**Regulation and policy update for community and local energy stakeholders (December 2022)**

We are producing this document in response to stakeholder feedback to help highlight relevant regulation and policy and provide context as to why it is important to community and local energy stakeholders. The electricity industry is going through a period of rapid development this is not an exhaustive list but will hopefully be a useful summary and prompt for further reading. Only the updated sections are included here noted in blue highlight.

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| **Name of regulation / policy** | **What is it?** | **Owner** | **What stage is it at?** | **Why it matters** |
| RIIO-ED2 Price Control Setting | Ofgem’s process of taking our ED2 Business Plan for Apr-23 to Mar-28 and turning it into the regulatory outputs, incentives and allowed revenues we collect. | Ofgem | **Update: 30 November Ofgem published Final Determination decisions for DNO price controls to run from April 2023 to March 2028.**  Sep-22 - Ofgem issued its Draft Determination at the end of June which available on their website. Stakeholders responded at the end of August and Ofgem is now working through these toward their final decision, referred to as the “Final Determination” that is currently expected to be published on or shortly after 30 November 2022. | Draft determinations precede Ofgem’s final decisions (final determination) on the package of services and funding for these for the 2023 to 2028 period. Final Determination are the end of the Ofgem led process setting the outputs and incentives for Electricity North West to deliver between 2023 and 2028, as well as Ofgem’s view of the revenue to collect from consumers. |
| **BSC Modification P441 'Creation of Complex Site Classes** | Elexon has raised a proposed modification to introduce a change to the Balancing and Settlement to introduce specific classes of Complex Sites to support the development of local energy schemes. | Elexon | **Update: Update: further working groups have taken place on 6 December. This covered the impact of class 5 Complex sites on Network and BSC charges.**  The change was raised in July and is being developed in a series of working groups. The first took place in August and the second is scheduled for October.  The proposed change would be implemented through a document change only, so implementation  should be at the next possible BSC release post Ofgem’s final decision (29 June 2023, as part of the June 2023 Standard BSC Release). | P441 would enable consumers to more directly interact with the energy system via Class 5 Complex Sites and associated local energy schemes. It would provide a simple means for greater participation and means to reduce bills without investment from consumers - particularly relevant for the fuel poor. It would also enable more income to be retained within local economies. |
| [**Access and forward-looking charges review: Significant Code Review**](hhttps://www.ofgem.gov.uk/electricity/transmission-networks/charging/reform-network-access-and-forward-looking-charges) **(Access SCR)** | This is Ofgem’s method to review current working practices and this review will focus on:  a review of the definition and choice of access rights for transmission and distribution users  a wide-ranging review of distribution network charges (Distribution Use of System (DUoS) charges)  a review of the distribution connection charging boundary  a focused review of transmission network charges (Transmission Network Use of System (TNUoS) charges | Ofgem | **Update: In Autumn, Working Groups were set up for Access SCR DCUSA Change Proposals:** **DCP 404 Access SCR: Changes to Terms of Connection for Curtailable Customers**  * **DCP 405 Access SCR: Managing Curtailable Connections Between Licensed Distribution Networks** * **DCP 406 Access SCR: Changes to CCCM** * **DCP 407 Access SCR: Speculative Development**   **Following responses to the consultations the Working Groups drafted the Change Reports which were subsequently issued for DCUSA Parties to provide their votes on the solutions and implementation dates. The voting stage has been completed and these change proposals are now with the Authority (Ofgem) for final determination.** | The objective of both the Target Charging and Access and Forward-looking charges review this Significant Code Reviews are to ensure that electricity networks are used efficiently and flexibly, reflecting users’ needs and allowing consumers to benefit from new technologies and services while avoiding unnecessary costs on energy bills in general.  It could significantly affect community energy projects because it may impact the cost of connections and use of network charges paid by demand and generation customers. |
