



Making a positive difference  
for energy consumers

Distribution Network Operators, Independent Distribution  
Network Operators, and other interested parties

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19 February 2024

**Directions and consents relating to the facilitation of the  
implementation of Distribution Connection and Use of System  
Agreement (DCUSA) change proposal (DCP) 414 'Transitional  
Protection for Non-Half Hourly Current Transformer Customers  
affected by regulatory change'**

We have granted a direction relating to Section 2A Clause 19.1B<sup>1</sup> of the Distribution Connection and Use of System Agreement (DCUSA), and also have granted a direction and a consent relating to the Standard Conditions of the Electricity Distribution Licence, specifically Standard Licence Condition (SLC) 14.12<sup>2</sup> and SLC 13.1<sup>3</sup> respectively. These allow Distribution Network Operators (DNOs) and Independent Distribution Network

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<sup>1</sup> "19.1B - The periods of notice described in Clause 19.1A shall apply unless the Authority directs the Company that those periods of notice need not apply. Where the Authority directs the Company that those periods of notice need not apply, the notice period shall be 40 days (without prejudice to any longer notice requirements prescribed by the Distribution Licence)."

<sup>2</sup> SLC 14.12 provides that "Except where the Authority otherwise directs or consents, the licensee may only amend its Use of System Charges in respect of any agreement for Use of System if:  
(a) it has given Notice of the proposed amendment in accordance with paragraph 14.11;  
(b) the amendment, when made, conforms to the proposals set out in that Notice (except for any necessary revisions resulting from the occurrence of a material change after the Notice has been given, to any of the matters on which the assumptions set out in the statement under paragraph 14.11 were based, and then only to such extent as is necessary to reflect the change in such matters); and  
(c) the amendment takes effect on 1 April of the relevant Regulatory Year."

SLC 14.11 provides that "The licensee must, not less than three months before the date on which it proposes to amend its Use of System Charges in respect of any agreement for Use of System:

(a) give the Authority a Notice setting out those proposals, together with an explanation of them (including a statement of any assumptions on which the proposals are based); and  
(b) send a copy of such Notice to any person who has entered into an agreement for Use of System in accordance with the provisions of this licence.

<sup>3</sup> SLC 13 sets out the charging Methodologies for Use of System and connection.

Operators (IDNOs) to publish charges other than in accordance with the usual periods of notice and other than in accordance with the charging methodologies in order to facilitate the implementation of DCUSA change proposal (DCP) 414 'Transitional Protection for Non-Half Hourly Current Transformer Customers affected by regulatory change' Solution B for the 2024/25 charging year.

## **Background**

DNOs predominantly recover their allowed revenue from customers through Distribution Use of System (DUoS) charges. These are required to be published 15 months ahead of the period in which they take effect.

The process by which these tariffs are set, and the methodologies that allow the calculation of these tariffs, are set out in DCUSA. Changes to DCUSA, including to the process to set or calculate tariffs take place through an industry change process, with proposed changes taking the form of DCUSA change proposals.

DCP414 was raised in order to prevent potentially penal excess capacity charges from being applied to customers where the Maximum Import Capacity (MIC)<sup>4</sup> is undefined as no site-specific connection agreement is in place. DCP414 Solution B was approved by the Authority on 31 July 2023<sup>5</sup>, for an intended implementation date of 1 April 2024 (the beginning of the 2024/25 charging year).

When implemented, DCP414 would allow for customers with metering systems in accordance with Measurement Classes C and E<sup>6</sup> to be charged using the existing aggregated tariffs. In order to implement this change, each affected licensee is required to update their Use of System Charging Statement to revise the name of the aggregated tariffs and to include any new line loss factor classes (LLFCs) created to accommodate the Measurement Class C and E customers on these tariffs.

## **Derogation Requests**

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<sup>4</sup> The Maximum Import Capacity is an amount, typically in kW or kVA, agreed between the customer and the DNO which may be imported from the Distribution System via their connection.

