



Regulatory update for community and local energy stakeholders

October 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:

- Apply for the Heat Network Efficiency Scheme (HNES) Round 8 (closes 8 November 2024)
- Chris Stark to lead Mission Control to deliver clean power by 2030
- New Great British Energy partnership launched to turbocharge energy independence
- NESO (National Energy System Operator) is established 1 October 2024
- RIIO-3 – Sector Specific Methodology Decision made for Gas Distribution and Electricity Transmission companies, with business plans coming in December 2024 and ED3 process commencing in Autumn 2024
- Ofgem data and technology recent consultations
- Ofgem refresh of Consumer vulnerability strategy
- DCC Successor Licensee – appointment flexibility & future role

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

- Barriers to community energy projects – Call for Evidence
- Apply for the Heat Network Efficiency Scheme (HNES) Round 7
- Review of electricity market arrangements (REMA): second consultation
- Ofgem consultation on the RIIO-ED2 DSO Incentive - Outturn Performance Metrics



Updates this quarter cont'd

New industry change proposals added:

- DCUSA Change Proposal (DCP) 444 Additional Settlement Runs
- DCUSA Change Proposal (DCP) 445 Implementation of Market-wide Half Hourly Settlement (MHHS) Arrangements

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

- DCUSA Change Proposal (DCP) 425 'Cost Apportionment Factor "cap" Methodology' (Implemented)



Ofgem – Future Price Controls

Title	Why it matters	Link to website
<p>RIIO-3 Sector Specific Methodology Decision (SSMD)</p> <p>18 July 2024</p>	<p>Following the RIIO-3 Sector Specific Methodology consultation, Ofgem has made its decisions on the methodologies that 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 Autumn 2024.</p>	<p>Ofgem decision document links</p>
<p>Company Business Plans</p> <p>11 December 2024</p>	<p>All Gas Distribution, Electricity Transmission and Gas Transmission companies are required to submit their final business plans for RIIO-3 to Ofgem in December 2024.</p> <p>These business plans must be published within five working days of their submission to Ofgem.</p> <p>Ofgem will then commence a call for evidence to stakeholders on the plans and commence their assessment which will provide draft determinations in summer 2025 and final determinations in late 2025 (likely December).</p>	
<p>ED3 Open Letter</p> <p>Due Autumn 2024</p>	<p>The RIIO-ED3 price control is due to commence on 1 April 2028. The start of the Ofgem consultation process on the development of the regulatory framework by which ED3 will be guided will be an 'Open Letter' to companies and stakeholders. This is expected to be Autumn 2024, likely early November.</p>	



Ofgem – Data and technology

Title	Why it matters	Link to website
Flexibility Market Asset Registration consultation Consultation closed September 2024	In 2023 Ofgem sought views on their 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 their Flexibility Digital Infrastructure policy has evolved and asked for responses to their proposals for achieving common Flexibility Market Asset Registration for distributed flexibility assets to access Electricity System Operator (ESO) and Distribution System Operator (DSO) markets.	Flexibility Market Asset Registration
Consumer Consent Solution consultation Consultation closed October 2024	<p>In their 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.</p> <p>Ofgem are now consulting on 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>	Consumer Consent Solution



Ofgem - DSO

Title	Why it matters	Link to website
Regional Energy Strategic Planner consultation Closed 8 October 2024	Following the decision on the institutional and governance arrangements in place for planning and operating the energy system at a sub-national level, Ofgem have recently consulted on their 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.	Regional Energy Strategic Planner consultation
Market Facilitator Decision	Following the decision on the institutional and governance arrangements in place for planning and operating the energy system at a sub-national level 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 considered were Elexon or NESO. In late July 2024 Ofgem made the decision that Elexon will be the market facilitator delivery body. Detailed design phase has now been initiated which will inform the implementation of Ofgem's decision.	Ofgem decision on market facilitator
Distribution System Operation Incentive annual report - 2023 to 2024	Ofgem have recently published their DSO Incentive Report for the reporting year 2023 to 2024 which sets out the distribution network companies' DSO Stakeholder Satisfaction Survey scores; the DSO Performance Panel scores; detailed performance panel feedback and the overall financial reward or penalty that each distribution network company will receive for the DSO incentive.	Distribution System Operation Incentive annual report