| **Market-wide Half Hourly Settlement (MHHS) Significant Code Review** | Settlement reconciles differences between a supplier’s contractual purchases of electricity and the demand of its customers. Generators and suppliers trade electricity in the wholesale market in half-hourly periods. Currently, most customers are settled on a ‘non-half-hourly’ basis using estimates of when they use electricity, based on a profile of the average consumer usage and their own meter reads (taken over weeks and months). | Ofgem | **Update: Ofgem have approved the following modification to consequential codes as a result of the MHHS SCR:**   * **SEC Modification MP162 ‘SEC Changes required to deliver MHHS’ – a** [**decision letter**](https://www.ofgem.gov.uk/publications/decision-approve-sec-code-modification-mp162-sec-changes-required-deliver-mhhs) **was published on the 28 November 2022. This will enable the creation of a new Meter Data Retrieval role which will have access to the DCC network as a user. The MDR role will allow independent agents to be able to access half-hourly data from the electricity smart metering equipment (ESME). The modification implementation date is 27 June 2024** | This significant code review will change the way that suppliers bill customers and will also change the amount of data provided to the industry.  It could help community energy groups because widespread half hourly metering is seen as key to unlocking new markets such as domestic flexibility. |
| **DCUSA Change Proposal (DCP) 390 ‘Provision of Isolations for Safe Working on Customers’ Electrical Installations’** | Proposed change under the Distribution Connection & Use of System Agreement (DCUSA) to define a process detailing how a customer can obtain timely main supply electrical isolations to allow for safe working on their electrical installations. | DCUSA | Mar-22 – DCUSA Parties voted overall to accept the solution under this change proposal, it was sent to the Authority on 21 December 2021 for final determination. However, the Authority sent back the change proposal in Feb-22 for further work to be undertaken by the working group in respect of conflicts with another change proposal, DCP394 ‘Allow any REC accredited meter operator to de-energise any metering point’.  Dec-21 – Following industry consultation this change proposal was issued to parties for voting on 26 November 2021 with votes required by 17 December 2021.  The working group issued an industry consultation to gauge parties views on the change with responses due back by 14 September 2021. | This change will help customers, their electricians and installers of low carbon technologies to have connections de-energised/re-energised in a timely manner where work is required on electrical installations. This should give some certainty on the timescales for a connection for all customers. |
| **DCUSA Change Proposal (DCP) 394 'Allow Any REC Accredited Meter Operator to De-energise Any Metering Point’** | Proposed change under the Distribution Connection & Use of System Agreement (DCUSA) to widen the scope of DCUSA to allow any Retail Energy Code (REC) accredited meter operator to carry out de-energisation and re-energisation works. | DCUSA | **Update: This change proposal was issued for DCUSA Party votes on 19 October with votes due by 2 November. The recommendation from Parties was that this change be accepted and it is now with the Authority for final determination.**  Jul-22 - On the 5 July the working group issued a consultation with responses due by 18 July. The working group has reviewed the responses and is now drafting the Change Report in readiness for the Party voting stage of the process. | To allow installers of Low and Zero Carbon Technologies to arrange isolations for safe working on customers’ electrical installations in a more efficient manner. For example, the meter operator could work on behalf of an EV or heat pump installer or under the direction of a local authority to carry out multiple dwelling refurbishments. |
| **DCUSA Change Proposal (DCP) 411 ‘Charging De-energised Sites’** | Proposed change under the Distribution Connection & Use of System Agreement (DCUSA) to remove the different treatment of DUoS with respect to de-energised sites. | DCUSA | **A Working Group has been set up to develop this change proposal and a consultation was issued to DCUSA Parties on 19 November with response due by 8 December.** | Distributors have an obligation to maintain a connection. Associated to this is the maintenance of the capacity of the connection. DUoS is charged to recover the costs of maintaining the connection and the capacity but it is not charged for de-energised sites on site-specific billing or aggregated billing. De-energised sites, with site-specific billing, are able to retain capacity on the network without being charged for it under the current methodologies. |
| [**Targeted charging review: Significant code review**](https://www.ofgem.gov.uk/electricity/transmission-networks/charging/targeted-charging-review-significant-code-review)**.** | This is Ofgem’s method to review current industry rules/frameworks and this review will focus on:  consideration of reform of residual charging for transmission and distribution, for both generation and demand, to ensure it meets the interests of consumers, both now and in future; and  keeping the other ‘embedded benefits’ that may be distorting investment or dispatch decisions under review. | Ofgem | Mar-22 - The Authority approved the remaining CUSC modifications for implementation on 1 April 2023:  CMP343 (WACM2)/CMP340 (Original) - Transmission Demand Residual Bandings and allocation (TCR)  CMP335 (Original)/CMP336 (WACM1) - Transmission Demand Residual, billing and consequential changes to CUSC  The TCR outcome requires modifications to be raised against relevant industry codes and Ofgem requires National Grid Electricity System Operator (NGESO) and separately, the electricity Distribution Network Operators (DNOs) to work together and bring forward modification proposals to be progressed through workgroups over the next few months and submitted to Ofgem in time to allow implementation within the specified timeframes. Consequently, on the 20 December 2019 the Energy Networks Association, on behalf of NGESO and the DNOs, provided the joint plan to Ofgem setting out how they will work together and collaborate with other relevant industry stakeholders to achieve the timeframes. | To spread the costs of maintaining the electricity grid more fairly providing savings for consumers.  