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Dear Sir or Madam

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

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewables, including onshore and offshore wind and solar generation, as well as energy storage. EDF is therefore driving the transition towards '[an Electric Britain](#)' – a secure, affordable, low-carbon future for everyone. As [Britain's biggest generator of zero carbon electricity](#), we are investing more than £100 million weekly in Britain's electricity infrastructure. We supply millions of customers with electricity and help homes and businesses switch to electricity for heating, transport and industrial processes.

EDF does not support the shortening of notice periods for the publication of distribution use of system (DUoS) charges. Ofgem must not proceed with the derogation under consideration in this consultation. To do otherwise would conflict with Ofgem's principal objective to protect the interests of existing and future energy consumers and would be detrimental to suppliers' financial resilience.

In this consultation, Ofgem states that it does not intend to reopen the 2015 DCUSA DCP178 decision<sup>1</sup> which introduced the 15-month notice period, and notes the benefits this notice period brings for suppliers and consumers, particularly large consumers. In its DCP178 decision, and again in 2021 when answering Distribution Network Operators (DNOs) preceding derogation request for ED2<sup>2</sup>, Ofgem concluded that '*DNOs are better placed to manage forecasting risks than suppliers and consumers*'. This rationale is even more relevant today with Ofgem's own data evidencing the low levels of return in the retail sector (especially when compared to networks). Suppliers are already financially stretched managing the significant ongoing market volatility due to the conflict in the Middle East and rising debt levels due to the affordability crises.

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<sup>1</sup> Distribution Connection and Use of System Agreement (DCUSA) DCP178 – Notification period for change to use of system charges – February 2015

<sup>2</sup> Decision on DNOs request for directions to temporarily disapply the current DUoS charges notification periods – September 2021

Options 3 and 4, as set out in this consultation, are fundamentally unacceptable and will expose suppliers to potentially significant under-recovery risk, particularly for fixed contracts, where prices cannot be changed due to Supply Licence Conditions and contract terms. As Ofgem acknowledges, to mitigate this risk, suppliers will have to increase risk premia in contracts, which will cause avoidable consumer detriment. We provide more information on the risk premia that customers would have to bear in our response to Question 5.

Maintaining the status quo (Option 1), thereby minimising market disruption by retaining the existing and long-standing arrangements, should be Ofgem's primary focus when considering this derogation request. We note that Ofgem has access to other tools to mitigate the ED3 timing impact on DNOs without adjusting the notice period for the publication of charges (and thus transferring risk to consumers). In its December 2025 Electricity Transmission Impact Assessment<sup>3</sup> (Para 5.35, et al), Ofgem set out its intention to cushion the '*sharp increase*' in costs by smoothing these 2026/27 increases across the price control period. Ofgem could consider adopting a similar approach in relation to distribution charges, which could mitigate the impacts of potential '*significant year-on-year variability*' highlighted as a risk by DNOs in support of this derogation request.

In 2021, Ofgem rightly rejected an equivalent derogation request made by DNOs for ED2. Ofgem instead opted to issue a letter of comfort, as noted in this consultation, setting out that it would not apply the penalty rate against '*...any forecasting errors due to the difference between expected and final allowed revenue*'. As acknowledged in this consultation, and by DNOs in the derogation request, year-on-year variability in ED2 was strongly driven by exceptional economic circumstances affecting UK inflation. However, the exceptional inflationary conditions that prevailed in 2022 have materially eased. CPI inflation has fallen from its peak of 11.1% in October 2022 to 2.6% in June 2026 (latest available year-on-year rate)<sup>4</sup>. While some uncertainty remains, the scale of inflation-related forecasting risk is considerably lower than that experienced during the period on which much of the DNO evidence relies. As such, inflation, as one of the strong drivers of year-on-year variability cited by DNOs, has materially abated as a risk.

While some forecasting risks will persist, transferring this risk away from DNOs, benefiting from regulated, guaranteed revenues, on to consumers and suppliers is wholly unacceptable. EDF strongly urges Ofgem to reach the same conclusion for this derogation request as it did for the equivalent request in 2021, with consideration of other measures to mitigate the potential impacts on DNOs.

Should Ofgem nevertheless conclude that a derogation is necessary, despite the concerns set out above, Option 2 would represent the least detrimental outcome if Ofgem comes to the decision that it must reduce the period allowed. Without prejudice to Ofgem's decision to reject DCP437<sup>5</sup>

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<sup>3</sup> RIIO-3 Final Determinations – Impact Assessment – December 2025

<sup>4</sup> Office for National Statistics - Consumer price inflation, UK: June 2026

<sup>5</sup> Distribution Connection and Use of System Agreement (DCUSA)- To Shorten the DUoS Pricing Notice Periods (DCP437) – October 2025

(for the avoidance of doubt, EDF does not support this change as an enduring solution), we note that this option, (previously supported by DNOs) would provide additional clarity for DNOs, and, as noted in Ofgem's decision, that '*...providing an extra month to set DUoS tariffs will increase [the] accuracy of their published charges*'. As such, if Ofgem's view is that they must mitigate some of the variability risk DNOs have cited in support of this derogation request then this is the only tenable choice to reduce the period allowed. However, this will still have a potential impact on risk premia charged on consumer contracts (though significantly less than would be the case with Options 3 and 4).

