

Regulation and policy update for community and local energy stakeholders (Sep 19)

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 and we can't promise that this will be an exhaustive list but will hopefully be a useful summary and prompt for further reading.

Name of regulation / policy	What is it?	Owner	What stage is it at?	Why it matters
NEW 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	Consultation until 15 th October 2019. This is a consolidation of Ofgem's thoughts so far and gives an insight into how DSO's may develop.	This is a fundamental change in the way energy distribution networks operate. DSO's will require commercial services to help them manage the grid. This may provide opportunities for community and local energy group groups.
NEW Open Letter Consultation on the RIIO-ED2 Price control	The RIIO-ED2 price control period is the name given to the next period of time DNO's need to agree a future business plan for from 2023 – 2028. This letter sets out the context for the development of the price control and Ofgem's early thinking.	Ofgem	Consultation until 15 th October 2019.	This is the first opportunity to comment on how DNOs might be regulated in the future. This is an ideal opportunity to shape or influence the development of the regulatory approach for RIIO-ED2.
NEW Directive of the European Parliament	An amendment to Directive 2012/27/EU as part of the Clean Energy	European Council and	It came in to Law on 5 th June 2019 so we believe it will still apply after any	The CEP formally recognises community energy projects and aims to strengthen their rights and clarify the obligations

<p>and the Council on common rule for the internal market for electricity</p>	<p>Package (CEP)</p>	<p>Parliament</p>	<p>BREXIT.</p>	<p>of rid users engaged in both individual and collective self consumption.</p> <p>Further reading available from the Council of European Regulators which analyses the regulatory implications of new and developing practice such as self consumption.</p>
<p><u>Targeted charging review: Significant code review.</u></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:</p> <p>Ofgem is seeking to provide stakeholders with an update on its refined proposals for the reform of residual charges, so before making its final decision, Ofgem issued a consultation on refined residual charging banding on 3 September 2019 with responses due by 25 September 2019.</p> <p>Consultation - refined-residual-charging-banding</p> <p>Ofgem’s timetable:</p> <p>Ofgem intend to publish their minded-to decision in 2020 and final decision in 2021, with any changes being implemented by April 2023.</p>	<p>It is hard to tell how the 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 pod casts. 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:</p> <p>Ofgem issued the 1st working paper on 6 September 2019. This paper details Ofgem’s current thinking on:</p> <ul style="list-style-type: none"> • Context and approach to this SCR • Options for reform of access rights for transmission and distribution • Network charges • Benefits to users with examples • Links between the options for reform • Engagement with industry stakeholders <p>Ofgem welcomes views on the working paper and will be discussing the content at the Charging Futures Forum on 19 September 2019.</p> <p><u>Access-and-forward-looking-charges-significant-code-review-1st-working-paper</u></p>	
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<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> <p>implementing changes to switching arrangements</p>	<p>Ofgem</p>	<p>UPDATE: - In July Ofgem published a joint Switching and Retail Codes Consolidation consultation which closed on 9 September 2019.</p> <p>Ofgem’s timetable:</p> <p>Commencement of</p>	<p>The rationale for intervention is the current switching arrangements result in negative outcomes for some consumers and where designed in the last century and potentially act as a brake on innovation.</p> <p>In the future, the way that</p>

	<p>that will enable consumers to switch their energy supplier reliably and quickly, including by the end of the next working data if they chose</p> <p>require the Data Communications Company to procure a new Centralised Switching Service (CSS) that will facilitate reliable and fast switching across has and electricity markets.</p>		<p>Design, Build and Test Phase in April 2019</p> <p>Completion of CSS physical interface designs by July 2019 and industry party mobilisation by August 2019</p> <p>Commencement of System Integration Testing in April 2020 and the completion of Full Physical Design Baseline by July 2020</p> <p>Planned go live Summer 2021</p>	<p>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>Energy Codes Review – Significant Code Review</p>	<p>This is BEIS's/Ofgem's method to review current working practices and this review will focus on:</p> <p>the rules underpinning the operation of the electricity and gas networks, and the wholesale and retail markets</p> <p>develop options for improving the</p>	<p>BEIS/Ofgem</p>	<p>BEIS's/Ofgem's timetable:</p> <p>UPDATE: Review launched November 2018 with stakeholder engagement workshops held in February 2019 and September 2019. This review is in its infancy and the first consultation was issued July 2019 with responses due by 16 September 2019.</p> <p>In the consultation BEIS/Ofgem indicate they</p>	<p>The review aims to improve the existing code arrangements and include scope for fundamental reform. It acknowledges that many of the rules governing the energy sector were designed several decades ago for an energy system and market that had yet to see significant growth in low carbon technologies or smarter, more flexible approaches.</p> <p>Consequently, the Terms of Reference for the review states that action is necessary in order to create a regulatory framework capable of</p>

