

Modification proposal:	Distribution Connection and Use of System Agreement (DCUSA) DCP405 – Access SCR: Managing Curtailable Connections between Licensed Distribution Networks (DCP405)		
Decision:	The Authority ¹ directs that this modification be made ²		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	15 December 2022	Implementation date:	1 April 2023

Background

We published our Decision and associated Direction on the Access and Forward-looking Charges Significant Code Review³ (Access SCR) in May 2022 (the 'Access Decision' and 'Access Direction'). The implementation of the Access Decision will lead to reduced connection charges, and better defined and standardised access right options, enabling more flexible access rights, reducing barriers to entry and supporting the transition to net zero.

The objective of the Access SCR was to ensure that electricity networks are used efficiently and flexibly, reflecting users' needs and allowing consumers to benefit from new technologies and services while avoiding unnecessary costs on energy bills in general. To achieve this, the Access SCR included a review of capacity and financial barriers for connecting to the electricity distribution network, resulting in the following decisions:

- The overall connection charge faced by those connecting to the distribution network will be reduced – removing the contribution to wider network

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ <https://www.ofgem.gov.uk/publications/access-and-forward-looking-charges-significant-code-review-decision-and-direction>

reinforcement costs for demand connections and reducing it for generation connections⁴.

- Existing protections for bill payers are retained and strengthened⁵.
- Standardised non-firm access options become available for larger distribution network users.
- Clear Curtailment Limits and end dates for non-firm access arrangements will be introduced.

Our access rights reforms are designed to complement our decision on the connection charging boundary, enabling network capacity to be brought forward in a strategic and cost-effective manner. We consider that better-defined non-firm access arrangements at distribution will better meet users' needs, reduce risks to connecting customers, and allow DNOs to use these arrangements as a tool to effectively maximise the use of existing capacity whilst network development is undertaken.

As noted above, alongside our Access Decision, we issued the Access Direction to the Distribution Network Operators (DNOs), to bring forward proposals to modify the DCUSA. Specifically, we directed changes in relation to Curtailable Connections, speculative connections, and connection charging methodologies.

This resulted in five complementary change proposals brought forward for decision by the Authority, which collectively aim to implement the Access Decision.

DCP404 and DCP405 propose to standardise and clarify access rights for non-firm connections. They are closely interrelated, as DCP405 ensures the reforms developed under DCP404 are applied consistently across DNO and IDNO networks. DCP405 uses definitions developed as part of DCP404. We consider access rights improvements to be valuable reforms in isolation, while also supporting efficient network development under our proposed connection charging changes.

The modification proposal

Five DCUSA modifications were raised to implement the Access and Forward-looking Charging Reforms resulting from the Access Decision. This document refers to DCUSA change proposal DCP405 (the 'Proposal').

⁴ Also referred to as 'shallow-ish' connection charges.

⁵ Also referred to as the high-cost cap which is a £/kW value above which the connecting Customer is presently required to pay in full for any reinforcement costs and which limits the cost burden of an individual connection, which is shared with DUoS bill payers.

The Proposal was raised by BUUK (the 'Proposer') on 6 May 2022 to introduce obligations at the boundary between licensed distribution network operators. This aims to ensure an appropriate assignment of responsibilities and liabilities and to implement paragraphs 18-22 of the Access Direction. The Proposal aims to implement these changes by adding high level obligations in DCUSA Section 2B and including technical details in DCUSA Schedule 13 (Bilateral Connection Agreement).

It should be noted that rather than replicating the text within DCUSA Section 2B, DNOs are to refer to the new Schedule as implemented by DCP404. This is seen as minimising the risk of duplication and potential for divergence.

DCP405 aims to ensure that in implementing the Access SCR Decision, customers are treated equitably when they opt to connect to either a DNO or an IDNO network. Specifically, this Proposal was raised to ensure the agreements between licensed distributors are updated to reflect the options for better defined curtailable access which are being implemented as part of the Access SCR. In essence, this involves ensuring a customer is not connected to an IDNO network where reinforcement work is needed, until such work has been undertaken, or the customer has agreed to a Curtailable Connection.

