



Regulation and policy update for community and local energy stakeholders

July 2023



Introduction

We produce this document, once a quarter, in response to stakeholder feedback to help highlight relevant regulation and policy and to 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.



Structure of this document

The following pages list the most relevant proposed regulation and policies that are currently either being developed or consulted on. For each we provide:

- Names
- Description
- Owner
- What stage it is at and why it matters for community and local energy



Updates this quarter

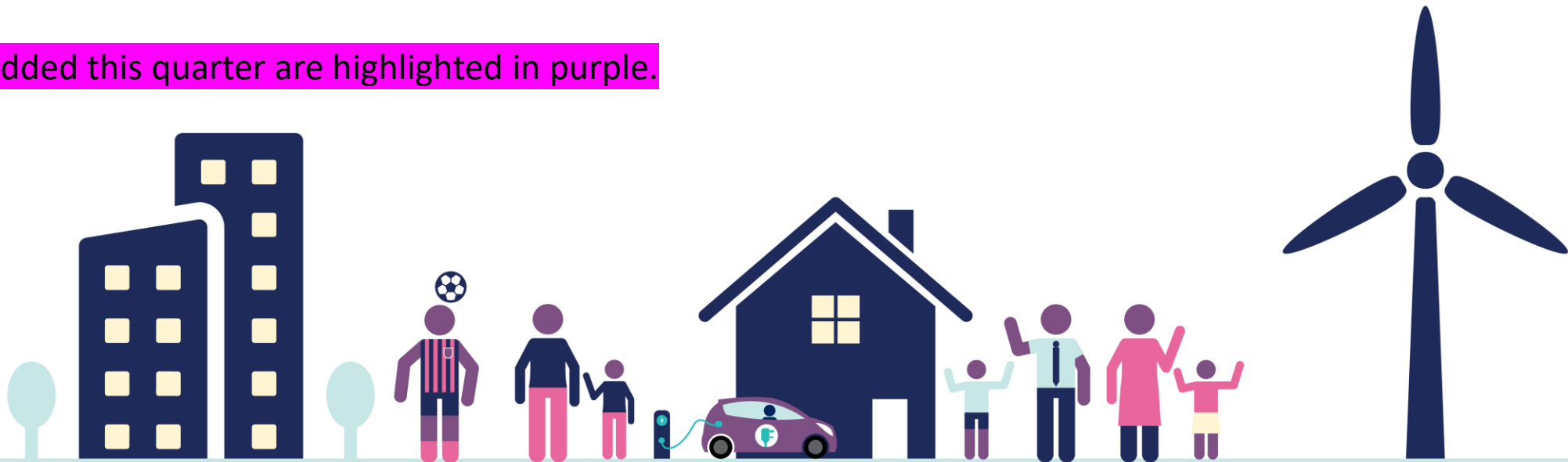
New regulation / policy added:

- REMA
- Future Systems and Network regulation
- Future of Distributed Flexibility
- Future of local energy institutions and governance
- Ofgem Connections Open Letter

Archived because consultation or development has come to an end (see last quarter's update for details):

- RII0-ED2 Price Control Setting
- [Access and forward-looking charges review: Significant Code Review \(Access SCR\)](#)
- [Targeted charging review: Significant code review.](#)

Updates added this quarter are highlighted in purple.



