- and under-recovery, as for ED2?**

**Direct answer: Not automatically. A letter of comfort should be used only if Ofgem identifies a specific ED3 penalty-interest exposure caused by the unavoidable difference between the information available at tariff setting and the later ED3 determination, and if that exposure is not already adequately addressed by the applicable ED3 licence and correction mechanics.**

The 2021 ED2 approach was deliberately narrow. Ofgem retained the fifteen-month notice period but confirmed that penalty interest would not apply to excess over/under-recovery attributable to the difference between expected and final allowed revenue, rather than to poor-quality forecasting generally. [9] That distinction should be preserved if a similar instrument is considered for ED3.

A letter of comfort does not resolve the principal system-wide weakness of Option 1: it can reduce DNO downside from forecast error, but it does not make the earlier tariff more accurate and does not remove later correction volatility faced by suppliers and customers. It should therefore not be treated as an offsetting consumer benefit equivalent to a shorter notice period.

The case for any comfort should also be conditional on forecasting discipline. It should identify the qualifying source of error, the affected charging years, the relevant recovery/penalty mechanism, the evidence required to attribute the error to the ED3 determination gap, and an expiry point. A broad assurance that socialises avoidable forecasting error would weaken incentives and should be avoided.

## **Q3. How long do DNOs need to prepare and publish charges after receiving the final inputs relevant for a given option? Does it vary for different options?**

**Direct answer: I cannot provide a reliable firm-specific number from public evidence. The DNO annex assumes approximately two months after the relevant information for Options 2-4, but that is an interested-party operational assumption rather than independently validated evidence. Ofgem should set any deadline only after validating a process plan and objective readiness criteria.**

The required interval should cover, as applicable: ingestion and reconciliation of allowed-revenue inputs; translation of PCFM outputs into charging inputs; CDCM/EDCM model runs; validation of standard charging inputs; tests for residual and other material model issues; investigation and correction of model errors; internal assurance and governance; preparation of publication files; and coordinated stakeholder communications. DCP450 materially changes the CDCM surplus-residual baseline from 1 April 2027 by codifying a CDCM mechanism, but it does not remove EDCM residual risk or more general charging-model and input-failure risks. [17]

The interval can legitimately vary by option. Option 3 may coincide with Draft Determination responses, RIG/RRP submissions under SLC 46 and other regulatory reporting obligations, losses calculations and wider ED3 activity identified by the DNOs. Option 4 has a later and potentially more complete information set, but a much tighter downstream notice period. Preparatory dry runs using Draft Determination data may shift a substantial part of model testing and issue resolution earlier, reducing the amount of work genuinely dependent on Final Determinations. [2]

I therefore recommend that Ofgem require each DNO, before issuing a direction, to evidence a common minimum process map with critical dependencies, dry-run dates, assurance steps, contingency time and a latest safe publication date. The direction can then express the expected deadline in working days after the relevant information trigger. The objective should be to avoid both arbitrary padding and an unrealistically compressed window.

#### Q4. How long do LDNOs need to prepare and publish charges after DNO charge publication where a notice period derogation is in place?

**Direct answer: I do not have a sound evidential basis to replace the policy objective of linked DNO-LDNO sequencing with a different operational number. But the 'one month after DNO publication' formulation should not be treated as an independent legal notice period. After a clause 19.1B direction, the affected distributor remains subject to the forty-day DCUSA notice period, and SLC 14.11's three-month licence requirement also remains relevant unless the Authority directs or consents otherwise under SLC 14.12. Ofgem should therefore link and calendar-test the DNO and LDNO deadlines against both the applicable legal floors and a validated minimum downstream processing window.**

The LDNO step is a dependency rather than an afterthought. LDNOs receive upstream DNO charges, transform those inputs into their own tariff calculations, assure the outputs, resolve errors and publish to downstream users. A DNO publication delay or republication can therefore consume the LDNO's preparation time even when the LDNO itself is operating efficiently.