The Proposal also allows for DNOs and IDNOs to agree and document the practical details required to implement a Curtailable Connection on an IDNO network and introduces arrangements for the DNO to compensate the IDNO where the IDNO has to make an exceeded curtailment payment to a customer, on the basis that the DNO's actions have resulted in a breach of the curtailment limits. The aim of the Proposal is further to allow for DNOs and IDNOs to agree alternative actions to curtailment of specific customers so far as these provide equivalent benefits to DNOs. These terms reflect those proposed in DCP404.

The Views of the Proposer

The Proposer of DCP405 believes the Proposal better facilitates DCUSA General Objectives 1, 2 and 3 for the following reasons:

DCUSA General Objective 1

- The Proposal allows customers to be treated similarly for connections provided by both DNOs and IDNOs.

- It also facilitates DNOs and IDNOs developing electricity distribution systems in an efficient, holistic and economical fashion as it places obligations on IDNOs not to connect a customer where reinforcement is needed until it has been undertaken or the customer has agreed to a Curtailable Connection.

DCUSA General Objective 2

- The Proposal seeks to ensure that new customers connecting to networks will face the same process/experience in relation to a Curtailable Connection 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.

DCUSA General Objective 3

- The Proposal allows for necessary code changes to be carried out enabling the efficient discharge of licence obligations.
- Objective 3 is positively impacted as this change forms part of the suite of changes required to deliver the Access SCR Direction.

DCUSA Parties' recommendation

In each party category where votes were cast (no votes were cast in the Supplier or CVA Registrant party category)⁶, there was unanimous support for the Proposal and for its proposed implementation date. In accordance with the weighted vote procedure, the recommendation to the Authority is that DCP405 is accepted. The outcome of the weighted vote is set out in the table below:

DCP 405	WEIGHTED VOTING (%)							
	DNO ⁷		IDNO/OTSO ⁸		SUPPLIER		CVA ⁹ REGISTRANT	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	100%	0%	100%	0%	n/a	n/a	n/a	n/a
IMPLEMENTATION DATE	100%	0%	100%	0%	n/a	n/a	n/a	n/a

⁶ There are currently no gas supplier parties.

⁷ Distribution Network Operator

⁸ Independent Distribution Network Operator/Offshore Transmission System Operator

⁹ Central Volume Allocation

Our decision

We have considered the issues raised by the Proposal, the Change Declaration and Change Report dated 3 November 2022. We have considered and taken into account the responses to the consultation that the Working Group issued and the votes of the DCUSA Parties on the Proposal which is attached to the Change Declaration. We have concluded that:

- implementation of DCP405 will better facilitate the achievement of the Applicable DCUSA Objectives;¹⁰ and
- directing that DCP405 is approved is consistent with our Principal Objective and statutory duties.¹¹

Reasons for our decision

We consider that the Proposal will better facilitate the first, second and third DCUSA General Objectives and has a neutral impact on the other relevant objectives.

First Applicable DCUSA General Objective (a) - the development, maintenance and operation by the licensee of an efficient, co-ordinated, and economical Distribution System

Working Group and Voting Party View

The Working Group confirmed that all but one respondent agreed with the proposer that DCP405 would better facilitate the first DCUSA General Objective. All but one voting party also agreed with this view. The respondents highlighted that the Proposal allows customers to be treated similarly for connections provided by both DNOs and IDNOs.

They also considered that it facilitates DNOs and IDNOs developing electricity distribution systems in an efficient, holistic and economical fashion.

Our View

Curtailed Connections generally aim to ensure that parts of the network which are constrained can be used more efficiently while connecting new network users more

¹⁰ The Applicable DCUSA Objectives are set out in Standard Licence Condition 22.2 of the Electricity Distribution Licence.

