

## Regulation and policy update for community and local energy stakeholders (July 20)

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 so we can't promise that this will be an exhaustive list, but will hopefully be a useful summary and prompt for further reading. Only the updated sections are included here. This update does not directly include legislative changes in scope though both the EU's Clean Energy Package<sup>1</sup> is worth noting as being implemented into legislation by Ofgem/BEIS later this year and additionally the Local Energy Bill<sup>2</sup> is in active discussion.

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
<b>COVID-19 Industry implications</b>	Ofgem and the various code administrators have been publishing numerous documents in response to the impacts of COVID-19 on the energy sector.	Various	<p><b>Update – Following the enabling framework Ofgem had put in place between Apr-20 and Jun-20, Ofgem notified network companies on the 16 June that from 1 July 2020 it expects them to comply with all of their regulatory obligations. Ofgem recognised and paid tribute to the network companies for the considerable efforts made in managing the crisis and supporting customers.</b></p> <p>Ofgem and the Code administrators have been responding to the significant challenges resulting from the COVID 19 pandemic. A number of derogations have been put in place (See below) and these will be under review as the situation develops.</p> <p><b>Ofgem - <a href="https://www.ofgem.gov.uk/coronavirus-covid-19">https://www.ofgem.gov.uk/coronavirus-covid-19</a></b></p>	<p>These changes have been brought in to recognise the issues which are likely to be created (or have already resulted) from the pandemic and government response.</p> <p>These changes are likely to be kept under review.</p>

<sup>1</sup> [https://ec.europa.eu/energy/topics/energy-strategy/clean-energy-all-europeans\\_en](https://ec.europa.eu/energy/topics/energy-strategy/clean-energy-all-europeans_en)

<sup>2</sup> <https://powerforpeople.org.uk/the-local-electricity-bill/>

		<p>Ofgem has announced that it is currently reviewing the planned work for this year, so it can prioritise protecting consumers during the crisis. They have temporarily paused the publishing of new policy publications on the website, with the exception of legally required releases or information relating to the coronavirus only, until this review has completed.</p> <p>Ofgem are seeking to ensure that companies prioritise work sensibly and respond to the impacts of COVID-19 on their customers, staff and supply chains. Ofgem’s key aims are to ensure that customer needs are met, particularly the most vulnerable, maintain secure, reliable and safe supplies of energy to consumers in the short to medium term; and to ensure the safety and protection of consumers and the workforce.</p> <p>This means that companies may temporarily de-prioritise (i.e. suspend or post-pone) certain Lower Priority Works and Services, in response to current Government advice (e.g. on social distancing), and/or to focus capacity on delivering High Priority Works and Services in the event of escalating impacts of COVID-19 on the capacity of their workforce. Ofgem are keen to enable companies to de-prioritise Lower Priority Works and Services without undue fear of regulatory enforcement or penalties.</p> <p><b>BSC</b> - <a href="https://www.elexon.co.uk/about/about-elexon/coronavirus-covid-19-latest-information/">https://www.elexon.co.uk/about/about-elexon/coronavirus-covid-19-latest-information/</a></p> <p>On 3 April the PAB agreed two temporary derogations from the BSC arrangements which allow electricity Suppliers to input more accurate estimates into ELEXON’s Settlement system for sites where demand is known to have significantly changed due to the lockdown and businesses closing.</p>	
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<p><b>DCUSA Change Proposal (DCP) 364 ‘Provision of Information on Suppliers out of hours metering service provisions</b></p>	<p>Proposed change under the Distribution Connection &amp; Use of System Agreement (DCUSA) for Suppliers to provide details of out of hours services in response to metering issues. This information to be held centrally.</p>	DCUSA	<p><b>Update – The Working Group was able to issue a consultation in Apr-20 subsequently producing the Change Report in Jun-20 which requested industry parties to vote on whether to accept or reject the proposed solution by 10 July 2020.</b></p> <p>A Working Group has been set up and the initial meeting was held in Mar-20 to review the change proposal.</p>	<p>This will make available important contact details when there are issues with metering equipment outside suppliers normal operating hours.</p>
<p><b>DCUSA Change Proposal (DCP) 350 ‘Creation of Embedded Capacity Registers’</b></p>	<p>Proposed Change under the DCUSA to identify all connected sites.</p>	DCUSA	<p><b>Update – The Working Group reviewed the responses to the request for information and in Apr-20 was able to issue the Change Report for industry parties to vote on the proposals. Industry parties voted overall to accept the solution put forward and the Change Proposal was approved by Ofgem on 1 July..</b></p> <p><a href="https://www.ofgem.gov.uk/ofgem-publications/164472">https://www.ofgem.gov.uk/ofgem-publications/164472</a></p> <p>The Working Group consulted with industry parties on the proposed change during Feb-20 and having reviewed the responses to the consultation issued a request for information to</p>	<p>This is a change to the current obligations which will seek to collect and collate information on the location of generation sites. This will support the transition to smart networks to understand loading across the networks.</p>