Recent surplus-residual experience shows that Ofgem already treats the DNO/LDNO relationship as linked: when DNOs were permitted to deviate from the fifteen-month period, Ofgem issued consequential LDNO directions. [13] The current baseline has nevertheless evolved because DCP450 codifies a CDCM solution from 1 April 2027, while no equivalent codified EDCM solution was identified in Ofgem's January 2026 material. [17] The ED3 direction should apply the same dependency logic, but on a planned rather than emergency basis.

At minimum, the direction package should define: the upstream DNO deadline; the corresponding LDNO deadline; the applicable DCUSA and licence notice requirements and any necessary SLC 14.12 relief; the minimum intended LDNO processing window; the treatment of corrected or republished DNO tariffs; a common communication protocol; and the position where an LDNO depends on more than one upstream dataset. For a very late DNO publication, the LDNO target may need to be earlier than 'one month after' if that is necessary to preserve the forty-day DCUSA period. If the preferred Year 1 option cannot be implemented without materially eroding the validated LDNO window, that should count against the option rather than being treated as a downstream inconvenience.

#### Q5. Do you agree with Ofgem's 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 Option 1.

**Direct answer: Broadly yes: I agree that Option 3 is presently the strongest Year 1 choice, but I reach that conclusion conditionally and for reasons that need to be made more explicit. Option 3 should be selected because it crosses the first material Ofgem information threshold while retaining materially more notice than Option 4, not because it is a convenient midpoint. The direction should include the safeguards described below.**

##### Option 1 - fifteen months

Option 1 has the strongest case on supplier and customer notice. DCP178 was adopted because suppliers argued that short notice led them to price uncertainty into contracts and large customers said forty days was too late for budgeting. In 2021, suppliers and large-user groups again favoured preserving fifteen months; Ofgem recorded that many fixed contracts were set 12-24 months ahead and that forecasting errors could not simply be trued up. [8][9] Those mechanisms remain relevant in principle even though current market conditions may differ.

The weakness is information maturity at the ED3 boundary. Under the current timetable, first-year charges would be published around December 2026, before Ofgem's Draft and Final Determinations. The DCP178 history itself supports treating a price-control boundary differently: its original implementation was deferred when there was too much uncertainty around final revenues. [8] A letter of comfort can mitigate a DNO penalty-interest exposure, but cannot remove the consumer consequences of setting the tariff from an immature revenue forecast.

##### Option 2 - approximately thirteen to fourteen months

Option 2 appears the least compelling of the four on the present evidence. It uses Final Business Plans rather than the earlier business-plan stage but still precedes an Ofgem determination and a formal ED3 PCFM. It therefore gives up some final-charge notice without clearly crossing a decision-relevant information threshold. [1] If Ofgem retains Option 2 as a live

choice, it should identify the specific additional inputs obtained between Options 1 and 2 and quantify how much they are expected to reduce allowed-revenue uncertainty.

### Option 3 - approximately five to eight months

Option 3 is the first option in which charges are informed by Ofgem’s Draft Determinations and a draft ED3 PCFM. Ofgem’s consultation notes that allowed revenues can move materially from Business Plans to Draft and Final Determinations; in ED2, aggregate Final Determination allowances were about 13% below Business Plan requests and about 5% above Draft Determinations. [1] Those figures should not be extrapolated into ED3, but they establish that the determination stages can materially change the revenue basis.

The main risk is that Draft Determinations are not final. The DNO annex reports material company-level movements from Draft to Final Determinations in ED2, which gives Option 4 a genuine incremental information advantage. [2] Option 3 may also create operational congestion. Its merit therefore depends on there being enough time for robust model assurance and on Ofgem not treating publication of Draft Determinations as an inflexible date if the usable PCFM or critical inputs are delayed.

### Option 4 - approximately two months

Option 4 deserves stronger consideration than a simple “too short” characterisation. It would use Final Determinations, an updated ED3 PCFM and a later inflation forecast. The DNOs propose dry runs after Draft Determinations so that model issues can be identified before the final allowed-revenue inputs arrive. If those preparations are effective, the incremental value of Final Determinations could reduce correction-term volatility without necessarily eliminating model-assurance time. [2]

However, Option 4 creates the most concentrated downstream timing risk. Its approximately two-month DNO target would also require the DCUSA/licence relief mechanics described above to be satisfied, and the downstream LDNO deadline would have to be calendar-tested against the forty-day code period as well as any applicable licence requirement. Suppliers cannot hedge DUoS in the same way as wholesale energy, and the historical regulatory record consistently identifies fixed-price and pass-through risks from short notice. [1][8][9] Public evidence currently does not quantify how much the relevant risk premium would rise, whether fixed-contract terms would shorten, or whether supplier headroom would increase. In the absence of that evidence, moving all the way to Option 4 would make the largest transfer of a poorly quantified risk.

