DCUSA

DCUSA Change Proposal (DCP)	At what stage is this document in the process?
	01 – Change Proposal
	02 – Consultation
	03 – Change Report
	04 – Change Declaration

DCP 405:

Access SCR - Managing curtailable connections between licensed distribution networks

Date Raised: 6 May 2022

Proposer Name: Tom Cadge

Company Name: The Electricity Network Company Limited

Party Category: IDNO

Purpose of Change Proposal:

The purpose of this change proposal is to implement the outcomes of Ofgem's Access and Forward-Looking Charges Significant Code Review (the 'Access SCR') in respect of curtailable connections where the customer is connected to a different licenced distribution network operator than the network which drives the requirement to curtail the customer. This change proposal seeks to introduce obligations at the boundary between licensed distribution network operators to ensure that an appropriate assignment of responsibilities and liabilities and to implement paragraphs 18-22 of Ofgem's Access SCR Direction.

Governance:

The Proposer recommends that this Change Proposal should be:

- Treated as a Part 1 Matter
- Treated as an Urgent Change
- Treated as an Authority Change
- Progressed to the Working Group phase

The Panel will consider the proposer's recommendation and determine the appropriate route.

Impacted Parties:

DNOs/IDNOs

Impacted Clauses:

New Clause 36.17, Amendments to Schedule 13

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DCUSA

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Indicative Timeline

The Secretariat recommends the following timetable:	
Initial Assessment Report	11 May 2022
Consultation Issued to Industry Participants	TBC
Change Report Approved by Panel	21 September 2022
Change Report issued for Voting	23 September 2022
Party Voting Closes	14 October 2022
Change Declaration Issued to Parties	18 October 2022
Change Declaration Issued to Authority	18 October 2022
Authority Decision	November 2022

Any questions?

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1 Summary

What?

1.1 On 3 May 2022 Ofgem published their final decision (the 'Access SCR Decision') and direction (the 'Access SCR Direction') regarding the Access and Forward-Looking Charges Significant Code Review (the 'Access SCR'). Ofgem believe the Access SCR reforms will be an enabler of Ofgem's strategic priorities, including enablement of investment in low carbon infrastructure at a fair cost, and the delivery a more flexible electricity system. The Access SCR decision focuses on two main areas: changes to the connection charging boundary for demand and generation distribution network connections; and changes to better define curtailable access arrangements at distribution.

1.2 This change seeks to ensure that the agreements at the boundary between licensed distributors are updated to reflect the options for better defined curtailable access which are being implemented as part of the Access SCR.

Why?

1.3 The Access SCR Decision places an obligation on DNOs and IDNOs to bring forward the necessary code changes to implement the Access SCR Decision. Failure to implement the Access SCR Decision may lead to DNOs and IDNOs breaching their licence obligations.

How?

1.4 The implementation of the Access SCR requires changes to a number of industry documents. Whilst the main parts of the curtailable access changes will be implemented through a separate change proposal(s) and changes to other industry and distributor documents, this change seeks to update the contractual relationships between distributors to ensure appropriate allocation of responsibilities and liabilities.

1.5 This change proposal seeks to make changes to Section 2B (Distributor to Distributor/OTSO Arrangements) of the DCUSA document and update Schedule 13 (Bilateral Connection Agreements) to ensure that customers connected to one distributor's network because of a constraint on another distributor's network will receive equitable treatment to those who are curtailed because of a constraint on the distribution network to which they are connected.

1.6 Updates to Section 2B and Schedule 13 will ensure that distributors are required to pass on curtailment signals to their customers when instructed to do so by an upstream distributor who requires curtailment to meet a constraint or seek an alternative solution (such as flexibility) on their networks such that the net import or export from or to the upstream distributors network is the same as it would have been had the customer been curtailed (or different to the extent that it also meets the requirements of alleviating the upstream distributor's constraint).

1.7 This change also seeks to ensure that, where curtailment limits are breached, the party whose actions breach the customer's curtailment limit will be liable for any payments due to that customer in a way that is equal to a situation where that customer had been directly connected to that distributors network.

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2 Governance

Justification for Part 1 and Part 2 Matter

2.1 This change proposal should be treated as a Part 1 matter as it is likely to have a significant impact on competition in the distribution of electricity. Without this change proposal distributors who provide connections to customers which may be subject to curtailment because of a constraint on an upstream distribution network will be required to pay customers when that curtailment limit is breached and will not be able to recover those costs. This could have a distortive impact on competition in the distribution of electricity. This change proposal should also be treated as an Urgent Change and an Authority Change as it has been raised in response to the Access SCR Direction and failure to implement may result in a distributor being in breach of the Relevant Instrument (i.e. the distribution licence in this case).

