

Ofgem
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Canary Wharf
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Date: 20th August 2026

Ref: Electricity distribution network charges: notice period options

Dear colleagues,

I hope you are keeping well.

Ecotricity welcomes the opportunity to contribute to the discussion surrounding **Electricity distribution network charges: notice period options**.

Please find our response below.

Executive Summary

Ecotricity recommends retaining the existing 15-month notice period for DUoS charges at the start of ED3 (option 1). As a supplier active in both domestic and non-domestic markets, we consider the current notice period to be the best way to provide suppliers and customers with sufficient price certainty where long-term fixed-term contracts are being offered in the market. If Ofgem proceeds with Option 1, Ecotricity supports issuing a letter of comfort to DNOs, consistent with the arrangements used at the start of ED2. We believe Options 1 and 2 should be given serious consideration, ensuring risk is not transferred from DNOs to suppliers. The consultation should look to placing greater weight on the value of advance price certainty for suppliers and customers against the potential for cost volatility in network charges.

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

Ecotricity recognise the options presented but do not believe any further options are required. As a supplier in both the Domestic & Non-Domestic markets we think the existing 15-month notice period remains the most appropriate arrangement. The consultation focuses heavily on the network companies' revenue forecasts but offers little evidence in the value price certainty 15 months in advance offers to suppliers and customers.

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

If Option 1 is approved, then yes, Ecotricity would support a letter of comfort to be issued to DNOs like the arrangements under ED2.

A letter of comfort is required to provide DNOs with clear regulatory assurance that allowed revenues can be recovered and that they will not be disadvantaged by under-recovery risk. This would reduce the likelihood of DNOs adopting overly cautious DUoS charges to mitigate revenue uncertainty.

Ecotricity believe this approach is a suitable mechanism for managing the specific forecasting challenges at the start of a new price control period, retaining the existing notice period framework. It would also help ensure that timing differences arising from forecasts do not result in unintended financial consequences for DNOs.

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?

As a supplier, Ecotricity are unable to comment on the requirements of DNOs to operate their charge setting processes.

However, forecast risk should not be shifted to suppliers & customers simply because more information becomes available during the ED-3 price control process.

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

As per our answer to Question 3.

Ofgem initial assessment of the options

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.

No, Ecotricity do not agree with the Ofgem assessment.

We have serious concerns that reducing the DUoS notice period would be detrimental to non-domestic and domestic customers with fixed contracts by transferring forecasting risk from DNOs to suppliers and, ultimately, customers.

The existing 15-month notice period provides cost certainty for suppliers when pricing fixed-term contracts. DUoS is an unavoidable cost: unlike wholesale costs, it cannot be hedged or reduced through competition.

Reducing notice periods would therefore increase uncertainty, reduce suppliers' ability to price accurately, and create a greater risk of risk premia being built into customer tariffs.

We do not believe the DNOs have not provided conclusive proof that longer notice periods increase year-on-year variability for customers, nor that conclusions drawn from domestic price cap variable tariff analysis are applicable to non-domestic and domestic fixed tariffs.

In our view, the opposite is true: shorter notice periods would require us to price multi-year contracts using less certain information, increasing the scope for forecasting error.

We believe the principal benefit of reducing notice periods would be a reduction in regulatory and forecasting risk for DNOs. However, that risk should not be shifted onto suppliers and customers simply because more information becomes available during the ED3 price control process. Ofgem previously rejected a reduction in notice periods on the basis that DNOs are better positioned to manage initial forecasting risks.

As we saw with RIIO-T3 for transmission networks, the unexpected increase in network costs caused considerable pain to suppliers and customers in April 2026. Reducing the notice period for ED-3 could result in the same outcome.

There is also a cumulative risk from wider network charging changes, including DCP469 and CMP475, where forecasting and cashflow risk may be moved away from networks and onto suppliers and customers. Taken together, these changes risk increasing customer costs through embedded risk premia and undermining fair value outcomes for consumers before they are established.

For these reasons, Ecotricity believes Options 1 and 2 deserve serious consideration, provided a letter of comfort is issued. This approach was successfully adopted at the start of RIIO-ED2 and remains the most proportionate way to manage the specific forecasting challenges at the start of ED3.

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.

No, we do not support reducing the notice period from 15 months to 14 months. Although the reduction appears minimal, Ofgem previously rejected proposals seeking a move to a 14-month notice period (DCP437). We do not believe sufficient new evidence has been presented to justify reaching a different conclusion in this consultation.

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?

ED2 demonstrated that tariff volatility can occur even when long notice periods are in place. But this does not mean that the notice period failed. The drivers of volatility are not restricted to the price control but also the macro-economic situation as we witnessed with the inflation rise post Covid.

Accordingly, while the long notice period did not eliminate volatility, it did provide significant value by allowing suppliers to understand and prepare for charges well in advance of implementation. Something that wasn't available for RIIO - T3.

Yours sincerely
Sarah James-Cross

Regulatory & Compliance Officer

On behalf of Tony Collings (Pricing Manager)

