



# Regulatory update for community and local energy stakeholders

## January 2025



# 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.



## New regulation / policy added (highlighted):

- Unlocking community energy at scale
- Warm Homes: Local Grant - budget allocation
- Warm Homes: Local Grant
- Apply for the Heat Network Efficiency Scheme (HNES) Round 9 (closes 28 March 2025)
- ED3 Framework Consultation
- AI in the energy sector guidance consultation
- Market facilitator policy framework consultation
- Connections end-to-end review and Policy consultation on required licence changes for TMO4+
- Final Determinations on RIIO-2 re-opener applications 2024: Electricity Transmission, Electricity Distribution and Gas Distribution

## Updates this quarter

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

- Creation of National Energy System Operator (NESO)
- Chris Stark to lead Mission Control to deliver clean power by 2030
- New Great British Energy partnership launched to turbocharge energy independence
- Apply for the Heat Network Efficiency Scheme (HNES) Round 8 (closes 8 November 2024)
- RIIO-3 Sector Specific Methodology Decision (SSMD)
- Market Facilitator Decision
- Distribution System Operation Incentive annual report
- Ofgem RIIO-ED1 Closeout Decision
- DCC Successor Licensee



# Ofgem – Future Price Controls

Title	Why it matters	Link to website
RIIO-3 company Business Plans  18 December 2024	Gas Distribution, Electricity Transmission and Gas Transmission companies submitted their final business plans for RIIO-3 to Ofgem in December. These have also been published on the companies' own websites. Ofgem has launched a call for evidence to stakeholders on these plans, which is open until 10 February. Ofgem's assessment of the plans (including a formal 8-week consultation) will continue throughout 2025, ahead of Final Determinations in the winter.	<a href="#">call for evidence</a>
<b>ED3 Framework Consultation</b>  6 November 2024	The RIIO-ED3 price control is due to commence on 1 April 2028. Ofgem launched its consultation on the regulatory framework for ED3 in November. This is open for responses until 15 January. A Sector Specific Methodology Consultation (SSMC) will follow in Q3 2025, in the lead up to business plan submissions at the end of 2026.	<a href="#">framework consultation</a>



# Ofgem – Data and technology

Title	Why it matters	Link to website
<p>Flexibility Market Asset Registration consultation</p> <p>Consultation closed September 2024 – awaiting decision</p>	<p>In 2023 Ofgem sought views on its vision for a Flexibility Digital Infrastructure. The aim was to unlock distributed assets to participate in flexibility markets at the pace and scale necessary. In late July 2024, Ofgem set out how its Flexibility Digital Infrastructure policy has evolved and asked for responses to its proposals for achieving common Flexibility Market Asset Registration for distributed flexibility assets to access Electricity System Operator (ESO) and Distribution System Operator (DSO) markets.</p>	<p><a href="#">Flexibility Market Asset Registration</a></p>
<p>Consumer Consent Solution consultation</p> <p>Consultation closed October 2024 – awaiting decision</p>	<p>In its November 2023 Call For Input entitled Data Sharing in a Digital Future, Ofgem asked industry and interested parties for their views on the need for, and best option for a solution to the issues surrounding Consumer Consent. This consultation looked at the development of a digital solution that will enable consumers to share their energy data with trusted third parties to receive tailored services to manage their energy bills. This will encompass the granting of consent, and the more complex aspects of managing, reviewing, and revoking consent.</p>	<p><a href="#">Consumer Consent Solution</a></p>
<p>AI in the energy sector guidance consultation</p> <p>13 December</p>	<p>In 2024, Ofgem issued a call for input on the use of Artificial Intelligence (AI) in the energy sector and published its own high-level strategic approach. Ofgem has now issued draft guidance on how AI should be used safely, securely, fairly and sustainably within the energy sector. This is out for consultation until 7 February 2025.</p>	<p><a href="#">AI guidance consultation</a></p>



