

Regulation and policy update for community and local energy stakeholders (March 2022)

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><u>Access and forward looking charges review:</u> Significant Code Review (Access SCR)</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 	<p>Ofgem</p>	<p>Update – In June 2021, Ofgem consulted on its minded to positions for three key policy areas within the scope 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. That consultation closed in August 2021.</p> <p>Ofgem issued a further consultation on 24 January 2022 setting out updates to its minded to positions that respond to the feedback it received. It reaffirms the high-level proposals Ofgem put forward for distribution connection charging and access rights, offering opportunity to comment on additional details and clarifications. It also outlines that Ofgem no longer intends to direct changes to transmission network use of system charges under the Access SCR, including the application of these charges to small distributed generators. The deadline for responses was 22 February 2022.</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>a focused review of transmission network charges (Transmission Network Use of System (TNUoS) charges</p>	<p>Dec-21 – 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</i> on 1 November 2021 with responses due by 6 December 2021, which would descope the review of DUoS charges from the Access SCR.</p> <p>The reform of Distribution Use of System Charges would include but not be limited to the following issues:</p> <ul style="list-style-type: none"> - A review of the charging methodologies for Extra-High Voltage (EHV), as well as High Voltage/Low Voltage (HV/LV)¹⁰ - The balance between usage-based and capacity-based charges, as well as charges that could vary by time-of-use - Improvements to signals about how network costs and benefits vary by location - Improved predictability of charges for EHV users - The potential need for mitigating measures such as a basic charging threshold to protect small users (and vulnerable customers) from sharper charging signals <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</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>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 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</p>	
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		<ul style="list-style-type: none"> • Improving the definition and choice of access rights • Potential reforms of the upfront charges for connecting to the distribution networks • Methodology for the network cost models used to set Distribution Use of System (DUoS) charges • Extent of locational granularity • Design of DUoS charges ie the basis on which users are charged • Methodology underpinning the flows on the network model used to set Transmission Network Use of System (TNUoS) Charges • Better locational signals through TNUoS charges – embedded generation • Design of TNUoS demand charges ie the basis on which users are charged <p>Over the coming months these options will be subject to detailed assessment leading to an Ofgem minded-to decision in Autumn 2020.</p> <p>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 Energy During the Covid-19 Pandemic – Summary of Research Findings” to develop its next steps.</p>	
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<p>Market-wide Half Hourly Settlement (MHHS) Significant Code Review</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>Update: Ofgem has made a number of appointments to facilitate the MHHS programme including the Independent assessment body.</p> <p>ELEXON has raised a change to defer the programme milestones back by three months as suppliers are unable to engage with the programme due to other competing obligations. The suppliers have raised an alternative change which will defer the programme milestones back by 7 months.</p> <p>A number of change proposals have been raised across the numerous commercial codes to start putting specific requirements in place to support the programme.</p> <p>19 Nov Ofgem announced business separation of Elexon for the MHHS Program to facilitate the industry led format of the SCR.</p> <p>On the 1 November MHHS published its Governance Framework to inform stakeholders that Ofgem is now designating the Governance Framework for MHHS.</p> <p>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:</p> <ul style="list-style-type: none"> • Balancing and Settlement Code (BSC) • Distribution Connection and Use of System Agreement (DCUSA) • Connection and Use of System Code (CUSC) 	<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>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>	DCUSA	<p>Update – 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>
<p>DCUSA Change Proposal (DCP) 383 ‘Provision for Distributors to move meters for a</p>	<p>Proposed change under the Distribution Connection & Use of System Agreement (DCUSA) to define a process detailing when a distributor can move a supplier’s meter during service alteration works.</p>	DCUSA	<p>Update – The Authority approved this change and it was subsequently implemented on 24 February 2022.</p> <p>Dec-21 – 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.</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</p>

<p>service alteration'</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>your supply point and meter.</p> <p>It helps community energy groups by making connections more accessible</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> <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>Update - The Authority approved the remaining CUSC modifications for implementation on 1 April 2023:</p> <p>CMP343 (WACM2)/CMP340 (Original) - Transmission Demand Residual Bandings and allocation (TCR)</p> <p>CMP335 (Original)/CMP336 (WACM1) - Transmission Demand Residual, billing and consequential changes to CUSC</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 & 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 & Use of System Code (CUSC) and the Distribution Connection & Use of System Agreement (DCUSA) were submitted to Ofgem for the</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>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>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>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>Switching – Significant Code Review</p>	<p>Ofgem is implementing changes to switching arrangements that will enable consumers to switch 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>Ofgem</p>	<p>UPDATE:</p> <ul style="list-style-type: none"> Ofgem launched statutory consultations on switching licence changes and submit modification proposal to relevant code panels in December 2021 for the Supplier licences (the consultation for Suppliers closed in January and the consultation for network operators will close on the 21 March 2022) Ofgem publish a decisions on these licence changes in Spring 2022. <p>Ofgem’s timetable:</p> <ul style="list-style-type: none"> The Central Switching Service (CSS), REC v3.0, other consequential code changes and licence changes to take effect on the CSS Go-Live Date of 18 July 2022. 	<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</p>

				<p>one supplier and their cars from another</p>
<p>Reforming the Energy Codes – Significant Code Review</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>This is one of the slower moving SCRs, work to date by BEIS and Ofgem includes:</p> <ul style="list-style-type: none"> • In 2019, and invite to a series of workshops and the publication of a first consultation on this SCR proposed reforms in four areas: providing 1) strategic direction, 2) empowering and accountable code management, 3) increase independence of decision-making and 4) code simplification and consolidation). • In 2020, the summary of responses to the first consultation • In 2021, the publication of a second consultation, impact assessment an workshop invite on the design and delivery of the reform. In their design they set out their preferred option is for Ofgem to be designated as a ‘strategic body’ over the energy codes with separate code managers. <p>BEIS and Ofgem timetable:</p> <p>2022 – BIES and Ofgem will publish their decision on both the 2019 and 2020 consultations.</p> <p>2024 – further code consolidation begins under the preferred option.</p>	<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.</p>

Retail Codes Consolidation – Significant Code Review			<p>Please see September 2021 update for last entry on this Code Review</p>	
DP175 ‘Alt Han Inventory Information Sharing’			<p>Please see December 2021 update for last entry on this Code Review</p>	
<p>DUoS Charges Significant Code review</p>	<p>Ofgem</p>	<p>Recently Launched</p>	<p>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>

<p>Retail market issues, regulatory reform and affordability</p>	<p>Ofgem and BEIS</p>	<p>Recently launched</p>	<p>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>	<p>Energy bills, driven by wholesale costs are increasing substantially. Various policy measures are being taken, with some commentators anticipating further steps being announced .</p>
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