

Regulation and policy update for community and local energy stakeholders (January 2020)

We are producing this document in response to stakeholder feedback to help highlight relevant regulation and policy developments, 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 is a useful summary and prompt for further reading based on our judgement of the major changes that might be of interest. The updated sections are exclusively in this document. Areas of importance, but “no change” since our last update are in another document.

Name of regulation/policy	What is it?	Owner	What stage is it at?	Why it matters
DCUSA Change Proposal (DCP) 350 ‘Creation of Embedded Capacity Registers’	Proposed change under the DCUSA to identify all connected sites.	DCUSA	NEW – 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 (DNOs) 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.	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.
Ofgem position paper on Distribution System Operation: our approach and regulatory priorities	Ofgem have published a summary of their position on how distribution networks could be operated in future.	Ofgem	Update – Electricity North West responded to the DSO consultation on 15 October 2019 – our response is on our website. Following on from the consultation, Ofgem has published “Key enablers for DSO Programme of Work and the Long Term Development Statement” Consultation (which can be found here). Responses are due by 7 February 2020.	This is a fundamental change in the way energy distribution networks operate. DSOs will require commercial services to help them manage the grid. This may provide opportunities for community and local energy group groups.
Open Letter Consultation on the	The RIIO-ED2 price control period is the name given to	Ofgem	Update - Electricity North West responded to the RIIO-ED2 Open letter consultation on 15 October 2019 – our response is on our website.	This is the first opportunity to comment on how DNOs

<p>RIIO-ED2 Price control</p>	<p>the next period of time for which DNOs need to agree a future business plan from 2023 – 2028. This letter sets out the context for the development of the price control and Ofgem’s early thinking.</p>		<p>We are reviewing the consultation responses to understand other party views.</p> <p>Ofgem published their RIIO-ED2 open letter decision on 17 December which can be found on the Ofgem website.</p>	<p>might be regulated in the future. This is an ideal opportunity to shape or influence the development of the regulatory approach for RIIO-ED2.</p>
<p>Targeted charging review: Significant code review.</p>	<p>This is Ofgem’s method to review current industry rules/frameworks and this review will focus on:</p> <ul style="list-style-type: none"> 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; keeping the other ‘embedded benefits’ that may be distorting investment or dispatch decisions under review. 	<p>Ofgem</p>	<p>Update – 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 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 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 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>It is hard to tell how both these code reviews 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 connection or use of system costs.</p> <p>The Charging Futures programme is a good source of information for further reading and information via podcasts. 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><u>Access and forward looking charges review: Significant Code Review</u></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"> • a review of the definition and choice of access rights for transmission and distribution users • a wide-ranging review of distribution network charges (Distribution Use of System (DUoS) charges) • a review of the distribution connection charging boundary • a focused review of transmission network charges (Transmission Network Use of System (TNUoS) charges) 	<p>Ofgem</p>	<p>Update – Ofgem published its second (winter) working paper on 16 December 2019 which consists of a suite of discussion notes setting out its current thinking on:</p> <ul style="list-style-type: none"> • Options for reforming the distribution connection charging boundary: setting out options for reforming how electricity distribution connection charges are calculated and initial considerations on whether there is a case for change • Options for focused reforms of transmission network charges: Ofgem set out options to better align transmission network charges for different sizes of distribution-connected and onsite generation, and consider options to reform the proportion of forward-looking charges which are recovered from generation and demand users • How options could be applied to small users: Ofgem’s current thinking about how the options they are considering should apply to small users • Report of consumer panel feedback on access and forward looking charging arrangements • Behavioural insight report on small users • An overview of current access and forward-looking charging arrangements. <p>Ofgem intends to consult on its draft conclusions and draft impact assessment in mid-2020, with a decision on final conclusions and impact assessment early in 2021. This would include a direction to industry to raise the necessary code modifications to take Ofgem’s decision forward and Ofgem’s planning is based on the reforms being implemented in April 2023.</p>	
<p><u>Ofgem customer vulnerability strategy</u></p>	<p>The strategy sets out how Ofgem and the industry will protect energy consumers in vulnerable situations.</p>	<p>Ofgem</p>	<p>Update – The draft updated strategy published for consultation closed on 8 August. Ofgem subsequently published its Consumer Vulnerability Strategy 2025 on 25 October 2019.</p>	<p>Many community and local energy groups work with ‘vulnerable’ people in their community.</p>

<p>Switching Programme – Significant Code Review</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"> • implementing changes to switching arrangements that will enable consumers to switch their energy supplier reliably and quickly, including by the end of the next working day if they chose • require the Data Communications Company to procure a new Centralised Switching Service (CSS) that will facilitate reliable and fast switching across electricity markets. 	<p>Ofgem</p>	<p>Ofgem’s timetable:</p> <ul style="list-style-type: none"> • Commencement of Design, Build and Test Phase in April 2019 • Completion of CSS physical interface designs by July 2019 and industry party mobilisation by August 2019 • Commencement of System Integration Testing in April 2020 and the completion of Full Physical Design Baseline by July 2020 • Planned go live summer 2021. <p>Update – Ofgem has published the Retail Code Consolidation SCR launch statement and REC Technical Specification Approach Consultation. The launch statement provides Ofgem with specific powers to direct changes and timetables under the Significant Code Review.</p>	<p>The rationale for intervention is the current switching arrangements result in negative 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>
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