

## Regulation and policy update for community and local energy stakeholders (December 2021)

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.

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
<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> <ul style="list-style-type: none"> <li>a review of the definition and choice of access rights for transmission and distribution users</li> <li>a wide-ranging review of distribution network charges (Distribution Use of System (DUoS) charges)</li> <li>a review of the distribution connection charging boundary</li> </ul>	<p>Ofgem</p>	<p><b>Update – Ofgem issued its <i>Consultation on our proposal to take forward the reform of Distribution Use of System charges under a separate Significant Code Review on revised timescales on 1 November 2021 with responses due by 6 December 2021, which would descope the review of DUoS charges from the Access SCR.</i></b></p> <p><b>The reform of Distribution Use of System Charges would include but not be limited to the following issues:</b></p> <ul style="list-style-type: none"> <li>- <b>A review of the charging methodologies for Extra-High Voltage (EHV), as well as High Voltage/Low Voltage (HV/LV)</b><sup>10</sup></li> <li>- <b>The balance between usage-based and capacity-based charges, as well as charges that could vary by time-of-use</b></li> <li>- <b>Improvements to signals about how network costs and benefits vary by location</b></li> <li>- <b>Improved predictability of charges for EHV users</b></li> </ul>	<p>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.</p>

	<p>a focused review of transmission network charges (Transmission Network Use of System (TNUoS) charges)</p>	<p><b>- The potential need for mitigating measures such as a basic charging threshold to protect small users (and vulnerable customers) from sharper charging signals</b></p> <p>Sep-21 – Ofgem issued a consultation on its minded to positions for three key areas of its Access and Forward-looking Charges Significant Code review: distribution connection charging, the definition and choice of access rights, and transmission charges for small distributed generators. The deadline for responses: 27 August 2021.</p> <p>June-21 Ofgem issued a consultation on its minded to positions for three key areas of its Access and Forward-looking Charges Significant Code review: distribution connection charging, the definition and choice of access rights, and transmission charges for small, distributed generators. The deadline for responses: 27 August 2021.</p> <p>Jun-21 - From a Distributors perspective this Significant Code Review is on hold until Apr/May 2021 while Ofgem carries out further work with a view to reassess the options being considered for Distribution Use of System (DUoS) and Transmission Network Use of System (TNUoS) charging, recognising that delays put the April 2023 implementation date at risk. This could result in a phased implementation approach being taken for elements of this Significant Code Review. Ofgem may issue a “minded too” consultation on their proposals for distribution connection charging reform before the summer break. It is likely that Ofgem will give a general update on their latest thinking when this document comes out. Ofgem’s</p>	<p>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.</p>
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		<p>proposals on distribution use of system charges (DUoS) are expected to follow on subsequently.</p> <p>Jan-21 – Responses were provided to the request for information and Ofgem had been planning to publish its minded to proposals for consultation by the end of this year but has now decided to push this back into 2021.</p> <p>This has an impact on development of the initial RIIO-ED2 business plan and Ofgem is considering in particular how impacts could be managed through re-openers or uncertainty mechanisms.</p> <p>The key reasons for the Ofgem delay are to explore the links with the development of flexibility markets and to have a clear overall vision for how flexibility will be valued. They are gearing up their work on developing this vision – working with BEIS – and think there is value in holding off issuing their minded to proposals on access until it is clearer. In addition, Ofgem think there is a need to consider wider issues that have arisen with aspects of electricity transmission charging.</p> <p>Ofgem issued a request for information seeking to understand the potential implementation costs associated with the policy reform options being considered. Responses due by 14 August.</p> <p>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</p>	
