



Regulatory update for community and local energy stakeholders

July 2024



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.



Updates this quarter

New regulation / policy added:

- Pre-election period causing delays to government and Ofgem decisions/publications
- RIIO-ED1 Closeout adjustments consultation
- Updates to DSO incentives consultation, RIIO-3 SSMD and Future of Local Energy Institutions and Governance items

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

- Decision on the modifications to the Standard and Special Conditions of the Electricity Distribution Licence – including Standard Licence Condition 31F



Updates this quarter cont'd

New industry change proposals added:

- CUSC Modification Proposal CMP434 'Implementing Connections Reform'
- CUSC Modification Proposal CMP435 'Application of Gate 2 Criteria to existing contracted background'
- DCUSA Change Proposal (DCP) 433 Limitation for backdating of rebates/charges under Schedule 32
- DCUSA Change Proposal (DCP) 440 Consuming "de-energised" sites
- DCUSA Change Proposal (DCP) 439 Backdating Tariff Changes

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

- DCUSA Change Proposal (DCP) 411 'Charging De-energised Sites'
- REC R0133 'Consequential Cross-Code Change for BSC P441 - Complex Site Classes Creation'

Updates added this quarter in the sections below are highlighted in purple. Limited number of changes at the moment due to ongoing industry significant code reviews and prioritisation of resources to support those activities.



Ofgem

Title	Why it matters	Link to website
Pre-election period	<p>The pre-election period has brought many policy announcements to a halt for many of the developments Ofgem has been working on. This has delayed certain decisions from being made due to the possible, now actual change in government. For example the RIIO-3 SSMD (see below) is delayed.</p> <p>This has impacted the timing of most government and Ofgem publications, and post 4 July we expect to see clarity emerging and a revised timetable to be issued by DESNZ and Ofgem.</p>	
RIIO-3 Sector Specific Methodology Decision (SSMD)	<p>Following the RIIO-3 Sector Specific Methodology consultation, Ofgem is due to make its decision on the methodologies Ofgem will apply for the electricity and gas transmission and gas distribution sectors in the RIIO-3 price control, which will run from 1 April 2026. 'RIIO-3' will largely see a continuation of the RIIO model of regulation representing Revenue = Innovation + Incentives + Outputs. A decision has been postponed due to the election until Thursday 18 July.</p> <p>The decision delay does not directly apply the Electricity Distribution with RIIO-ED3 framework development due to start in Summer 2024.</p>	<p>RIIO-3 Sector Specific Methodology Consultation (SSMC)</p> <p>(this link is to the consultation, this should help to find the Decision publication when it goes live)</p>



Ofgem

Title	Why it matters	Link to website
Follow-up from the Ofgem decision on the 'Future of Local Energy Institutions and Governance'	<p>Following the decision on the institutional and governance arrangements in place for planning and operating the energy system at a sub-national level. Ofgem is now in its detailed design phase for RESP being conducted through working groups with a consultation originally slated for June 2024 but now timing is affected by the general election.</p> <p>The Market Facilitator role has recently been consulted on by Ofgem focussing on potential delivery body who will undertake this role with a decision due in the Spring. Options being considered are Elexon or FSO/NESO</p>	Decision on future of local energy institutions and governance Ofgem
Ofgem RIIO-ED1 Closeout consultation	Ofgem is consulting on proposed adjustments to DNO allowances following the end of ED1. ENWL has spent within its agreed allowances and so no adjustments have been proposed by Ofgem. Ofgem is proposing to make adjustments to the allowances of all other DNO groups to either reclaim unspent allowances in areas such as load expenditure or on specific high value projects; or make some small additional allowances available for streetworks costs.	https://www.ofgem.gov.uk/consultation/riio-ed1-close-out-consultation-proposed-adjustments



Ofgem

Title	Why it matters	Link to website
Ofgem consultation on the RIIO-ED2 DSO Incentive - Outturn Performance Metrics	<p>Ofgem have published their decision on their proposal to turn off the incentive element for the three outturn performance metrics and to reassign the value of the incentive that was allocated to the DSO performance panel assessment.</p> <p>The proposal follows a series of working groups which concluded that there was not enough clarity in the data to support implementation of this policy decision. Ofgem consulted on the next steps which includes DNOs reporting on performance on these metric areas to allow additional data to better inform target setting in the future.</p>	https://www.ofgem.gov.uk/decision/riio-ed2-dso-incentive-decision-outturn-performance-metrics