<sup>5</sup> [Decision to Approve DCUSA Modification DCP414 'Transitional Protection for Non-Half Hourly Current Transformer Customers affected by regulatory change' with Solution B | Ofgem](#)

<sup>6</sup> Measurement classes are defined here: [Glossary Term: Measurement Class\(es\) - Elexon BSC](#)

Including the changes made by DCP414 to the tariffs published for the charging year for which it was intended (i.e., the 2024/2025 year) would require the affected licensees to breach the notice periods in clause 19.1A of section 2A of the DCUSA (i.e., 15 months' notice) and SCL14.12 (requiring a 3-month notice period for changes to the licensees' published tariffs). Doing so would also require DNOs to breach the requirement in SLC 13.1 to charge in accordance with the approved charging methodologies which do not yet reflect the changes made by DCP414. Without a derogation granted through the respective directions and consent, the affected licensees consider that DCP414 could not take effect, as a revised schedule of charges with the updated tariff names and LLFCs required to accommodate Measurement Class C and E customers cannot be published, notwithstanding the fact that the calculation and output of charges would be the same.

On 7 February 2024, a request for derogation to this effect was raised by the Energy Networks Association (ENA) on behalf of 14 licensees. This was complemented by a similar request by the Independent Networks Association (INA) on behalf of its members, which includes a number of IDNOs<sup>7</sup>, received on the 13 February 2024. Together, these requests sought to prevent a discrepancy between the expectation of introducing the new tariff names and LLFCs for the 2024/25 charging year, and of the Use of System Charging Statement being published according to the established notice period. The affected licensees requested:

- A direction under clause 19.1B of section 2A of the DCUSA that the periods of notice described in clause 19.1A of the DCUSA need not apply;
- A direction under SLC 14.12 that the periods of notice described in SLC 14.11 need not apply; and
- A consent for the affected licensees to charge other than in accordance with the charging methodologies approved under SLC 13.1.<sup>8</sup>

## **Our assessment**

We have considered the requests to derogate from the charging notice periods specified in the SLC and DCUSA for the purposes of implementing DCP414 against our principal objectives and wider statutory duties. We have also considered whether the alternative,

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<sup>7</sup> Independent DNOs (IDNOs) and DNOs operating out of area are sometimes known collectively as Licensed DNOs (LDNOs)

<sup>8</sup> The INA did not request a derogation relating to SLC 13, and as IDNOs tariffs are regulated by "relative price control" where they typically mirror host DNO tariffs, a derogation for charging methodologies would not be needed. The 'relative price control' allows IDNOs to charge their domestic customers no more than the equivalent DNO tariff.

to delay implementation of DCP414 until the next charging period, would better facilitate these objectives and duties. We consider that failing to grant the directions and consent derogating the affected licensees of their obligations would impact consumers significantly, in line with our considerations set out in our decision on DCP414.<sup>9</sup>

Absent the directions and consents, the implementation of DCP414 would be delayed until the next charging year. As DCP414 was approved as a means to protect certain consumers from exceeded capacity charges that they may otherwise face in the 2024/25 charging year as a result of other regulatory changes, it is expected that a later implementation would expose Measurement Class C and E consumers to the exceeded capacity costs that DCP414 sought to mitigate against in the first instance. Therefore, we consider that DCP414's implementation is contingent on the affected licensees being able to publish their use of system charges. For the reasons expressed in our decision letter approving Solution B of DCP414, we do not consider this to be a desirable outcome for consumers.

We recognise that the late update of tariffs may impose an administrative burden on industry parties, namely suppliers, and on consumers, but we consider this impact to be low and proportionate compared to the impact of failing to address the defect identified in the DCP414 change proposal.

## **Decision**

We have considered the request in accordance with our principal objective and statutory duties. We have decided to grant the requested derogation in accordance with the Directions and Consents below. This letter sets out the reasons for our decision under section 49A of the Electricity Act 1989.

## **Directions**

The Authority hereby directs:

- Pursuant to Section 2A Clause 19.1B of the DCUSA, that the periods of notice described in Clause 19.1A shall not apply to DNOs or IDNOs for 2024/25 Use of System Charges; and

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<sup>9</sup> More information on our reasoning surrounding DCP414 can be found in our assessment of that modification proposal.

- Pursuant to SLC 14.12 of the Electricity Distribution Licence that the periods of notice described in SLC 14.11 of the Electricity Distribution Licence need not apply to DNOs or IDNOs for 2024/25 Use of System Charges.

## **Consent**

The Authority hereby consents, pursuant to SLC 13.1 of the Electricity Distribution Licence, to DNO licensees' request to charge other than in accordance with the charging methodologies approved under SLC 13 for the purposes of the implementation of DCUSA change proposal DCP414.

The directions and consents shall have effect from the date stated below.

Dated 19 February 2024

Yours faithfully,

**Eleanor Wood**

**Deputy Director, Electricity Access and Charging**

Signed on behalf of the Authority and authorised for that purpose.