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		<p>during ED2 and would affect Business Planning submissions and prolongs the uncertainty of the access and forward looking charging regime for stakeholders.</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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<p><b>Mandatory Half Hourly Settlement (MHHS) Significant Code Review</b></p>	<p>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).</p>	<p>Ofgem</p>	<p><b>Update: 19 Nov Ofgem announced business separation of Exelon for the MHHS Program to facilitate the industry led format of the SCR.</b></p> <p><b>On the 1 November MHHS published its Governance Framework to inform stakeholders that Ofgem is now designating the Governance Framework for MHHS.</b></p> <p><b>On the 12 August Ofgem published an update on this significant code review stating their intention to submit their first set of Authority-led proposals in respect of code modifications required to put in place the Market-Wide Half-Hourly Settlement (MHHS) implementation and governance arrangements to the relevant panels and administrators of the following industry codes:</b></p> <ul style="list-style-type: none"> <li>• <b>Balancing and Settlement Code (BSC)</b></li> <li>• <b>Distribution Connection and Use of System Agreement (DCUSA)</b></li> <li>• <b>Connection and Use of System Code (CUSC)</b></li> <li>• <b>Smart Energy Code (SEC)</b></li> <li>• <b>Retail Energy Code (REC)</b></li> </ul> <p><b>Ofgem have set out their intention for the implementation of the MHHS by October 2025.</b></p>	<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>
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<p><b>DCUSA Change Proposal (DCP) 390 'Provision of Isolations for Safe Working on Customers' Electrical Installations'</b></p>	<p>Proposed change under the Distribution Connection &amp; 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><b>Update – Following industry consultation this change proposal was issued to parties for voting on 26 November 2021 with votes required by 17 December 2021.</b></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>
<p><b>DCUSA Change Proposal (DCP) 383 'Provision for Distributors to move meters for a service alteration'</b></p>	<p>Proposed change under the Distribution Connection &amp; Use of System Agreement (DCUSA) to define a process detailing when a distributor can move a supplier's meter during service alteration works.</p>	<p>DCUSA</p>	<p><b>Update – This change proposal was issued to parties for voting on 22 October 2021, with responses due by 12 November 2021. The outcome of the vote was that parties recommend DCP 383 be accepted. This change proposal is now with the authority for final determination.</b></p> <p>Sept-21 The Working Group issued a consultation with responses due by 21 July 2021. Following this the working group has started to draft the change report together with the draft legal text for the change.</p> <p>Jun-21 - The DCP 383 working group has been created and have met four times between March and May 2021 to develop the proposal.</p>	<p>This change will improve the customer journey through the service alterations process by offering a 'one stop shop'.</p> <p>A service alteration is a change to location of your supply point and meter.</p> <p>It helps community energy groups by making connections more accessible</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 may be distorting investment or dispatch decisions under review.</p>	<p>Ofgem</p>	<p>Sep-21 The decisions on the remaining four modifications were expected on 27 August 2021, but Ofgem has advised that this will now be delayed and hasn’t yet provided an update on when the decisions will be published.</p> <p>Jun-21 - Three of the seven Connection &amp; Use of System Code modifications related to the Targeted Charging Review have been approved by Ofgem. The decisions on the remaining four modifications are expected over the coming few months.</p> <p>Jan-21 - All Targeted Charging Review related modifications/change proposals for the Connection &amp; Use of System Code (CUSC) and the Distribution Connection &amp; Use of System Agreement (DCUSA) were submitted to Ofgem for the final decision. Ofgem has already approved the four DCUSA changes and one of the five CUSC modifications.</p> <p>In looking at the cross-code implications of the change proposals Ofgem is waiting for the whole suite of these to be submitted before making its final determinations.</p> <p>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.</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>To spread the costs of maintaining the electricity grid more fairly providing savings for consumers.</p> <p>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.</p> <p>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.</p>
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<p><a href="#">Switching – Significant Code Review</a></p>	<p>Ofgem is implementing changes to switching arrangements that will enable consumers to switch</p>	<p>Ofgem</p>	<p>Ofgem’s timetable:</p> <ul style="list-style-type: none"> <li>Ofgem launch statutory consultations on switching licence changes and submit modification proposal to relevant code</li> </ul>	<p>The rationale for intervention is the current switching arrangements result in negative</p>