# Ofgem - DSO

Title	Why it matters	Link to website
Regional Energy Strategic Planner consultation  Closed 8 October 2024 – awaiting decision	Following the decision on the institutional and governance arrangements in place for planning and operating the energy system at a sub-national level, Ofgem consulted on the next stage of the introduction of the Regional Energy Strategic Plan which will be carried out by the NESO. The consultation sets out the proposed policy framework for the RESP, seeking questions on the RESP building blocks, regional governance and regional boundaries.	<a href="#">Regional Energy Strategic Planner consultation</a>
Market facilitator policy framework consultation  10 December	In July 2024, Ofgem confirmed Elexon’s appointment as the market facilitator: a single, expert entity with a mandate to align local and national flexibility market arrangements. In practice, Elexon will be responsible for aligning rules, processes, standards and services to reduce friction and increase liquidity in flexibility markets. Before the new role goes live (expected by the end of 2025) Ofgem has launched a policy framework consultation, seeking views on its proposed roles, responsibilities, scope, key deliverables and performance arrangements. This closes on 11 February.	<a href="#">policy framework consultation</a>



# Ofgem - Other

Title	Why it matters	Link to website
<p>Refreshing our Consumer Vulnerability Strategy</p> <p>Consultation closed 5 November 2024 – awaiting decision</p>	<p>In 2013, Ofgem published its first Consumer Vulnerability Strategy, which explored the complex nature of vulnerability and set their definition. In 2019, it was updated due to the widespread changes in the energy market. Since then, the energy sector has gone through significant upheaval. The resulting price rises have been especially hard for consumers in vulnerable situations.</p> <p>Ofgem is seeking to refresh its Strategy to reflect a rapidly changing sector and evolving social and economic environment.</p>	<p><a href="#">Consumer Vulnerability Strategy refresh</a></p>
<p><b>Final Determinations on RIIO-2 re-opener applications 2024: Electricity Transmission, Electricity Distribution and Gas Distribution</b></p> <p>9 December 2024</p>	<p>Ofgem has issued final determinations on several business plan re-opener applications, to grant extra funding to network companies in addition to their business plan allowances. For ENWL, this relates to the Storm Arwen re-opener, which looks to enhance network reliability in remote areas during severe weather events, following the devastation caused to large parts of the UK power network in 2021.</p> <p>ENWL has been granted £40m over the next four years across six projects. ENWL was the only DNO to be successfully awarded funding for all the projects it proposed.</p>	<p><a href="#">final determinations</a></p>
<p><b>Connections end-to-end review and policy consultation on required licence changes for TMO4+</b></p> <p>8 November</p>	<p>Within the 2023 Connections Action Plan (CAP), Ofgem, committed to undertake an “end-to-end review” of the incentives, obligations and requirements relating to connections, to address quality of service and timeliness concerns. This consultation is the first stage of that review and is open for responses until 12 February.</p> <p>Additionally, Ofgem has consulted on new and modified conditions for the Electricity System Operator, Transmission and Distribution licences, which would be necessary to implement the proposed Target Model Options (TMO4+) connections reforms. If approved, these reforms will impact key connections obligations, including timeframes to produce offers, what goes into connection offers and the ability of licensees to restrict applications to time-bound application windows. This consultation closed on 6 January. It will be followed by a statutory consultation, expected early in 2025.</p>	<p><a href="#">E2E review consultation</a></p> <p><a href="#">proposed licence changes consultation</a></p>
<p>Proposed Forward Work Programme for 2025/26</p>	<p>Ofgem is consulting on its proposed work programme for the next regulatory year. Its multi-year strategy remains unchanged; however, it is proposing an integrated Clean Power 2030 programme as a new area of focus this year.</p>	<p><a href="#">FWP consultation</a></p>