¹¹ The Authority's statutory duties are wider than matters that the Parties must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

quickly and cheaply. Ensuring that DNOs and IDNOs are both in a position to offer equivalent Curtailable Connection Agreements to their customers enables more efficient, coordinated and economical development, maintenance and operation of the distribution system by maximising the use of existing network capacity and avoiding unnecessary reinforcement.

This in turn means that customers across the distribution system have the ability to choose which connection agreement type they enter into, and receive certain benefits from electing a non-firm agreement (such as a potentially faster/cheaper connection) in situations where the DNO has also identified a clear network benefit to offering a Curtailable Connection Agreement.

We agree that the solution proposed under DCP405 therefore facilitates the first DCUSA Objective by aligning definitions and treatment for Curtailable Connections across DNOs and IDNOs, enabling the licensees to operate and maintain a Distribution System in a more efficient, co-ordinated, and economical manner.

Second Applicable DCUSA Objective (b)– the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity

Working Group and Voting Party View

The Working Group confirmed that all respondents agreed with the Proposer that DCP405 would better facilitate the second DCUSA General Objective. All but one voting party also agreed with this view. The respondents highlighted that the Proposal ensures that customers face similar processes and experiences in relation to Curtailable Connections, regardless if they are DNO or IDNO connections which they considered would benefit effective competition. They further suggested that the Proposal enables customers connected to the IDNO network to have equitable access to the same options as customers on the DNO network.

Our View

We directed the DNOs to implement the Access SCR decision and to ensure that, in implementing that decision, customers are treated equitably when they opt to connect to either a DNO or an IDNO network. DCP405 aligns IDNO governance with DNO governance and creates a level playing field for both to provide Curtailable Connection services.

This alignment ensures that Curtailable Connection arrangements are consistent across the market, providing transparency and a common understanding for affected parties which helps facilitate more uniform connection and curtailment agreements which can be viewed as better facilitating effective competition.

We therefore agree that DCP405 better facilitates this objective. The Proposal ensures consistency for customers irrespective of whether they are connected via DNO or IDNO contracts and facilitates competition in the market.

Third Applicable DCUSA Objective (c) - the efficient discharge by the licensee of the obligations imposed upon it by its licence

Working Group and Voting Party View

The Working Group confirmed that all respondents agreed with the proposer that DCP405 would better facilitate the third DCUSA General Objective. All but one voting party also agreed with this view. The respondents highlighted that the Proposal allows for necessary code changes to be carried out enabling the efficient discharge of licence obligations.

Our View

We agree that DCP405 better facilitates the third DCUSA General Objective, as the Working Group has brought forward a Proposal that meets the terms of the Access Direction and the intent of the Access SCR Decision, which we agree is an obligation imposed on licensees by their licence.

OFGEM's Principal Objective

We are satisfied that the Proposal aligns with our Principal Objective to protect the interests of existing and future consumers, and our other statutory duties which are largely contained in S3A of the Electricity Act 1989.

In our Access Decision, we set out our view that improving the definition and choice of access rights, as brought forward under DCP404 and DCP405, would complement reforms to the connection boundary, and could together support more efficient use and investment in the existing distribution network, better meeting the needs of connection customers, including facilitating the growth of low carbon technologies required for the net zero transition. We consider this will contribute to protecting the interests of

consumers, including in relation to their interests in the reduction of electricity supply greenhouse gas emissions.

In addition, we consider reforms to access rights across the distribution system (including on IDNO networks) can support cheaper and faster connection to constrained parts of the network for new generation and demand, including low carbon technologies, particularly in combination with a shallower connection boundary. Improving the definition of access rights options could support more efficient use of the network by maximising the use of existing network capacity, as well as supporting a level playing field between customers by improved clarity and standardisation of options.

We recognise that review and development of aspects of the solution once implemented may be beneficial and encourage DNOs to consider and bring forward any proposed improvements through standard industry processes.

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP405: Access SCR Managing Curtailable Connections between Licensed Distribution Networks be made.

Amy Freund
Head of Electricity Connections
Energy Systems Management & Security

Signed on behalf of the Authority and authorised for that purpose