The objective of both the Target Charging and Access and Forward-looking charges review this Significant Code Reviews are to ensure that electricity networks are used efficiently and flexibly, reflecting users’ needs and allowing consumers to benefit from new technologies and services while avoiding unnecessary costs on energy bills in general.  It could significantly affect community energy projects because it may impact the cost of connections and use of network charges paid by demand and generation customers. |
| **[Switching – Significant Code Review](https://www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/smarter-markets-programme/switching-programme)** | Ofgem has implemented changes to switching arrangements that will enable consumers to switch their energy supplier reliably and quickly.  The provisions underpinning switching have been included in the Retail Energy Code (REC) v3.0. This version came into force at the same time as the new switching systems and processes, in July 2022. | Ofgem | **Update - On the 17 October 2022, Ofgem published a** [**letter**](https://www.ofgem.gov.uk/publications/closure-switching-scr) **confirming the Switching Significant Code Review (SCR) has successfully delivered the significant changes required to the industry codes to provide for the new switching arrangements under the Switching Programme, which went live on 18th July 2022. As such, they have therefore now designated the Switching SCR as closed and confirmed that the Switching SCR as a whole has ended.** | The rationale for intervention was the current switching arrangements result in negative outcomes for some consumers and were designed in the last century and potentially act as a brake on innovation. |
| [**Reforming the Energy Codes – Significant Code Review**](https://www.gov.uk/government/publications/energy-network-codes-review) | BEIS and Ofgem are jointly developing options for improving the 12 gas and electricity codes and relevant engineering standards and their governance (7 code managers and 5 delivery bodies). |  | This is one of the slower moving SCRs, work to date by BEIS and Ofgem includes:   * In 2019, and invite to a series of [workshops](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916491/energy-code-review-invitation-to-workshop.pdf) and the publication of a first [consultation](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/828302/reforming-energy-industry-codes-consultation.pdf) on this SCR proposed reforms in four areas: providing 1) strategic direction, 2) empowering and accountable code management, 3) increase independence of decision-making and 4) code simplification and consolidation). * In 2020, the [summary of responses](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/943756/reforming-energy-code-summary-responses-.pdf) to the first consultation * In 2021, the publication of a second [consultation](https://www.gov.uk/government/consultations/energy-code-reform-governance-framework), [impact assessment](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004010/energy-code-reform-consultation-impact-assessment.pdf) an workshop [invite](https://www.ofgem.gov.uk/publications/consultation-and-workshop-design-and-delivery-energy-code-reform?utm_medium=email&utm_source=dotMailer&utm_campaign=Daily-Alert_20-07-2021&utm_content=Consultation+and+workshop+on+the+Design+and+Delivery+of+the+Energy+Code+Reform&dm_i=1QCB,7GPNM,KDYUUE,UC6WN,1) on the design and delivery of the reform. In their design they set out their preferred option is for Ofgem to be designated as a ‘strategic body’ over the energy codes with separate code managers. * In 2022, BEIS/Ofgem published their [response](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1066722/energy-code-reform-consultation-government-response.pdf) to both the 2019 and 2021 consultations and also to set out some high-level details on their legislative proposals.   BEIS and Ofgem updated timetable:   * 2022 – Engagement on the following topics: * Detailed elements of code reform * Roles of Stakeholder Advisory Forums (as industry will no longer have a seat on Code Panels) * Development of a high level plan for code consolidation * Open letter from Ofgem on its intended approach to implementation, transitions and stakeholder engagement * 2022- 23 - Primary legislation changes * 2023 - Ofgem new strategic function established * 2023 onwards – changes to licences, codes and contracts to facilitate transition | The rationale for intervention is to allow the codes to facilitate the significant changes required to transition to a cleaner energy system, such as code consolidation and simplification.  The benefits to consumers and industry would be to lower barriers to competition, improve transparency and accountability, and drive innovation.  BEIS and Ofgem believe the new code governance framework, with the right roles and responsibilities, has the potential to play a vital role at this critical time for our energy system by helping to bring all greenhouse gas emissions to net zero by 2050. They also recently stated that Russian/Ukraine conflict underlines the need for national security and to become energy independent. |