# DESNZ

Title	Why it matters	Link to website
Local net zero: support for local authorities and communities	Central government provides a range of support to help local authorities and communities to decarbonise.	<a href="https://www.gov.uk">Local net zero: support for local authorities and communities - GOV.UK (www.gov.uk)</a>
Unlocking community energy at scale	Energy Security and Net Zero (ESNZ) Committee launched an inquiry into unlocking community energy at scale. The Committee aims to consider the role of the Local Power Plan in supporting community energy and assess how reforms to the planning system, grid connections and the energy market could support the growth of community energy. It further aims to identify potential solutions to financial and regulatory barriers that community energy projects face. The inquiry is currently accepting evidence until 13 January 2025	<a href="#">Unlocking community energy at scale - Committees - UK Parliament</a>
Warm Homes: Local Grant - budget allocation	£500 million has been allocated as part of the Autumn Budget for the Warm Homes: Local Grant to be delivered from 2025 to 2028 by eligible local authorities.	<a href="#">Warm Homes: Local Grant - budget allocation - GOV.UK</a>
Warm Homes: Local Grant	Funding will be available for local authorities to deliver energy performance and low carbon heating upgrades to low-income homes in England	<a href="#">Warm Homes: Local Grant - GOV.UK</a>
Apply for the Heat Network Efficiency Scheme (HNES) Round 9 (closes 28 March 2025)	Supports performance improvements to existing district heating or communal heating projects.	<a href="#">Apply for the Heat Network Efficiency Scheme (HNES) - GOV.UK</a>



# 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	<a href="#">P441 'Creation of Complex Site Classes' - Elexon BSC</a>
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.	<a href="#">Discounts from TCR charges for 'peaky' final demand customers - DCUSA</a>
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	<a href="#">Pre-Notifications of Planned Supply De-Energisations – DCUSA</a>



# 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.	<a href="#">Include Car Charging Stations In The Definition For Non-Final Demand – DCUSA</a>
SEC DP206 'Allowing Generation Licence Holders to Apply Export MPANs'	To allow Electricity Generation Licence holders to register an Export MPAN. Currently on hold.	<a href="#">DP206 'Allowing Generation Licence Holders to Apply Export MPANs'</a>
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 Proposed implementation date 26/06/2025	<a href="#">SEC MP241 'Interoperability Checker Update'</a>



# Industry Code Change Proposals/Modifications

Title	Purpose of the change	Link to website
DCUSA Change Proposal (DCP) 440 Consuming “de-energised” sites	To ensure all consuming “de-energised” sites are charged DUoS	<a href="#">Consuming “de-energised” sites - DCUSA</a>
DCUSA Change Proposal (DCP) 439 Backdating Tariff Changes	To add a sensible backstop to backdating	<a href="#">Backdating Tariff Changes - DCUSA</a>
DCUSA Change Proposal (DCP) 446 Emergency Disconnections	To enable distributors to charge customers covered by section 2 of the National Terms of Connection for emergency disconnections that have been caused by their act or omission.	<a href="#">Emergency Disconnections - DCUSA</a>



# Industry Code Change Proposals/Modifications

Title	Purpose of the change	Link to website
CUSC Modification Proposal CMP434 'Implementing Connections Reform'	The current connections process is not enabling the timely connection of projects to meet net zero. A wholesale revision is needed to the connections process to meet those targets and the needs of project developers and consumers. This proposal introduces new processes and definitions that will update the existing processes and enable projects that are most ready to progress more rapidly to connection.	<a href="#">CMP434 Implementing Connections Reform   National Energy System Operator (neso.energy)</a>
CUSC Modification Proposal CMP435 'Application of Gate 2 Criteria to existing contracted background'	The related "Implementing Connection Reform" Modification introduces new processes and definitions that will update the existing processes and enable new applicants with more ready projects to progress more rapidly to connection. Gate 2 is a key component of the update; however, the size and rate of growth of the connections queue means that significant action is required as soon as possible to reduce the current queue so that viable projects can be connected more quickly and so that the benefits of our proposed Connections Reform model can be delivered earlier. This Modification seeks to address this by applying a project milestone / criteria ('Gate 2') to all existing contracted parties before they are provided with confirmed connection dates and locations.	<a href="#">CMP435 Application of Gate 2 Criteria to existing contracted background   National Energy System Operator (neso.energy)</a>



# 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.	<a href="#">Electricity settlement reform   Ofgem</a>
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.	<a href="#">Energy Code Reform   Ofgem</a>
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.	<a href="#">Distribution Use of System Charges: Significant Code Review Launch   Ofgem</a>  <a href="#">Home - Charging Futures</a>





## 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



## Contact details

Helen Seagrave  
Community Energy Manager  
[Communityandlocalenergy@enwl.co.uk](mailto:Communityandlocalenergy@enwl.co.uk)