Requested Next Steps

2.2 This Change Proposal should:

- Be treated as a Part 1 Matter;
- Be treated as an Urgent Change;
- Be treated as an Authority Change; and
- Proceed to the Working Group phase.

2.3 This change proposal will utilise work progressed under a separate change proposal to develop the National Terms of Connection and the suggested Bespoke Connection Agreements. This change should, where possible, be implemented alongside that change proposal but this change will require development to happen first so that it can be used to drive the solution and legal text changes in this change.

3 Why Change?

3.1 This change is required in order to facilitate Ofgem's Access SCR Direction and to ensure that, in implementing that Access SCR Direction, customers are treated equitably when they opt to connect to either a DNO or an IDNO. Specifically, this change has been raised to address paragraphs 18 to 22 of Ofgem's Access SCR Direction, which have been set out below for reference:

Non-firm Access Rights

18) *Reforms to the definition and choice of access rights are explained under 'Details of our Decision' in Chapter 4 of the Access SCR Decision - Decision on Access Rights (in the case for change section), specifically in the following sections:*

i) 'The definition of curtailment', paragraphs 4.35 – 4.44

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ii) *'Setting curtailment limits', paragraphs 4.45 – 4.47*

iii) *'Obligations on the network operator if curtailment is required above accepted limits', paragraphs 4.48 – 4.62*

iv) *'End dates for curtailable access', paragraphs 4.63 – 4.75*

19) *The Proposal(s) must set out a definition of Curtailment which captures any action taken by the network operator to restrict a user's access to the distribution system, explicitly excluding interruptions caused by a fault or damage to the distribution system which results in loss of supply to the customer, and excluding distribution network actions resulting from constraints on the transmission network.*

20) *The Proposal(s) should include restrictions on the circumstances in which a connection offer can include a provision for Curtailment, referred to here as a Curtailable Connection. Those circumstances must include:*

i) *A Curtailable Connection is only offered where the network operator has identified a requirement for Reinforcement to facilitate a connection*

ii) *A Curtailable Connection is not available to small users, which should capture households and non-domestic users that are billed on an aggregated and non-site-specific basis or who are metered directly using whole current meters, and is not available to unmetered users.*

iii) *A Curtailable Connection offer should be accompanied by supporting information on the expected costs of the counterfactual non-Curtailable Connection, to enable the customer to make an informed decision.*

21) *The Proposal(s) should set out a standardised approach to the application of parameters which would apply to connection offers for Curtailable Connections, including:*

i) *The capacity that is curtailable, which could be anything up to and including the full capacity requested by the customer ("Curtailable Capacity").*

ii) *Calculating the number of hours for which a customer has been subject to Curtailment, as the number of hours the customer has been curtailed multiplied by proportion of Curtailable Capacity which was Curtailed ("Curtailment Hours")*

iii) *Setting a limit on the maximum number of Curtailment Hours ("Curtailment Limit") which should:*

a) *be applied in respect of Curtailment Hours over a rolling 12-month period.*

b) *be set by the DNO via a defined process on the basis of maximising network benefit, taking into account network availability and forecast time-profiled levels of demand/generation associated with the relevant network constraint, as well as a probabilistic assessment of the level of Curtailment required.*

c) *be applied consistently across all network operators.*

iv) *The steps the network operator must take in order to avoid exceeding the Curtailment Limit, namely the provision of required network capacity or the procurement of flexibility in line with the requirements of Electricity Distribution Standard Licence Condition 31E.*

v) *The steps which will be taken if the network operator is unable to avoid exceeding the Curtailment Limit, including specifying requirements for notifications from the network operator to the customer prior to exceeding the Curtailment Limit, and payments to the customer at a set price ("Exceeded Curtailment Price") when the Curtailment Limit is exceeded. The Exceeded Curtailment Price should:*

a) *be sufficiently high so that network operators are disincentivised to exceed the Curtailment Limit.*

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b) be markedly higher than contracted market prices of flexibility in the licence area under the requirements of SLC 31E, or the cost of Reinforcement required to provide a connection where contracted market prices are unavailable.

c) be calculated consistently across all network operators.

vi) The date by which the provisions of the Curtailable Connection will cease ("End Date"), and at which point the user will be provided firm access on their full requested capacity. If the customer requests enduring non-firm access, then the Curtailable Connection arrangements will endure.