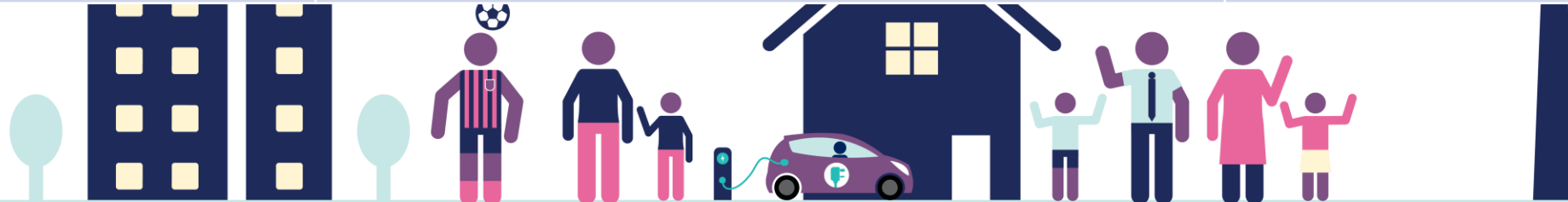
Ofgem - Other

Title	Why it matters	Link to website
Refreshing our Consumer Vulnerability Strategy Consultation closes 5 November 2024	In 2013, Ofgem published their 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. Ofgem are seeking to refresh their Strategy to reflect a rapidly changing sector and evolving social and economic environment.	Consumer Vulnerability Strategy refresh
Ofgem RIIO-ED1 Closeout Decision	Following the end of ED1 on 31 March 2023, Ofgem has now concluded their assessment of areas that could not be settled until the price control had ended. ENWL has spent within its agreed allowances and so no adjustments have been made by Ofgem. Ofgem will 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.	RIIO-ED1 Close out: Decision on proposed adjustments
DCC Successor Licensee	The DCC Licence is set to expire in September 2025. In preparation for this expiry, Ofgem is reviewing the regulatory arrangements for DCC and following consultation in July 2024, decided to extend the existing Licence. Ofgem also consulted on more flexible selection process for the successor licensee including non-competitive selection. Ofgem has also recently commenced consultation on the future role for DCC including improvement areas and opportunities to use digital smart meter data.	DCC review: Process for appointing the Successor Smart Meter Communication Licence holder - conclusions and next steps Ofgem



DESNZ

Title	Why it matters	Link to website
Creation of NESO	The Secretary of State for DESNZ and the Gas and Electricity Markets Authority (GEMA) established the National Energy System Operator (NESO).	Decision to designate NESO NESO website
Apply for the Heat Network Efficiency Scheme (HNES) Round 8 (closes 8 November 2024)	Supports performance improvements to existing district heating or communal heating projects.	Apply for the Heat Network Efficiency Scheme (HNES) - GOV.UK (www.gov.uk)
Chris Stark to lead Mission Control to deliver clean power by 2030	Mission Control will be the first of its kind in government, accelerating the transition away from volatile fossil fuel markets to clean, homegrown power and cut bills for the British people. A one-stop shop, bringing together a top team of industry experts and officials to troubleshoot, negotiate and clear the way for energy projects. NB: Emma Pinchbeck will leave Energy UK to take up the chief executive role at the Committee on Climate Change (CCC) following Chris Stark's move	Chris Stark to lead Mission Control to deliver clean power by 2030 - GOV.UK (www.gov.uk)
New Great British Energy partnership launched to turbocharge energy independence	Great British Energy will be at the heart of the government's mission to make Britain a clean energy superpower. The company will be owned by the British people, for the British people, backed with £8.3 billion of new money over this Parliament to own and invest in clean power projects in regions across the UK.	New Great British Energy partnership launched to turbocharge energy independence - 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)



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'



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
DCUSA Change Proposal (DCP) 444 Additional Settlement Runs	To describe how settlement runs, that will cause Supercustomer DUoS Reports (REP-002/A/B) to be created and sent under MHHS, that were not previously created as D0030/D0314 flows, will be handled	Additional Settlement Runs - DCUSA
DCUSA Change Proposal (DCP) 445 Implementation of Market-wide Half Hourly Settlement (MHHS) Arrangements	To ensure that the appropriate obligations, processes and provisions for the new MHHS arrangements, which have been developed and consulted on as part of the MHHS Programme, are introduced into the DCUSA	Implementation of Market-wide Half Hourly Settlement (MHHS) Arrangements - 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 National Energy System Operator (neso.energy)
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 National Energy System Operator (neso.energy)



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