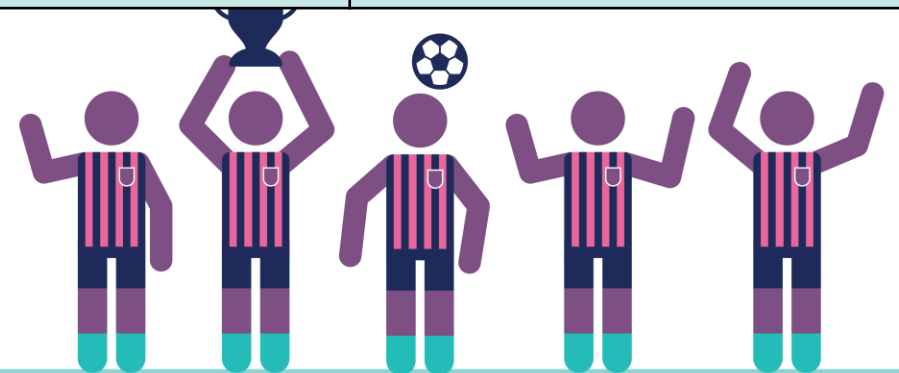
REMA

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
REMA – Review of electricity market arrangements	A review of electricity market arrangements with the aim to identify reforms needed to transition to a decarbonised, cost effective and secure electricity system.	Department for Energy Security and Net Zero and Department for Business Energy & Industry Strategy	<p>Update: Initial consultation took place from 18 July – 10 October 2022. This consultation asked for views on a range of reform options.</p> <p>A summary of responses to the consultation has been published which sets out respondents view on the following areas covered in the consultation:</p> <ul style="list-style-type: none"> • Programme design and cross cutting issues • Options for reform across a range of market dimensions <p>It also sets out how the government’s thinking has evolved.</p> <p>A further consultation has been promised for the Autumn.</p>	<p>This process is looking to reform the wholesale electricity market in the UK which could impact the route to market and remuneration for renewable generation. This impacts community energy where it owns and operates renewable energy or is planning to as it may provide alternative routes to market for the power generated.</p>



Future systems and network regulation

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
Future system and network regulation: enabling an energy system for the future	This was a consultation on how the electricity networks are regulated to consider if they need to change to deliver the required energy system transformation to delivery net zero. .	Ofgem	This consultation opened on 10 March 2023 and closed on 20 May 2023. Ofgem are yet to publish their response.	Regulation of the energy networks needs to ensure a transformation of the energy system in the coming decades. This consultation considers whether, and by how much, the regulatory regime needs to adapt to deliver these outcomes.



The Future of Distributed Flexibility

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
The Future of Distributed Flexibility	In a Call for Input Ofgem proposed a common vision for distributed flexibility. It proposed a vision for a common digital energy infrastructure and it set out 3 archetypes what that could look like compared to a business-as-usual counterfactual.	Ofgem	Call for Input was open 1 st March 2023 and 11 th May 2023. Ofgem is yet to publish a response.	Community energy groups can earn an income from offering flexible services to their local DNO. How that market is structure and operated therefore could be of interest to groups wanted to earn an income from these services.



Ofgem open letter on connections

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
Open letter on future reform to the electricity connections process	<p>Ofgem published an open letter on 16 May 2023 calling for reform to the electricity connections process. Emphasising the need for urgent action, the letter provided short, medium and long term reforms to counteract the 120GW of queued generation projects that have connection dates of 2030 and beyond. Ofgem's letter identified the current challenges of the connection process, being the:</p> <ol style="list-style-type: none"> 1. "progress to date and emerging issue", and how the current "Connect and Manage" regime has caused congestion; 2. increasing application volumes, showcased by an 80% increase in applications from 2022; 3. interactivity and attrition in a first-come-first-served queue; and 4. long connection times, with more than half of applications being provided connection offers at least five years into the future. 	Ofgem	<p>The letter was published on 16 May 2023 and stakeholder were invited to submit any written feedback by 16 June 2023.</p>	<p>Getting a connection can be challenging in some areas of the network due to grid constraints and the queue of projects already awarded a connections agreement. This open letter sets out a series of reform to help overcome these issues.</p>



Future of local energy institutions and governance

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
<p>Future of local energy institutions and governance</p>	<p>In April 2022 Ofgem launched a review into the effectiveness of institutional and governance arrangements at a sub-national level to support delivery of net zero at least costs and the case for alternative approaches. The response to a Call for Input and subsequent workshops informed this consultation.</p>	<p>Ofgem</p>	<p>This consultation is the next step in the review into the effectiveness of institutional and governance arrangements at a sub-national level to support the delivery of net zero at least cost. It provides an initial appraisal of our proposals and explores the next level of detail on key choices for design and implementation.</p> <p>The consultation closed on 11th May 2023 and Ofgem are yet to publish their response.</p>	<p>This consultation set out suggested reforms to ensure local and regional governance of energy will be suitable for delivery net zero.</p>



BSC Modification P441 'Creation of Complex Site Classes

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
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	<p>Update: To date, six 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.</p> <p>The next steps agreed at the end of the last working group in May were:</p> <p>Schedule the seventh P441 Workgroup meeting in June or July. (date not yet confirmed)</p> <p>Legal text to be worked up and distributed to members 5WD before the next WG.</p> <p>Elexon confirmed worked examples will focus on Class 5 as there is already information for Class 1-4.</p> <p>Elexon to give an indicative view on updated Modification timescales following conversations with REC & DCUSA</p>	<p>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.</p>