DESNZ

Title	Why it matters	Link to website
Apply for the Heat Network Efficiency Scheme (HNES) Round 7	Supports performance improvements to existing district heating or communal heating projects.	Apply for the Heat Network Efficiency Scheme (HNES) Round 7 - GOV.UK (www.gov.uk)
Local net zero: support for local authorities and communities	Central government provides a range of support to help local authorities and communities to decarbonise.	Local net zero: support for local authorities and communities - GOV.UK (www.gov.uk)
Review of electricity market arrangements (REMA): second consultation	Seeks views on a narrowed range of options to deliver an enduring electricity market framework that will work for businesses, industry, and households.	Review of electricity market arrangements (REMA): second consultation - GOV.UK (www.gov.uk)
Barriers to community energy projects – Call for Evidence	Seeks views and evidence on the barriers to community energy projects in England only.	Barriers to community energy projects - GOV.UK (www.gov.uk)



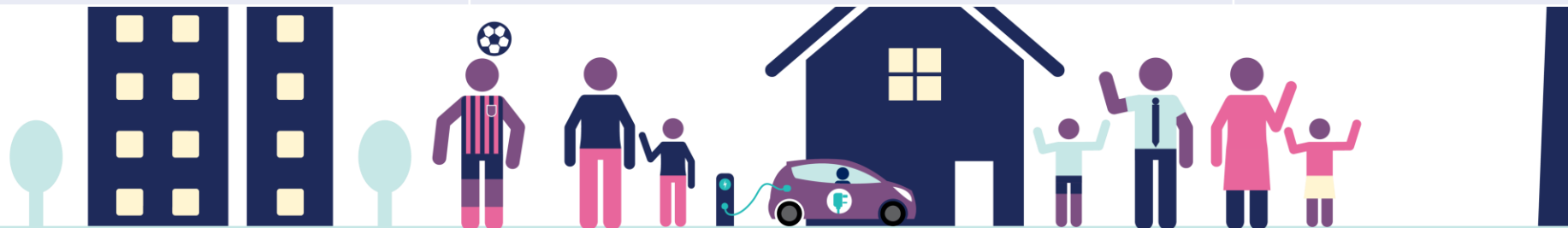
Industry Code Change Proposals/Modifications

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	P441 'Creation of Complex Site Classes' - Elexon BSC
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.	Discounts from TCR charges for 'peaky' final demand customers - DCUSA
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	Pre-Notifications of Planned Supply De-Energisations – DCUSA



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.	Include Car Charging Stations In The Definition For Non-Final Demand – DCUSA
SEC DP206 'Allowing Generation Licence Holders to Apply Export MPANs'	To allow Electricity Generation Licence holders to register an Export MPAN. Currently on hold.	DP206 'Allowing Generation Licence Holders to Apply Export MPANs'
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	SEC MP241 'Interoperability Checker Update'
DCUSA Change Proposal (DCP) 425 'Cost Apportionment Factor "cap" Methodology'	To provide further clarification as to how costs of Reinforcement are apportioned between the Company and the Customer (a Generation Connection) when the High-Cost Project Threshold is triggered.	Cost Apportionment Factor "cap" Methodology – DCUSA



Industry Code Change Proposals/Modifications

Title	Purpose of the change	Link to website
DCUSA Change Proposal (DCP) 433 Limitation for backdating of rebates/charges under Schedule 32	To amend Schedule 32 to ensure that processes which may result in the backdating of rebates/charges are reflective of the limitations within the current industry arrangements.	Limitation for backdating of rebates/charges under Schedule 32 - DCUSA
DCUSA Change Proposal (DCP) 440 Consuming “de-energised” sites	To ensure all consuming “de-energised” sites are charged DUoS	Consuming “de-energised” sites - DCUSA
DCUSA Change Proposal (DCP) 439 Backdating Tariff Changes	To add a sensible backstop to backdating	Backdating Tariff Changes - DCUSA



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.	CMP434 Implementing Connections Reform ESO (nationalgrideso.com)
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.	CMP435 Application of Gate 2 Criteria to existing contracted background ESO (nationalgrideso.com)



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.	Electricity settlement reform Ofgem
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.	Energy Code Reform Ofgem
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.	Distribution Use of System Charges: Significant Code Review Launch Ofgem Home - Charging Futures





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 Manager

Communityandlocalenergy@enwl.co.uk