### Cross-option regulatory and implementation assessment

The choice also needs to be tested against dimensions that are not captured by a simple notice-versus-accuracy comparison. The table below summarises the direction of the principal trade-offs on the present evidence; it is not a mechanical score.

| Dimension                 | Assessment relevant to the Year 1 choice                                                                                                                                                                                                                                                                                                       |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DNO cashflow and recovery | Earlier setting can increase forecast mismatch and later correction requirements. Correction and time-value mechanisms can mitigate DNO timing exposure, but the final ED3 licence mechanics should be checked before treating DNOs as financially neutral. A letter of comfort should address only a defined residual penalty-interest issue. |
| Consumer distribution     | Domestic price-cap customers, domestic fixed-tariff customers, non-domestic fixed-price customers, pass-through customers, higher-voltage users and IDNO-network customers can be affected differently. The preferred option should not be selected from an average bill effect alone.                                                         |
| Competition               | Longer final notice can reduce uncertainty for suppliers and support fixed-price product design. A later, more accurate network charge can also reduce correction volatility. Current evidence does not quantify the net competitive effect of the move from Option 3 to Option 4.                                                             |
| Cost reflectivity         | Waiting to Draft or Final Determinations improves the revenue information used at setting, but cost reflectivity is not identical to ex post forecast accuracy. Implementation costs, timing and reasonably expected costs remain relevant under the charging objective.                                                                       |

| Dimension                | Assessment relevant to the Year 1 choice                                                                                                                                                                                                                                                                                          |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Efficiency               | Option 3 may create workload concentration; Option 4 creates a shorter final window but may permit more preparatory dry-run work. Ofgem should compare total process effort and error risk rather than equating a shorter interval with lower efficiency.                                                                         |
| Transition reversibility | Options 2-4 can be made reversible if the direction is confined to the identified charging year and expires automatically. Reversibility is weakened if the direction is treated as evidence that the enduring rule has already changed.                                                                                          |
| DCP469/CARR interaction  | A transition direction can coexist with ongoing enduring reform if its scope and expiry are explicit. It should not pre-judge the eventual standardised notice period.                                                                                                                                                            |
| Timetable slippage       | Option 4 is most sensitive to delay in Final Determinations or the updated PCFM. Option 3 is sensitive to delayed or unusable Draft Determination materials. Trigger-based deadlines and contingency rules reduce this risk.                                                                                                      |
| LDNO dependency          | The DNO publication date is an upstream dependency. Any option that produces an unvalidated or impracticable LDNO window should be rejected or modified, even if it is efficient for the DNO in isolation.                                                                                                                        |
| Model assurance          | More mature revenue information does not eliminate charging-model error. DCP450 materially changes the CDCM surplus-residual baseline from 1 April 2027, but EDCM and more general model/input failures remain relevant. Dry runs, correction protocols and a clear escalation route are still needed under both Options 3 and 4. |

### Risk-premium evidence and the decision under uncertainty

I cannot provide a defensible percentage or basis-point estimate for the change in supplier risk premia under Options 2-4. The public evidence supports the mechanism but not a current marginal estimate. DCP178 and the 2021 decision record supplier statements that longer notice can reduce risk premia and support fixed-price contracts; the current consultation also acknowledges the same mechanism. [1][8][9] None of those sources establishes a reliable 2026 quantitative elasticity between months of DUoS notice and retail pricing.

