



Regulatory update for community and local energy stakeholders

March 2024



Introduction

We produce this document, once a quarter, in response to stakeholder feedback to help highlight relevant regulatory changes that have the potential to impact community and local energy stakeholders.

This is not an exhaustive list but aims to be a useful summary and prompt for further reading.



Structure of this document

The following pages list what we see as the most relevant proposed regulatory changes that are currently either being developed or consulted on, covering where applicable:

- [Office of Gas and Electricity Markets \(Ofgem\)](#)
- [Department for Energy Security and Net Zero \(DESNZ\) - GOV.UK \(www.gov.uk\)](#)
- Certain Industry Codes:
 - [Balancing and Settlement Code \(BSC\)](#)
 - [Distribution Connection and Use of System Agreement \(DCUSA\)](#)
 - [Retail Energy Code \(REC\)](#)
 - [Smart Energy Code \(SEC\)](#)

The list of changes is not exhaustive.



Updates this quarter

New regulation / policy added and highlighted in purple :

- RIIO-3 Sector Specific Methodology Consultation (SSMC)
- Follow-up from the Ofgem decision on the 'Future of Local Energy Institutions and Governance'
- Decision on the modifications to the Standard and Special Conditions of the Electricity Distribution Licence – including Standard Licence Condition 31F
- Ofgem consultation on the RIIO-ED2 DSO Incentive - Outturn Performance Metrics
- Local net zero: support for local authorities and communities
- Developing local partnerships for onshore wind in England
- Review of Electricity Market Arrangements (REMA)

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

- Ofgem decision on 'Frameworks for Future Systems and Network Regulation'
- Ofgem decision on the 'Future of Local Energy Institutions and Governance'
- Statutory consultation to modify Standard Licence Condition 31F
- Statutory consultation on ED2 licence changes
- Open letter consultation on the Incentive on Connections Engagement: Looking Back Reports 2022-23
- Energy Security Bill – Factsheets
- Communities at the heart of new fund to boost local growth and energy security
- Apply for Heat Pump Ready Programme:
Stream 2 – Wave 2 opportunities



Ofgem

Title	Why it matters	Link to website
RIIO-3 Sector Specific Methodology Consultation (SSMC)	<p>Following on from the decision on 'Frameworks for Future Systems and Network Regulation' this consultation is on the methodologies Ofgem will apply for the electricity and gas transmission and gas distribution sectors in the RIIO-3 price control, which will run from 1 April 2026. 'RIIO-3' will largely see a continuation of the RIIO model of regulation representing Revenue = Innovation + Incentives + Outputs. Consultation due to close 6 March.</p> <p>The consultation does not directly apply the Electricity Distribution with RIIO-ED3 framework development due to start in Summer 2024.</p>	RIIO-3 Sector Specific Methodology Consultation (SSMC)
Follow-up from the Ofgem decision on the 'Future of Local Energy Institutions and Governance'	<p>Following the decision on the institutional and governance arrangements in place for planning and operating the energy system at a sub-national level. Ofgem is now in its detailed design phase for Regional Energy System Planner (RESP) being conducted through working groups with a consultation slated for June 2024.</p> <p>The Market Facilitator role has recently been consulted on by Ofgem focussing on potential delivery body who will undertake this role with a decision due in the Spring. Options being considered are Elexon or FSO/NESO</p>	Decision on future of local energy institutions and governance Ofgem



Ofgem

Title	Why it matters	Link to website
Decision on the modifications to the Standard and Special Conditions of the Electricity Distribution Licence – including Standard Licence Condition 31F	<p>Ofgem decision has been published on changes to DNOs’ standard and special licence conditions following consultation in later 2023. These changes primarily correct errors and improve clarity within the licence. The decision also incorporates amendments to Northern Powergrid’s cost allocations following the CMA decision and this has been amended following the consultation process which Ofgem ran.</p> <p>Also included in the decision is the removal of the licence obligation (SLC31F) on DNOs to act as a Provider of Last Resort (PoLR) for Electric Vehicle Recharging Points (EVRPs). Ofgem view that DNOs are not be the most appropriate parties to own, develop, manage, or operate EVRPs at reasonable costs and are not needed as a fall back position. Six out of eight responses agreed with the consultation proposal to remove SLC 31F.</p>	Decision on the modifications to the Standard and Special Conditions of the Electricity Distribution Licence – including Standard Licence Condition 31F
Ofgem consultation on the RIIO-ED2 DSO Incentive - Outturn Performance Metrics	<p>This consultation is on the Ofgem proposal to turn off the incentive element for the three outturn performance metrics and to reassign the value of the incentive that was allocated to the DSO performance panel assessment.</p> <p>The proposal follows a series of working groups which concluded that there was not enough clarity in the data to support implementation of this policy decision. Ofgem are consulting on the next steps which includes DNOs reporting on performance on these metric areas to allow additional data to better inform target setting in the future.</p>	Ofgem consultation on the RIIO-ED2 DSO Incentive - Outturn Performance Metrics



