

James Harvey
Distribution and Residual Charging Team
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Emma Clark
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

2 December 2024

Dear James,

Request for direction in accordance with clause 19.1B of Section 2A of the DCUSA (Distribution Connection and Use of System Agreement)

Summary of request

In relation to both of SSEN's distribution licences, Scottish Hydro Electric Power Distribution plc (SHEPD) and Southern Electric Power Distribution plc (SEPD), we hereby request a direction from Ofgem to enable the disapplication of the DCUSA requirement to provide 15 months' notice of changes to distribution network charges for in-area tariffs, and 14 months' notice for out of area network charges.

Reason for request

As stipulated in the Ofgem document titled 'Guidance for managing the effects of surplus residual charges' (published 14 November 2024), DNOs have been requested to contact Ofgem should there be a risk of excessive surplus residual charges in tariffs due to take effect from 1 April 2026.

Whilst we cannot fully confirm this until the Allowed Revenues for each licence area are finalised following the 14-day PCFM (Price Control Financial Model) notice period, our indicative impact assessments show that this is likely to be the case for both licence areas. We therefore would not be in a position to publish charges by 31 December 2024 in accordance with both the expectations that Ofgem has set out and the requirements of the DCUSA, per the guidance note.

Once 2026-27 Allowed Revenues are finalised, we will contact Ofgem again to provide confirmation that excessive surplus residual is apparent in the 2026-27 final tariffs prior to intervention. Thereafter, but no later than 10 January 2025, we will submit a further request for direction alongside an assessment of the impact of the applied EDCM and/or CDCM intervention options, as outlined in the guidance document.

Necessary Direction

We request 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 in respect of Use of System Charges in Regulatory Year 2026-27. Please note that we require this direction to apply to **in-area charges** as well as **out-of-area charges** for both SHEPD and SEPD distribution licences.

Additionally, a separate request will be sent to DCUSA by affected DNOs on a collective basis in respect of the Annual Review Pack. This is ordinarily submitted by 31 December per DCUSA Clause 35B.3, but this too would need to be delayed to align with 2026-27 final tariff publications.

Please do not hesitate to get in touch if you require any further detail.

Yours sincerely

Emma Clark

Pricing Manager, SSEN Distribution