That gap should be treated as decision-relevant uncertainty, not filled with an assumption. Before final decision, Ofgem should seek structured evidence from suppliers and non-domestic customers covering: the proportion of contracts for which final DUoS is fixed at pricing; pricing horizon; treatment of unknown DUoS costs; change in risk allowance under each option; effect on contract length and availability; differences between fixed-price and pass-through products; and whether improved CIRP information reduces the need for a premium. Responses should identify methodology and sample size so that claims can be compared rather than merely counted.

With that uncertainty preserved, Option 3 is a proportionate default because it captures the first material regulatory information gain without imposing Option 4's maximum notice compression. This conclusion should be revisited if robust consultation evidence shows either (a) that supplier/LDNO costs under two months are small and Final Determination information materially improves outcomes, strengthening Option 4; or (b) that even five to eight months materially harms competition or contract availability, strengthening Option 1.

| Dimension                | Option 1                      | Option 2                                       | Option 3                                            | Option 4                                             |
|--------------------------|-------------------------------|------------------------------------------------|-----------------------------------------------------|------------------------------------------------------|
| Information maturity     | Low at price-control boundary | Slightly higher, still pre-Ofgem determination | Material step-up: Draft Determinations + draft PCFM | Highest: Final Determinations + updated PCFM         |
| Final-charge notice      | Highest                       | High                                           | Moderate                                            | Lowest                                               |
| Forecast/correction risk | Highest of options            | Likely high                                    | Reduced but not eliminated                          | Lowest in principle, subject to residual/model error |

| Dimension                     | Option 1                                      | Option 2                                 | Option 3                                          | Option 4                                                                    |
|-------------------------------|-----------------------------------------------|------------------------------------------|---------------------------------------------------|-----------------------------------------------------------------------------|
| Supplier fixed-price risk     | Lowest in principle                           | Slightly higher                          | Material but uncertain                            | Highest in principle; magnitude unquantified                                |
| Pass-through/budget certainty | Strongest                                     | Strong                                   | Reduced                                           | Weakest                                                                     |
| Model/process assurance       | Long time but immature revenue inputs         | Long time, immature authoritative inputs | Potential workload congestion; needs process plan | Tight final window but dry runs can shift testing earlier                   |
| LDNO handoff                  | Normal                                        | Small compression                        | Material compression                              | Maximum compression                                                         |
| Transition rationale          | Weakest unless forecast risk can be mitigated | Limited incremental rationale            | Strong: first Ofgem determination threshold       | Strong on final information; weakest on downstream notice                   |
| Enduring precedent risk       | None                                          | Low                                      | Manageable if expiry explicit                     | Manageable if expiry explicit, but strongest apparent departure from DCP178 |

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

**Direct answer: Yes. I support a transition-specific arrangement delivering approximately fourteen months’ notice for 2029/30, provided the direction expires automatically and does not pre-judge DCP469, CARR or any later enduring code or licence decision.**

The decisive point is not that fourteen months is generally preferable to fifteen. At the ED3 boundary, one month can change the usable information state: on the consultation’s current timetable, fifteen months may require publication before, or leave insufficient time reliably to incorporate, Final Determinations; the proposed fourteen-month arrangement is intended to permit their incorporation. [1] The marginal loss of notice is therefore potentially exchanged for a qualitatively more mature regulatory input, subject to the final intra-month sequencing of the ED3 determination and charge-setting processes.

That feature distinguishes the present case from DCP437. DCP437 proposed an enduring shortening of the DNO notice period and was rejected in October 2025 because Ofgem concluded that it did not better facilitate Charging Objectives 2, 3 and 6, with other objectives neutral. [10] The ED3 proposal is narrower in time and purpose: a one-off price-control-transition adjustment to cross the Final Determination threshold. Treating those cases differently is not inconsistent if Ofgem states that distinction expressly and assesses the transition-specific evidence.

The direction should cover only the identified Year 2 charging year and should revert to the enduring DCUSA position automatically. If an implemented DCUSA, licence or other legally operative decision arising from DCP469, CARR or another competent process is in force before Year 2 tariff publication, Ofgem should check whether that later framework supersedes or alters the need for the transition direction. A review point should preserve current authority, not delay the decision merely because future reform is possible.