| **DUoS Charges Significant Code review** | Ofgem | Recently Launched | **Update: On the 8 November Ofgem advised that it would be pausing the work on the Distribution Use of System Significant Code Review (formerly within scope of the Access SCR), which will examine changes to charging signals for distribution-connected users.**  **Ofgem considers that the methodology underpinning DUoS charges could be made more cost-reflective, and that it warrants a review, however, given the longer-term nature of these changes, it intended to defer this work in the immediate term.**  Mar-22 - Following consultation in November 2021, Ofgem have decided to descope the wide-ranging review of Distribution Use of System (‘DUoS’) charges from the current Electricity Network Access and Forward-Looking Charges Significant Code Review (‘Access SCR’) and take it forward under a dedicated DUoS SCR with a revised timescale.  With immediate effect from Feb 22, Ofgem have decided to launch a separate Distribution Use of System charges SCR in order to take forward a review of this area whilst allowing the Access SCR to be delivered in a timely fashion. This decision retained the overall objective of DUoS reform from the Access SCR - to ensure electricity networks are used efficiently and flexibly, reflecting users’ needs and allowing consumers to benefit from new technologies and services while avoiding unnecessary costs on energy bills in general.  [Distribution Use of System Charges: Significant Code Review Launch | Ofgem](https://www.ofgem.gov.uk/publications/distribution-use-system-charges-significant-code-review-launch) | DUoS charges are paid by users of the local distribution grids so impact electricity consumers. DUoS charges in the ENWL area for a typical domestic customer are the lowest of all DNO groups. This reform is about how the allowed revenues set by Ofgem through price control processes are recovered through the price structures for use of distribution system charges. |
| **Retail market issues, regulatory reform and affordability** | Ofgem and BEIS | Recently launched | **Update: Nov-22 Ofgem launched a number of measures to strengthen the retail market. Ofgem has been visibly much more active in public on retail market issues.**  [Ofgem launches new proposals to strengthen energy market and protect consumers | Ofgem](https://www.ofgem.gov.uk/publications/ofgem-launches-new-proposals-strengthen-energy-market-and-protect-consumers)  **Sep-22 - Government announced in September a further package of measures to mitigate an otherwise steep increase in energy bills.**  [PM Liz Truss's opening speech on the energy policy debate - GOV.UK (www.gov.uk)](https://www.gov.uk/government/speeches/pm-liz-trusss-opening-speech-on-the-energy-policy-debate)  **Mar-22 - The issues seen in the retail market are being addressed by Ofgem through a range of measures including** [Ofgem: update on stabilising the energy market | Ofgem](https://www.ofgem.gov.uk/publications/ofgem-update-stabilising-energy-market) and other policy steps. **Government have moved to assist consumers with affordability, given the substantial increases in the energy price cap** [Millions to receive £350 boost to help with rising energy costs - GOV.UK (www.gov.uk)](https://www.gov.uk/government/news/millions-to-receive-350-boost-to-help-with-rising-energy-costs)**. Industry commentators are anticipating the price cap may increase yet further when next reset.** | Energy bills, driven by wholesale costs are increasing substantially. Various policy measures are being taken, with some commentators anticipating further steps being announced. |
| Smart Energy Code [DP206 ‘Allowing Generation Licence Holders to Apply Export MPANs’](https://smartenergycodecompany.co.uk/modifications/allowing-generation-licence-holders-to-apply-export-mpans/) | The Change Proposal proposer says the Smart Energy Code (SEC) and its supporting technical specifications are currently written, whereby only Export Suppliers that hold an Electricity Supply Licence can apply an Export Meter Point Administration Number (MPAN) to Smart Metering Equipment Technical Specifications (SMETS) Devices. The proposer says this is preventing SEC Parties from exercising their rights under the Electricity Generation Licence, and subsequently limiting choice for domestic customers who wish to generate revenue for their export energy. | SEC | **Update: The SEC** [modification page](https://smartenergycodecompany.co.uk/modifications/allowing-generation-licence-holders-to-apply-export-mpans/) **for this proposal latest update states that SECAS (SEC Administrator) are discussing this modification with code manager colleagues from BSC/REC to determine the next steps.**  **Jun-22 -** In May 2022, the SEC Change Sub-Committee (CSC) recommended that this Draft Proposal remains in the Development Stage to better understand the impacts this issue is causing. Due to the high number of modifications which have been raised this month the CSC agreed this modification should be added to the waiting list until there is sufficient capacity to progress the Proposal. | This proposal could amend the SEC to allow companies with a generation licence to also offer a domestic customer with onsite generation a price for their export with a Smart Export Guarantee (SEG). |