			<p>DNO's to ascertain whether there would be a cost impact if additional data fields were added. The next step will be for the Working Group to review these responses at its next meeting.</p> <p><b>NEW</b> - It may be useful for community and local energy stakeholders to be aware that under the Distribution Connection and Use of system Agreement (DCUSA), which is a multi-party contract between the licensed electricity distributors, suppliers and generators of Great Britain, DCP 350 is seeking to require Distribution Network Operators to create a national, public register of all sites that use their networks and influence the operation of the GB power market. The register would contain details of each connected site and would be kept up to date by the DNOs. Electricity North West has a representative on the working group and is supportive of this change.</p>	
<p><b><u>Targeted charging review:</u></b> <b>Significant code review.</b></p>	<p>This is Ofgem's method to review current industry rules/frameworks and this review will focus on:</p> <p>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</p> <p>keeping the other 'embedded benefits' that</p>	<p>Ofgem</p>	<p><b>Update – The code modifications to implement Ofgem's decision are at different stages of the change process, however some of them are already with Ofgem for final determination.</b></p> <p>Change Proposals to the relevant industry codes were submitted to the code administrators which resulted in Working Groups being set up to progress these through the change process. Where changes link to other codes care was taken to set up combined Working Groups to avoid the duplication of work.</p> <p>Ofgem published its decision on 21 November 2019 and has decided to make changes to the way in which some of the costs of the electricity networks are recovered, so that the 'residual charges' are recovered more fairly now and in the future. Fixed charges are to be levied on final demand consumers only and will be implemented for transmission charges in 2021 and for distribution charges in 2022. For distribution charges, domestic</p>	<p>It is hard to tell how the review will impact community and local energy because they are complex and inter-related although they are being dealt with separately. However, it is possible that changes will result in increased</p>

	<p>may be distorting investment or dispatch decisions under review.</p>		<p>customers will pay a single residual charge set for each licensed area and non-domestic customers will be charged on the basis of a set of fixed charging bands also set for each Distribution Network Area. Ofgem maintains that its decision is positive news for consumers with the costs of maintaining the electricity grid being spread more fairly and consumers saving £300m per year from 2021, with £4bn-£5bn consumer savings in total over the period to 2040.</p> <p>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.</p>	<p>connection or use of system costs.</p> <p>The <a href="#">Charging Futures programme</a> is a good source of information for further reading and information via pod casts. It has been established to coordinate the significant reform of electricity access and charging arrangements in close collaboration with users of GB's electricity network.</p>
<p><b><u>Access and forward looking charges review:</u></b> <b>Significant Code Review</b></p>	<p>This is Ofgem's method to review current working practices and this review will focus on:</p> <p>a review of the definition and choice of access rights for transmission and distribution users</p>	<p>Ofgem</p>	<p><b>Update – The Delivery Group met in Jun-20 with Ofgem confirming that timings would be broadly the same with an Ofgem consultation on options happening around Nov-20 with a final decision being made in Spring 2021. Ofgem expects to provide a decision on any code modifications by the Spring of 2022 for implementation in Apr-23. As the timescales could prove to be tight there is consideration being given to whether a delay would be appropriate, but this would mean implementing during ED2 and would affect Business Planning</b></p>	