**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?**

**Direct answer: I cannot provide proprietary or first-hand business evidence. Public material shows that substantial ED2 variability occurred and that a later-setting counterfactual would have produced a smoother allowed-revenue profile, but it does not establish that the fifteen-month notice period caused that variability or quantify its contractual cost. The longer notice improved advance knowledge of the published tariff; it did not eliminate subsequent correction volatility.**

The DNO evidence is useful in showing that the first years of ED2 contained substantial movements and in demonstrating how later information could have changed the allowed revenue used at charge setting. It is not sufficient to isolate the notice-period effect because the period was also affected by unusually large inflation movements and other policy and price-control factors. [2] The evidential lesson is therefore that earlier notice and lower volatility are not substitutes: suppliers and

customers may value advance finality even if the number later contributes to a correction, while others may value a smoother multi-year path more highly.

The 2021 decision provides the most relevant public evidence on contractual channels. Suppliers and large-user groups told Ofgem that fixed contracts could be priced 12-24 months ahead, forecasting errors could translate directly into lost revenue where there was no true-up, and longer notice supported reduced risk premia and budget certainty. [9] These are plausible mechanisms, but the present consultation needs updated evidence after ED2 rather than assuming the 2021 market structure is unchanged.

I recommend that Ofgem extract comparable evidence from current submissions in five categories: (1) actual contract repricing or risk allowance attributable to DUoS uncertainty; (2) changes in available fixed-contract length or product design; (3) budget variance for pass-through and large-user customers; (4) supplier margin/resilience effects and any inability to recover forecast error; and (5) customer outcomes, including regional or voltage-level differences. Evidence should distinguish DUoS from wholesale, policy and other network-cost movements.

A final decision should also distinguish domestic customers protected through the price cap, domestic fixed-tariff customers, non-domestic fixed-price customers, pass-through customers, higher-voltage users and customers on IDNO networks. An average bill effect can conceal a materially different risk for one segment.

## 5. Consolidated recommendations

1. Select Option 3 for Year 1 on the present evidence, subject to a trigger-based publication deadline, validated process plan, adequate model assurance and protected LDNO handoff.
2. Do not create an additional fixed calendar option unless it corresponds to a genuinely different information state; use implementation rules rather than artificial intermediate dates.
3. Treat Option 4 as a serious alternative and revisit it if supplier/LDNO evidence shows that two-month notice costs are modest and the incremental information from Final Determinations materially improves total consumer outcomes.
4. Do not treat Option 1 letter-of-comfort protection as equivalent to improved tariff accuracy. Use any comfort only for a defined, unavoidable determination-related penalty-interest exposure and preserve forecasting discipline.
5. Do not set DNO or LDNO processing times from assertion alone. Require process maps, dry-run evidence, assurance steps, critical dependencies and contingency time; express deadlines in working days from usable information triggers where appropriate.
6. For Year 2, adopt a transition-specific arrangement delivering approximately fourteen months' notice only to enable use of Final Determinations, with automatic expiry and a check for any implemented DCUSA, licence or other legally operative decision arising from DCP469, CARR or another competent process.
7. Require current, structured supplier and customer evidence on risk premia, fixed-contract availability, pass-through budgeting and customer segmentation before the final decision; do not invent a quantitative risk-premium effect where the record does not support one.
8. Use CIRPs and other existing indicative information more effectively during the transition, while being explicit that forecasts are not final charges and addressing the information gap for highest-voltage customers.
9. Include contingency provisions for delayed ED3 milestones, PCFM correction, charging-model failure, tariff republication and consequent LDNO timetable compression.
10. Publish, with the final decision, a concise transition logic explaining which risks are being moved, why the receiving actor is better placed to manage them, what evidence changed the balance from 2021, and how the temporary direction will terminate.