22) *The Proposal(s) should be based on several principles:*

i) The process should be as simple as possible whilst achieving the Direction's

ii) stated objectives.

iii) The processes implemented must be common to all DNOs and be repeatable.

iv) Limits accepted by customers will be included in both their Curtailable Connection offer and connection agreement.

v) Customers subject to Curtailment will receive regular reporting on the level of curtailment relative to their accepted limits.

3.2 Failure to develop these proposals and implement the associated changes by 1 April 2023 will result in failure to implement the Access SCR Decision, and in doing so result in DNOs being in breach of the distribution licence.

4 Solution and Legal Text

Legal Text

4.1 It is proposed to add new Clauses to Section 2B of the main body of the DCUSA ("Distributor to Distributor/OTSO Relationships) and a new Schedule to the model form Bilateral Connection Agreement in Schedule 13. The proposed legal text is provided as an attachment to this change proposal.

Text Commentary

4.2 The additions to Section 2B of the DCUSA are designed to require distributors to include terms within Bilateral Connection Agreements which facilitate the application of curtailable connections where the constraint is not on the distribution system to which an end user subject to curtailment is connected. This addition should oblige parties to enter into agreements without specifying the agreements in this part of the DCUSA.

4.3 The new schedule in the template BCA contains some suggested clauses for detailing the requirements of curtailment at the boundary between distributors to cover the key areas for ensuring that customers which are subject to curtailment receive a like for like experience irrespective of the network which is driving their curtailment.

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5 Code Specific Matters

Reference Documents

5.1 Access and Forward-Looking Charges Significant Code Review: Final Decision - https://www.ofgem.gov.uk/sites/default/files/2022-05/Access%20SCR%20-%20Final%20Decision.pdf

5.2 Access SCR – DCUSA Direction - https://www.ofgem.gov.uk/sites/default/files/2022-05/Access%20SCR%20-%20DCUSA%20Direction1651572952655.pdf

6 Relevant Objectives

	DCUSA General Objectives	Identified impact
☑	1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	Positive
☑	2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity	Positive
☑	3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	Positive
☐	4. The promotion of efficiency in the implementation and administration of the DCUSA	Neutral
☐	5. Compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

	DCUSA Charging Objectives	Identified impact
☐	1. That compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	None
☐	2. That compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)	None

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☐	3. That compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business	None
☐	4. That, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business	None
☐	5. That compliance by each DNO Party with the Charging Methodologies facilitates compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators; and	None
☐	6. That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	None

6.1 This change will better facilitate the General DCUSA objectives 1, 2 and 3 while have a neutral or no impact on General Objectives 4 and 5.

6.2 Objective 1 is positively impacted as it allows the development, maintenance and operation of efficient, co-ordinated and economical Distribution Networks by ensuring that new connections to IDNO networks are treated in the same way as new connections to DNO networks and that distributors are, on the whole, able to develop networks in a more holistic way.

6.3 Objective 2 is positively impacted as it ensures that new customers connecting to networks will face the same process/experience in relation to curtailable connections irrespective of where constraints are on the distribution system. This promotes competition in distribution of electricity by ensuring that customers are not, artificially, incentivised to opt for an IDNO or DNO in providing their new connection.

6.4 Objective 3 is positively impacted as this change forms part of the suite of changes required to deliver Ofgem's Access SCR Direction.

7 Impacts & Other Considerations

7.1 There are no cross-code impacts of this change proposal.

Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

7.2 Yes, this change proposal is part of a suite of changes that will implement the Access Decision, therefore the SCR phase shall be treated as having ended.

Does this Change Proposal Impact Other Codes?

BSC…….. ☐ MRA…… ☐

CUSC…… ☐ SEC…… ☐

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Grid Code……. ☐ REC……. ☐

Distrbution Code.. ☐ None……. ☒

Consideration of Wider Industry Impacts

7.3 None identified.

Confidentiality

7.4 No parts of this change proposal need to remain confidential to the DCUSA Panel, Ofgem or any subsequent working groups.

8 Implementation

Proposed Implementation Date

8.1 This change is proposed to be implemented on 1st April 2023 to align with the Access SCR Direction.

9 Recommendations

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