	<p>their energy supplier reliably and quickly.</p> <p>The provisions underpinning switching will be included in the Retail Energy Code (REC) v3.0. This version will come into force at the same time as the new switching systems and processes, expected to be summer 2022.</p>		<p>panels December 2021 for the Supplier licence and January 2022 for the network operator licences (the consultation will close in January and February 2022 respectively)</p> <ul style="list-style-type: none"> <li>• The Code panels submit recommendations on Ofgem’s recommendations in February 2022.</li> <li>• <b>The Central Switching Service (CSS) and REC v3.0 goes live in Summer 2022.</b></li> </ul>	<p>outcomes for some consumers and were designed in the last century and potentially act as a brake on innovation.</p> <p>In the future, the way that registration date and/or the switching process is managed could require changes if say consumers might want to power their houses from one supplier and their cars from another</p>
<p><a href="#">Retail Codes Consolidation – Significant Code Review</a></p>			<p><b>Please see September 2021 update for last entry on this Code Review</b></p>	
<p><a href="#">DP175 ‘Alt Han Inventory Information Sharing’</a></p>	<p>In June 2021, Electricity North West raised a new proposal to modify the Smart Energy Code (SEC) for the Alternative Home Area Network (Alt HAN) Company to share their inventory information, for the benefit of all SEC Parties moving forward.</p>	<p>SECAS (Smart Energy Code administrator)</p>	<p><b>Update - This draft modification proposal has been withdrawn as the Alt HAN Company recently advised SECAS that their selected technical solution is based on peer to peer technology and therefore Alt HAN Co no longer need to obtain and store BNO or building owner information. Alt HAN Co also advised that the information they have already obtained from BNOs and building owners to date is minimal and will not be maintained going forward.</b></p>	<p>When operating on BNO infrastructure, DNOs and MOPs often discover asset condition issues that require urgent attention. Whenever a BNO issue is discovered, it falls to the industry party discovering the issue to identify the building owner or</p>

	<p>Distribution Network Operators (DNOs) and Meter Operators (MOPs) are often required to operate on electrical infrastructure, within Multiple Dwelling Units (MDUs). MDUs are owned by Building Network Operators (BNOs).</p> <p>The Alt HAN Company has started the development of an Alt HAN Company inventory. This will capture specific details of MDUs, including the information identifying MDUs. It will also include the details of the building owner or landlord, for those BNOs who do not require a Distribution Licence.</p>			<p>landlord, to notify them of the problem.</p> <p>The identification of the building owner or landlord can, in some cases, prove to be considerably difficult. This can lead to a delay to industry parties completing their works. In addition, this can lead to additional risks to the security of the supply of energy, within the affected building, which will affect the level of service, they provide to their customers.</p>
<p><b>COVID-19 Industry implications</b></p>	<p>Ofgem and the various code administrators have been publishing numerous documents in response to the impacts of COVID-19 on the energy sector.</p>	<p>Various</p>	<p><b>Update – Ofgem has continued with its programme of improving the mechanisms to support customers and the industry through the pandemic. Ofgem has set out the mechanisms to recover any bad debts arising as a direct result of the Network Charge Deferral (NCD) scheme. It has also completed and published “Consumers’ Experiences with</b></p>	<p>These changes have been brought in to recognise the issues which are likely to be created (or have already resulted) from</p>

		<p><b>Energy During the Covid-19 Pandemic – Summary of Research Findings” to develop its next steps.</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</b> - <a href="https://www.ofgem.gov.uk/coronavirus-covid-19">https://www.ofgem.gov.uk/coronavirus-covid-19</a></p> <p>Ofgem recognised and paid tribute to the network companies for the considerable efforts made in managing the crisis and supporting customers.</p> <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><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>the pandemic and government response.</p> <p>These changes are likely to be kept under review.</p>
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			<p><b>Update – ELEXON has continued to monitor the performance of the companies during the ongoing pandemic. From January 2021, ELEXON will no longer plan BSC Changes in accordance with the COVID-19 prioritisation criteria.</b></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> <p>This will protect Suppliers from additional costs they could incur if Settlement continued to use ‘business as usual’ estimation methods that were not designed to handle such rapid market-wide changes in customer demand.</p> <p>ELEXON has also suspended a number of performance assurance activities for the foreseeable future.</p>	