## Annex A - Transition direction and contingency checklist

This checklist is intended as an implementation aid. It does not propose additional powers or replace the wording of DCUSA, the Distribution Licence or any formal direction.

| Element                      | Recommended specification                                                                                                                                                                                                                                       |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Scope                        | Identify 2028/29 and, if applicable, 2029/30 separately. State that the direction is transition-specific.                                                                                                                                                       |
| Trigger                      | Define the information event: e.g. publication of usable Draft Determinations and draft PCFM for Option 3, or Final Determinations and updated PCFM for Option 4.                                                                                               |
| DNO deadline                 | State an expected latest publication date or working-day interval after the trigger, validated against a process plan.                                                                                                                                          |
| Readiness criteria           | Require confirmation that necessary allowed-revenue inputs, charging-model inputs, validation and internal assurance are complete.                                                                                                                              |
| Dry runs                     | Record what model testing can be completed before final inputs and what remains genuinely dependent on the trigger.                                                                                                                                             |
| Model failure                | Specify escalation if an EDCM residual issue, a CDCM issue not resolved through the DCP450 mechanism, or another material charging-model/input error prevents safe publication.                                                                                 |
| Correction/republication     | Define how a material correction to upstream tariffs affects the expected LDNO timetable and communication.                                                                                                                                                     |
| LDNO handoff                 | Link the LDNO deadline to DNO publication, calendar-test it against the forty-day DCUSA period after any clause 19.1B direction, preserve a validated minimum processing window, and address any necessary SLC 14.12 relief for sub-three-month licence timing. |
| Indicative information       | Continue CIRPs and consider transition-specific uncertainty ranges/change explanations; avoid presenting indicative data as final.                                                                                                                              |
| Timetable slippage           | State the consequence if Draft/Final Determinations or the relevant PCFM are delayed or incomplete.                                                                                                                                                             |
| Enduring reform              | State that DCP469 and CARR remain separate. Identify how any implemented DCUSA, licence or other legally operative decision arising from those or another competent process would interact with the temporary direction.                                        |
| Expiry/reversion             | Provide automatic expiry after the identified transition year(s), reverting to the then-current enduring rule unless a competent later decision provides otherwise.                                                                                             |
| Post-implementation evidence | Collect forecast error, correction size, publication timeliness, LDNO handoff, tariff variability and supplier/customer impact for later enduring reform.                                                                                                       |

## Annex B - Evidence priorities before the final decision

| Evidence question                                                               | Why it matters                                                                     | Preferred evidence                                                                                                         |
|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| How do supplier risk allowances change by option?                               | Directly tests competition and consumer-cost trade-offs.                           | Current supplier pricing methodology, anonymised scenario analysis, contract-level or portfolio evidence with assumptions. |
| Does shorter notice change fixed-contract length or availability?               | Risk may appear through product design rather than a visible premium.              | Supplier product/contract evidence; non-domestic procurement evidence.                                                     |
| How much processing time is genuinely needed after each information trigger?    | Determines whether Option 3/4 can be implemented without error or avoidable delay. | DNO process maps, dry-run results, assurance critical path, working-day timings.                                           |
| What is the minimum safe LDNO window?                                           | Prevents upstream optimisation from creating downstream failure.                   | LDNO process evidence, multiple-DNO dependency cases, correction/republishing scenarios.                                   |
| How accurate are CIRPs for the purposes for which suppliers/customers use them? | Determines how much shorter final notice can be mitigated by existing information. | Forecast-versus-final analysis, user reliance evidence, segment coverage.                                                  |
| What part of ED2 variability is attributable to information timing?             | Avoids attributing inflation/policy shocks to notice length.                       | Decomposition of allowed-revenue changes and correction terms, with clear counterfactual methodology.                      |
| How do impacts vary by customer type and voltage level?                         | Average effects can conceal materially different harms.                            | Domestic/non-domestic, fixed/pass-through, IDNO and higher-voltage segmentation.                                           |

## Selected primary and official sources

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5. Electricity Act 1989, section 3A (principal objective and general duties), current legislation. [Official source](#)
6. Energy Act 2023, provisions amending GEMA duties in relation to net zero and carbon budgets. [Official source](#)
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9. Ofgem, Decision on DNOs request for directions to temporarily disapply the current DUoS charges notification periods, 20 September 2021. [Official source](#)
10. Ofgem, DCP437: To Shorten the DUoS Pricing Notice Periods, decision, 10 October 2025. [Official source](#)
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16. Department for Energy Security and Net Zero, Ofgem Review: final report, 22 April 2026. [Official source](#)
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