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Mark Hatton, or myself.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely

A handwritten signature in black ink, appearing to be 'J. Mason', written in a cursive style.

**John Mason**  
**Senior Manager (Price Regulation and Market Dynamics)**

## Attachment

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

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

Maintaining the status quo (Option 1), thereby minimising market disruption by retaining the existing and long-standing arrangements, should be Ofgem's primary focus when considering this derogation request. We note that Ofgem has access to other tools to mitigate the ED3 timing impact on DNOs without adjusting the notice period for the publication of charges (and thus transferring risk to consumers). In its December 2025 Electricity Transmission Impact Assessment<sup>6</sup> (para 5.35, et al), Ofgem set out its intention to cushion the '*sharp increase*' in costs by smoothing these 2026/27 increases across the price control period. Ofgem could consider adopting a similar approach in relation to distribution charges, which could mitigate the impacts of potential '*significant year-on-year variability*' highlighted as a risk by DNOs in support of this derogation request.

Should Ofgem nevertheless conclude that a derogation is necessary, despite the concerns set out above, Option 2 would represent the least detrimental outcome if Ofgem comes to the decision that it must reduce the period allowed. Without prejudice to Ofgem's decision to reject DCP437<sup>7</sup> (for the avoidance of doubt, EDF does not support this change as an enduring solution), we note that this option, (previously supported by DNOs) would provide additional clarity for DNOs. Also, as noted in Ofgem's decision, that '*...providing an extra month to set DUoS tariffs will increase [the] accuracy of their published charges*'. If Ofgem's view is that they must mitigate some of the variability risk DNOs have cited in support of this derogation request, then this is the only tenable choice to reduce the period allowed. However, this will still have a potential impact on risk premia charged on consumer contracts (though significantly less than would be the case with Options 3 and 4).

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

DNOs are best placed to provide feedback on this question.

#### 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?

DNOs are best placed to provide feedback on this question.

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<sup>6</sup> RIIO-3 Final Determinations – Impact Assessment – December 2025

<sup>7</sup> Distribution Connection and Use of System Agreement (DCUSA)- To Shorten the DUoS Pricing Notice Periods (DCP437) – October 2025

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

LDNOs are best placed to provide feedback on this question.

**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.**

In this consultation, Ofgem states that it does not intend to reopen the 2015 DCUSA DCP178 decision<sup>8</sup> which introduced the 15-month notice period and notes the benefits this notice period brings for suppliers and consumers, particularly large consumers.

In its DCP178 decision, and again in 2021 when answering Distribution Network Operators (DNOs) preceding derogation request for ED2<sup>9</sup>, Ofgem concluded that '*DNOs are better placed to manage forecasting risks than suppliers and consumers*'. This rationale is even more relevant today with Ofgem's own data evidencing the low levels of return in the retail sector (especially when compared to networks). Suppliers are already financially stretched managing the significant ongoing market volatility due to the conflict in the Middle East and rising debt levels due to the affordability crises.

Therefore, EDF agrees that this is correct and that Ofgem has correctly identified the key risks to consumers from transferring this risk to suppliers and consumers from networks. However, the consultation focusses overly on the negative impact the ED3 process if having on DNOs without fully outlining the measures they can take to limit these, measures that are not available to suppliers to ensure they remain financially good and recover their efficient costs. A cost benefit analysis of the impact on DNOs and suppliers and consumers would clearly evidence that DNOs are best placed to manage any risks caused by the timing of decisions on ED3.

In the consultation Ofgem does not evidence clearly the potential detrimental impact on consumers. Below we outline the level of additional impact on consumers that would be the result of any decision to adopt Options 3 or 4. We have not provided a view on Option 2 as this would be significantly lower and would only impact those fixing their tariff in January.

For Option 3 any customer signing a fixed contract from January 2027 to potentially October 2027 would pay a risk premia. If around half of domestic customers fix their tariff at this point, and half of those opt for a two-year contract, around 25% of consumers would end up paying that premium for an additional year, until April 2028.

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<sup>8</sup> Distribution Connection and Use of System Agreement (DCUSA) DCP178 – Notification period for change to use of system charges – February 2015

<sup>9</sup> Decision on DNOs request for directions to temporarily disapply the current DUoS charges notification periods – September 2021

Additionally, any business signing fixed contracts would face similar risk premia, where the majority of business contracts are signed ahead of April and October contract rounds, resulting a much greater impact if Option 3 was pushed as far back as October.

Option 4 follows a similar logic to Option 3 but with approximately double the impact, as contracts signed over 13 months would be charged the risk premium (December 2026 to January 2028).

**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.**

Ofgem should retain the 15-month period for Year 2 for the reasons that we provide in our responses when considering the approach for Year 1. However, if Ofgem did reduce the allowed period to 14 months this would not have as significant an impact as any consideration of allowing Options 3 or 4 for Year 1.

**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?**

We are unclear what this question is requesting and who is best placed to provide views. If you can clarify your expectations, we would be happy to support with any further information that may be helpful.

However, at a holistic level the length of notice period was essential for suppliers, and our customers, especially as there were significant changes in the level of charge that the networks were looking to recover. A shorter notice period and significant change in level of charge will have the most negative impact on a suppliers' businesses and our customers experience.

**EDF**  
**August 2026**