	<p>codes and their governance</p> <p>how these changes can be made, including through legislation if necessary</p>		<p>intend to consult further later in 2019 or early in 2020, and depending on the outcome of consultation put forward primary legislation at the earliest opportunity.</p>	<p>delivering the change that will be required to move to a clean, smart, and consumer led energy system</p>
<p>Retail Codes Consolidation – Significant Code Review</p>	<p>In February 2019, Ofgem confirmed their intention to deliver Retail Code Consolidation through a separate Significant Code Review. In the Switching and Retail Code Consolidation consultation Ofgem they set out their proposed scope for this review, They are proposing to merge most of the content of the electricity Master Registration Agreement and gas equivalent into the new Retail Energy Code.</p>	<p>Ofgem</p>	<p>Ofgem’s timetable:</p> <p>Launch Retail Code Consolidation review in Autumn 2019,</p> <p>In Q2 2020, Ofgem will consult on the legal drafting.</p> <p>Early 2021 Ofgem approve all Code modifications and publish decision notice to amend licences.</p> <p>1 April 2021 Retail Code Consolidation and transitional switching code and licence changes ‘active’.</p> <p>In July 2019 Ofgem published a joint Switching and Retail Codes Consolidation consultation which closed on 9 September 2019.</p>	<p>A number of processes are being considered for inclusion in the new Retail Energy Code under this review which are non switching such as provisions for Theft of Energy, Green Deal, Metering and priority services register.</p> <p>More detail on what is being proposed will be including in the review will be announced as part of the launch and Autumn consultation,</p>
<p>Settlement – Significant Code Review</p>	<p>Following a review of the energy sector, the Competition and Markets</p>	<p>Ofgem</p>	<p>UPDATE:</p> <p>Ofgem has published a request for information (RFI) in August 2019 to</p>	<p>Move to HHS will result in customers moving to cost reflective charges (in terms of time bands based on usage rather than assumed profiles).</p>

	<p>Authority recommended that settlement (the process of balancing electricity demand and supply through the market) should be completed on a half hourly to ensure that price of electricity reflects the generation and network costs. This process is enabled through smart meter installation programme.</p>		<p>support the development of the final business case (expected in Q3 of 2020).</p> <p>Ofgem launched its SCR in July 2017 to redesign the settlement processes and systems.</p> <p>A draft business case was published in August 2018 which concluded that move to half hourly settlement (HHS) should occur but how and when needed to be agreed.</p>	
<p>Smart Export Guarantee</p>	<p>Government mandate for supplier over a certain size to guarantee a payment generation under 5MW who export renewable energy to the grid.</p>	<p>BEIS</p>	<p>No updates since last quarter</p> <p>Came into law on 10th June and will be implemented by 31st December 2019.</p>	<p>Provides a guaranteed export tariff for schemes below 5MW. It's not specifically targeted at community or local energy schemes.</p>
<p>Energy data task force</p>	<p>The task force was set up by Government, Ofgem and Innovate UK to look at the role of data in the future of the energy system and has published its final report.</p>	<p>The task force was run by the Energy Systems Catapult</p>	<p>No updates since last quarter.</p> <p>The report has set out five key recommendations that will modernise the UK energy system and drive it towards a Net Zero carbon future through an integrated data and</p>	<p>Energy sector data potentially provides opportunities for community and local energy groups to better understand the needs of their community. How access to data is managed is therefore important to the sector.</p>

			digital strategy throughout the sector	
Enabling consumers to buy and sell electricity from/to multiple providers through Meter Splitting	This a proposed modification to an industry code: P379 which, if it goes ahead will enable individual consumers to be supplied by multiple Trading Parties through a Balancing and Settlement Code (BSC) Settlement Meter at the Boundary Point.	Elexon	No updates since last quarter. The proposed modification has a formal process to follow: it is part way through the working group phase and its progress can be tracked on the Elexon website .	The electricity industry is governed by codes and changes mean new practices can be brought in. This modification could mean domestic customers can contract with more than one supplier and one of those suppliers could be with a community or local energy generator.
Open Networks – Flexible services consultation THIS CONSULTATION IS NOW CLOSED	Open Networks the project that is overseeing the industry-wide project to identify and implement the changes that are required to enable significant low carbon technology deployment across the electricity networks. Also known as the transition from DNO to DSO.	ENA	No updates since last quarter As part of the Open Network project all the DNOs via the ENA consulted on their approach to flexible services so far.	Many community and local energy groups are interested in flexible services and if you have experience or an opinion on how they should be advertised, contracted and delivered and the Open Networks team is keen to engage with all types of stakeholders.
Ofgem customer vulnerability strategy	The strategy sets out how Ofgem and the industry will	Ofgem	No updates since last quarter Draft updated	Many community and local energy groups work with “vulnerable” people in their community. This

<p>THIS CONSULTATION IS NOW CLOSED</p>	<p>protect energy consumers in vulnerable situations.</p>		<p>strategy published for consultation. Closes 8th August</p>	<p>consultation is an opportunity to comment on how the energy industry should support vulnerable customer.</p>