Market-wide Half Hourly Settlement (MHHS) Significant Code Review

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
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	<p>Update: The consequential changes to codes consultation closed in March 2023 and Ofgem are yet to publish a response.</p> <p>The consultation covered changes to the Retail Energy Code and Balancing & Settlement Code due to the MHHS Programme.</p> <p>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.</p> <p>There are two recent change requests out for impact assessment:</p> <ol style="list-style-type: none"> 1. CR-17 LDSO Registration Service Dip messages processing times 2. CR-18 Registration Service Operating Hours. 	<p>This significant code review will change the way that suppliers bill customers and will also change the amount of data provided to the industry.</p> <p>It could help community energy groups because widespread half hourly metering is seen as key to unlocking new markets such as domestic flexibility.</p>

DCUSA Change Proposal (DCP) 390 ‘Provision of Isolations for Safe Working on Customers’ Electrical Installations’

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
<p>DCUSA Change Proposal (DCP) 390 ‘Provision of Isolations for Safe Working on Customers’ Electrical Installations’</p>	<p>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.</p>	<p>DCUSA</p>	<p>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’.</p> <p>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’.</p> <p>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.</p> <p>The working group issued an industry consultation to gauge parties views on the change with responses due back by 14 September 2021.</p>	<p>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.</p>

DCUSA Change Proposal (DCP) 394 'Allow Any REC Accredited Meter Operator to De-energise Any Metering Point'

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
<p>DCUSA Change Proposal (DCP) 394 'Allow Any REC Accredited Meter Operator to De-energise Any Metering Point'</p>	<p>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.</p>	<p>DCUSA</p>	<p>The Authority approved this change for implementation on 29 June 2023.</p> <p>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.</p> <p>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.</p>	<p>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.</p>



DCUSA Change Proposal (DCP) 411 ‘Charging De-energised Sites’

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
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	<p>Update: The workgroup has met 11 times and published a change report on 18./5/23 with the draft legal text.</p> <p>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.</p> <p>A second consultation was issued to DCUSA Parties on 25/01/2023 with responses due by 17/02/2023.</p>	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’

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
<p>DCUSA Change Proposal (DCP) 412 ‘Discounts from TCR charges for ‘peaky final demand customers’</p>	<p>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.</p>	<p>DCUSA</p>	<p>A Working Group has been set up to develop this change proposal and an RFI issued with responses due 01/12/2022.</p> <p>Update: the working group is meeting with 14 meetings held to date.</p>	<p>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.</p>



DCUSA Change Proposal (DCP) 414 'Transitional Protection for NHH CT Customers affected by regulatory change'

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
<p>DCUSA Change Proposal (DCP) 414 'Transitional Protection for NHH CT Customers affected by regulatory change'</p>	<p>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.</p>	<p>DCUSA</p>	<p>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.</p> <p>Update: the changes had moved to a Voting Round as of 19/05/2023</p>	



Reforming the Energy Codes – Significant Code Review

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
<p><u>Reforming the Energy Codes – Significant Code Review</u></p>	<p>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).</p>	<p>BEIS and Ofgem</p>	<p>BEIS and Ofgem updated timetable:</p> <ul style="list-style-type: none"> • December 2022 – Ofgem published a <u>'call for input'</u> 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. <p>The consultation closed in February 2023.</p> <ul style="list-style-type: none"> • 2023 - Primary legislation changes • 2023 - Ofgem new strategic function established • 2023 onwards – changes to licences, codes and contracts to facilitate transition 	<p>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.</p> <p>The benefits to consumers and industry would be to lower barriers to competition, improve transparency and accountability, and drive innovation.</p> <p>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.</p>



DUoS Charges Significant Code review

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
DUoS Charges Significant Code review	Ofgem	Recently Launched	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Distribution Use of System Charges: Significant Code Review Launch Ofgem</p>	<p>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.</p>



Retail market issues, regulatory reform and affordability

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
Retail market issues, regulatory reform and affordability	Recently launched	Ofgem and BEIS	<p>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.</p> <p>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.</p> <p>Ofgem launches new proposals to strengthen energy market and protect consumers Ofgem</p> <p>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)</p> <p>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 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). Industry commentators are anticipating the price cap may increase yet further when next reset.</p>	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'

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
<p><u>Smart Energy Code DP206 'Allowing Generation Licence Holders to Apply Export MPANs'</u></p>	<p>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.</p>	<p>SEC</p>	<p>Update: March 2023 - SECAS is working with the Proposer and Balancing Settlement Code (BSC) experts to determine the next steps for this Draft Proposal.</p> <p>The SEC modification page 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.</p> <p>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.</p>	<p>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).</p>





Feedback

Tell us what you think about this update.
Any suggestions for improvements or questions just let us know!



Get in touch

If you are developing a community or local energy project
please get in touch to discuss your plans



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