	<p>a wide-ranging review of distribution network charges (Distribution Use of System (DUoS) charges)</p> <p>a review of the distribution connection charging boundary</p> <p>a focused review of transmission network charges (Transmission Network Use of System (TNUoS) charges)</p>	<p><b>submissions and prolongs the uncertainty of the access and forward looking charging regime for stakeholders.</b></p> <p>Ofgem presented its latest thinking on shortlisting options and advised that the guiding principles when assessing the options were:</p> <ol style="list-style-type: none"> <li>1. Arrangements support efficient use and development of system capacity. A key part of the assessment against this criteria will be the extent to which the arrangements support decarbonisation at least cost to consumers.</li> <li>2. Arrangements reflect the needs of consumers as appropriate for an essential service.</li> <li>3. Any changes are practical and proportionate.</li> </ol> <p>The options being taken forward are:</p> <ul style="list-style-type: none"> <li>• Improving the definition and choice of access rights</li> <li>• Potential reforms of the upfront charges for connecting to the distribution networks</li> <li>• Methodology for the network cost models used to set Distribution Use of System (DUoS) charges</li> <li>• Extent of locational granularity</li> <li>• Design of DUoS charges ie the basis on which users are charged</li> <li>• Methodology underpinning the flows on the network model used to set Transmission Network Use of System (TNUoS) Charges</li> <li>• Better locational signals through TNUoS charges – embedded generation</li> <li>• Design of TNUoS demand charges ie the basis on which users are charged</li> </ul>	
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<a href="#">Retail Codes Consolidation – Significant Code Review</a>	In February 2019, Ofgem confirmed their intention to deliver Retail Code Consolidation through a separate Significant Code Review. In the Switching and Retail Code Consolidation consultation Ofgem they set out their proposed scope for this review. They are proposing to merge most of the content of the electricity Master Registration Agreement and gas equivalent into the new Retail Energy Code.	Ofgem	<p><b>Update – Ofgem is seeking to minimise the impact on the Codes consolidation review (from COVID 19) as the MRA and SPAA currently have fixed closing dates. The working group to support the process has been suspended for three months to allow suppliers to focus on the customer impacts. Further information will be provided when Ofgem has completed its planning session.</b> We expect this review will start up again once Covid impacts subside.</p> <p>Ofgem’s timetable:</p> <p>Launch Retail Code Consolidation review in Autumn 2019,</p> <p>In Q2 2020, Ofgem will consult on the legal drafting.</p> <p>Early 2021 Ofgem approve all Code modifications and publish decision notice to amend licences.</p> <p>1 April 2021 Retail Code Consolidation and transitional switching code and licence changes ‘active’.</p> <p>In July 2019 Ofgem published a joint Switching and Retail Codes Consolidation consultation which closed on 9 September 2019.</p>	<p>A number of processes are being considered for inclusion in the new Retail Energy Code under this review which are non-switching such as provisions for Theft of Energy, Green Deal, Metering and priority services register.</p> <p>More detail on what is being proposed will be announced as part of the launch and Autumn consultation.</p>
<a href="#">DP126 ‘Smart meter</a>	In May 2020, Citizens Advice raised a new	SECAS (Smart	<b>NEW - Earlier in June 2020, the Smart Energy Code Change Sub-Committee have agreed this Draft Proposal should remain in</b>	It is too early to be able to the understand how

<p><b>consumer data access and control'</b></p>	<p>modification proposal to the Smart Energy Code.</p> <p>They believe most consumers are dependent on their existing energy Supplier to provide mechanisms for consumer viewing or sharing of their energy data. Citizen Advice state that the energy data that consumers can access through their smart meter In-Home Display (IHD) does not include all the information that the Data Communication Company (DCC) holds about a consumer's energy supply.</p> <p>They are proposing a new mechanism for direct consumer access and control of energy use data that they believe would provide greater visibility and transparency of DCCs data processing.</p>	<p>Energy Code administrator)</p>	<p><b>the Development Stage. A further update will be taken to the Change Sub-Committee on 30 June 2020</b></p>	<p>the proposal will impact community and local energy, until the proposal is further developed. However, Citizen Advice believe the proposal could also support engaged consumers and third parties acting on their behalf to support greener and more cost-efficient energy choices.</p>
<p><b>Mandatory Half Hourly Settlement</b></p>	<p>Settlement reconciles differences between a supplier's contractual purchases of electricity and</p>	<p>Ofgem</p>	<p><b>Update - Ofgem are consulting on issues relating to the introduction of market-wide half-hourly settlement (MHHS) across the electricity retail market.</b></p>	<p>This significant code review will change the way that suppliers bill customers and will also</p>

<p><b>Significant Code Review</b></p>	<p>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).</p>		<p><b>MHHS will place the right incentives on retailers to develop and offer new tariffs and innovations that encourage and enable more flexible use of energy, for example, time of use tariffs, automation, vehicle to grid solutions and battery storage.</b></p> <p><b>Accompanying the consultation document is a draft impact assessment (IA) of the introduction of MHHS. The IA sets out the potential impact of Ofgem's preferred option for implementation, as well as the other options we have considered. Ofgem has also published a separate paper on the consumer impact of MHHS.</b></p>	<p>change the amount of data provided to the industry.</p>
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