**Regulation and policy update for community and local energy stakeholders (March 2023)**

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. 1 April 2023 marks both the start of a new electricity distribution network price control (RIIO-ED2) that runs for 5 years as well as the implementation of the highly material ACCESS SCR reforms that make connections cheaper and will give quicker access for many.

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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: The new RIIO-ED2 price control goes live on 1 April 2023 and lasts for 5 years. Within it are a number of mechanisms that make adjustments to enable decarbonisation.**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: To date, four working group meetings have taken place which have reviewed impacts on the impact on DUoS charges, potential impacts on the MWHHS and the definition of a local site.** 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** **(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 usersa wide-ranging review of distribution network charges (Distribution Use of System (DUoS) charges)a review of the distribution connection charging boundarya focused review of transmission network charges (Transmission Network Use of System (TNUoS) charges | Ofgem | **Update: The Authority has approved these DCPs for implementation on 1 April 2023. This will make the Authority’s Direction under the Access Significant Code Review effective.**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 / 406A 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: Consequential changes to codes consultation issued for consultation – the deadline for responses was the 13 March 2023. The consultation covers changes to the Retail Energy Code and Balancing & Settlement Code due to the MHHS Programme.****Migration Design Artefact consultation has closed which deals with the processes through which Metering Point Administration Numbers (MPANs) will be migrated to the new MHHS arrangements and how they might be reverse migrated to the legacy arrangements.** **The Programme has now issued a Migration Design Assurance Review Plan on a Page on the Programme portal.****There are two recent change requests out for impact assessment:**1. **CR-17 LDSO Registration Service Dip messages processing times**
2. **CR-18 Registration Service Operating Hours**.

**The deadline for responses was set as 16 March 2023.** | 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 | Feb - 22 - Authority decision to send back DCP for revision due to conflicts with another DCUSA change proposal, DCP394 ‘Allow any REC accredited meter operator to de-energise any metering point’.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: 081222 – The Authority approved this change for implementation on 29 June 2023.**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 | **Update: A second consultation was issued to DCUSA Parties on 25/01/2023 with responses due by 17/02/2023**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. |
| **DCUSA Change Proposal (DCP) 412 ‘Discounts from TCR charges for ‘peaky final demand customers’** | Proposed change under the Distribution Connection & Use of System Agreement (DCUSA) to create a discount against residual charges for ‘peaky’ customers, removing the disproportionate impact of allocating residual charges on the basis of the Agreed Supply Capacity. | DCUSA | A Working Group has been set up to develop this change proposal and an RFI issued with responses due 01/12/2022 | Recent reform of residual charges through the Targeted Charging Review (TCR) and subsequent DCUSA Change Proposals (such as DCP360) led to an unintended consequence whereby customers with low annual consumption, but with high-capacity requirements are seeing bills that are overly excessive on the basis that such customers residual costs are allocated based on the Agreed Supply Capacity (ASC) over both Distribution & Transmission Use of System charging. For such customers the new fixed residual charge is based on connection agreements which in most cases the ASC reflects as a regular anticipated peak capacity. However, for others, this peak capacity is very infrequently used and most of their demand is at significantly far lower levels of maximum capacity requirements. |
| **DCUSA Change Proposal (DCP) 414** ‘**Transitional Protection for NHH CT Customers affected by regulatory change’** | Proposed change under the Distribution Connection & Use of System Agreement (DCUSA) to provide transitional protection for Non Half-Hourly Current Transformer customers moving to Half-Hourly settlement & prevent penal excess capacity charges being applied to customers in any instance that the Maximum Import Capacity is a zero value because there is no site-specific connection agreement in place between users & Distribution Network Operators. | DCUSA | **Update: 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 20 January 2023. The change remains in Definition as of 09th March 2023 whist the working group continue to define the change.** |  |
| [**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; andkeeping 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 CUSCThe 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. |
| [**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). |  | **Update: BEIS and Ofgem updated timetable:*** **December 2022 – Ofgem published a ‘**[**call for input’**](https://www.ofgem.gov.uk/publications/energy-code-governance-reform) **seeking initial views:**
* **on potential code consolidation as part of Ofgem’s approach to implementing the reforms;**
* **on the content of the code manager licence conditions; and**
* **and the role of stakeholders in the new governance framework.**

**The consultation closed in February 2023.*** **2023 - 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 March 2023: - There have continued to be a number of targeted regulatory activities on the retail market as well as an uptick in enforcement activities. Detail can be found on Ofgem’s website. The range of activities are broad, and so are not covered in individual detail in this document.****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: March 2023 - SECAS is working with the Proposer and Balancing Settlement Code (BSC) experts to determine the next steps for this Draft Proposal.****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). |