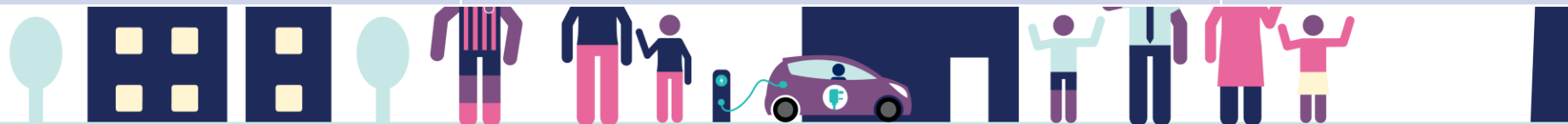
DESNZ

Title	Why it matters	Link to website
Apply for the Heat Network Efficiency Scheme (HNES) Round 6	Supports performance improvements to existing district heating or communal heating projects.	Apply for the Heat Network Efficiency Scheme (HNES) Round 6 - GOV.UK (www.gov.uk)
Local net zero: support for local authorities and communities	This page summarises the support provided by Government such as the Net Zero Hubs	Local net zero: support for local authorities and communities - GOV.UK (www.gov.uk)
Developing local partnerships for onshore wind in England	Government response to the consultation on improvements that could be made to the existing system of community engagement and community benefits for onshore wind in England.	Developing local partnerships for onshore wind in England - GOV.UK (www.gov.uk)
Review of Electricity Market Arrangements (REMA)	Second consultation on the reform of the electricity market to ensure it can unlock all the benefits from net-zero.	Review of Electricity Market Arrangements: second consultation (publishing.service.gov.uk)



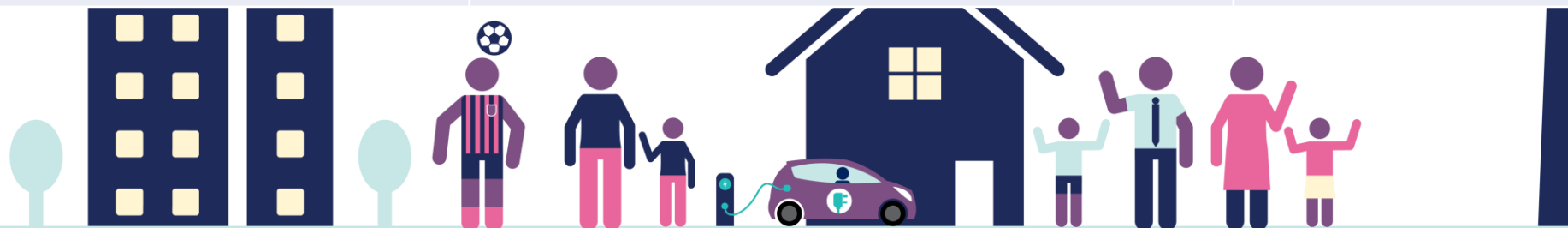
Industry Code Change Proposals/Modifications

Title	Purpose of the change	Link to website
BSC Modification P441 'Creation of Complex Site Classes'	To introduce specific classes of Complex Sites to support the development of local energy schemes	P441 'Creation of Complex Site Classes' - Elexon BSC
REC R0133 'Consequential Cross-Code Change for BSC P441 - Complex Site Classes Creation	The introduction of new Complex Site classes is needed into the REC to make the solutions under P441 and DCP 424 work. Meter Equipment Managers will need to understand what their new obligations are in respect of metering requirements, as well as impacts on any of the metering processes associated with a Complex Site.	Consequential Cross-Code Change for BSC P441 - Complex Site Classes Creation - REC Portal
DCUSA Change Proposal (DCP) 411 'Charging De-energised Sites'	To remove the different treatment of DUoS with respect to de-energised sites	Charging De-energised sites - DCUSA
DCUSA Change Proposal (DCP) 412 'Discounts from TCR Charges for 'Peaky' final demand customers'	To create a discount against the residual charge for 'peaky' customers, removing the disproportionate impact of allocating residual charges on the basis of the Agreed Supply Capacity.	Discounts from TCR charges for 'peaky' final demand customers - DCUSA
DCUSA Change Proposal (DCP) 419 'Pre-notifications of Planned Supply De-energisations	To ensure that all DCUSA Parties, that de-energise metering equipment as part of any planned work, provide the Distributor with advance notification of the supply interruption	Pre-Notifications of Planned Supply De-Energisations – DCUSA



Industry Code Change Proposals/Modifications

Title	Purpose of the change	Link to website
DCUSA Change Proposal (DCP) 420 'Include Car Charging Stations in The Definition For Non-Final Demand'	To expand the definition of Non-Final Demand to include Non-Domestic sites which are solely for the use of charging vehicles where electricity is sold with a commercial transaction to a private user.	Include Car Charging Stations In The Definition For Non-Final Demand – DCUSA
SEC DP206 'Allowing Generation Licence Holders to Apply Export MPANs'	To allow Electricity Generation Licence holders to register an Export MPAN.	DP206 'Allowing Generation Licence Holders to Apply Export MPANs'
SEC MP241 'Interoperability Checker Update'	To improve the customer experience of the Interoperability Checker Service tool to check whether their Smart Meter should be operating in Smart Mode	SEC MP241 'Interoperability Checker Update'
DCUSA Change Proposal (DCP) 425 'Cost Apportionment Factor "cap" Methodology'	To provide further clarification as to how costs of Reinforcement are apportioned between the Company and the Customer (a Generation Connection) when the High-Cost Project Threshold is triggered.	Cost Apportionment Factor "cap" Methodology - DCUSA



Authority-led Significant Code Review(s)

Title	Purpose	Link to website
Market-wide Half-Hourly Settlement (MHHS)	A key enabler of the move to a smarter, more flexible energy system and has a fundamental role in delivering the smart systems and flexibility plan.	Electricity settlement reform Ofgem
Energy Code Reform	To ensure that the energy codes can respond to the significantly changing sector, enabling change to be delivered more efficiently and effectively in the interests of consumers, and to support the transition to net zero.	Energy Code Reform Ofgem
Network Charging Reforms	Ofgem is variously taking forward network charging reforms. Some of the most recent that have completed being the Targeted Charging Review (residual cost recovery reform) and Access reform (shallower connection charges for distribution). Reform of Transmission charges seems to be progressing again and reform of distribution charging appears to be back on Ofgem's agenda to consider progressing. Watch this space.	Distribution Use of System Charges: Significant Code Review Launch Ofgem Home - Charging Futures





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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