DCUSA Sandbox Application Assessment Form

DCUSA Code Administrator Assessment				
Who's the applicant?	Emergent Energy Systems Limited (Emergent)			
Application ID	ERS/008			
Are they a Party to the DCUSA?	**Yes** ☐	**No** ✓	**If no, then who is the Party?**	**Partner**
If the applicant isn't a Party, then which Party is their Partner	Northern Powergrid		**What is the Party Category of this Party**	DNO

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1. Summary of our understanding of applicant's proposal

WHAT?

1.1 Emergent Energy Systems Limited (Emergent) develops and operates microgrids for housing companies. Each microgrid may include an electricity private wire, solar PV, heat pumps, EV chargers and shared batteries. Emergent helps its clients deliver decarbonisation in a way that is cost-effective, while unlocking benefits from delivering Net Zero for its residents in the form of lower energy bills.

1.2 Emergent's primary target clients are social housing providers and it currently has systems running with Gateshead Council, Nottingham City Council, and Brighton & Hove City Council and is engaged at a pre-operational stage with others.

1.3 This innovation project and DCUSA Sandbox Application aims to explore and facilitate competition in supply to customers on private wire electricity networks, specifically domestic (and where relevant small non-domestic) customers (and where some are in vulnerable circumstances). This project is subject to a separate 'live' Balancing and Settlement Code (BSC) sandbox application that will ensure Settlement is accurate[1], whilst this application specifically seeks to ensure that Distribution Use of System (DUoS) charges are levied appropriately in specific circumstances i.e. where there is competition in supply on a private network with domestic (and where relevant small non-domestic) customers.

1.4 This innovation will also support the growth of microgrids in retrofit settings. Microgrids in retrofit settings are an essential way of ensuring that Net Zero is delivered fairly for customers, since they can be used to give otherwise excluded customers the benefits of Net Zero technologies. For example, residents of flats have historically been unable to access the benefits of solar PV generated on-site. Emergent is seeking to trial the use of microgrids to share the value of solar PV between residents of flats.

1.5 The purpose of this trial is to test a new process with a small group of domestic (primarily) and small non-domestic customers on private networks, to prove that it can deliver simple, cost-effective arrangements.

WHY?

1.6 Domestic and small non-domestic customers should have the option to be supplied by the private network operator (PNO) or by an alternative supplier of their choice, which is an option by default for domestic customers not on a private network. Unfortunately, current industry arrangements within the Distribution Connection and Use of System Agreement (DCUSA) create a barrier to this approach via the application of fixed DUoS charges across the PNO parties (and where different suppliers are registered by the different parties).

1.7 In theory, applying the DCUSA charging arrangements that are proposed to be introduced for private networks under DCUSA change proposal (DCP) 328 *'Use of system charging for private networks with competition in supply'*[2], will significantly restrict the ability of residents to 'opt out' and choose their own supplier (a 'Third Party Supplier' i.e., a licensed or exempt supplier other than the PNO). However,

[1] https://www.ofgem.gov.uk/sites/default/files/docs/2021/05/emergent_-_bsc_sandbox_derogation_-_260521_002.pdf

[2] https://www.dcusa.co.uk/change/use-of-system-charging-for-private-networks-with-competition-in-supply/

the difference metering arrangements catered for by DCP 328 do not apply to domestic customers, or the metering arrangements subject to the BSC sandbox trial.

1.8 The proposed DCP 328 solution would require bilateral and bespoke arrangements to be entered into in relation to those customers who choose a Third Party Supplier, and in doing so reinforce the barriers to domestic customers on private networks choosing a Third Party Supplier, which the existing BSC Sandbox has sought to address.

1.9 Regardless – and as recognised by DCP 328 – DUoS fixed charges currently levied where competition in supply exists are not cost-reflective, which is evident in the charges currently being levied for the sites in Gateshead and Nottingham. This will be the case for all private networks with domestic customers, where a customer opts to choose a Third Party Supplier.

1.10 Further, the lack of cost-reflectivity has increased following the implementation of Ofgem's Targeted Charging Review (TCR) – effective from 1 April 2022 – which increases the relative proportion of DUoS revenue recovered from domestic customer fixed charges[3].

1.11 This proposal could create a more level playing field for licensed suppliers to compete for domestic and small non-domestic customers being supplied by an exempt supplier over a private wire. Emergent advocate that this will create greater competition and market integrity.

1.12 Emergent suggest microgrids for domestic (and where relevant small non-domestic) customers can deliver significant impacts in terms of improved energy affordability and decarbonisation, but only if the barriers that prevent customers from switching easily between licensed and exempt suppliers are addressed.

HOW?

1.13 Emergent has partnered with the proposer of DCP 328 – Northern Powergrid (also the Distribution Network Operator (DNO) for some customers to which they propose this trial applies) – to trial a new way for DUoS fixed charges to be levied on private networks with domestic and small non-domestic (where relevant) customers. The purpose of this trial is to create and test a practical process that will make it easier for customers on private networks to opt for a Third Party Supplier.

1.14 Emergent propose a simple process that facilitates a domestic or small non-domestic customer to 'opt out' of being supplied by the PNO, without the need for a bilateral legal agreement between the exempt supplier and each licensed supplier. To ensure more cost-reflective DUoS charges are levied, they propose to utilise a process like the rebate option considered as part of DCP 328 – the preferred option of the proposer, which has since been discounted by the working group – to demonstrate its application in practice whilst in a trial environment.

1.15 It is key that the proposed arrangement is transparent, practical and proportionate – with minimal impact on all parties – and seeks to avoid the need for additional DUoS tariffs. In simple terms, they propose that the PNO claims a rebate from the DNO on a periodic basis (say quarterly), and that the DNO then pays the PNO once that claim is validated. The rebate would be equivalent to the aggregate fixed charges levied by the DNO on Third Party Suppliers relating to customers who have 'opted out',

[3] https://www.ofgem.gov.uk/publications/targeted-charging-review-decision-and-impact-assessment

but adjusted to deduct any element of the charge relating to the recovery of DNO costs associated with Supplier of Last Resort i.e. a lower deduction if the DNO is recovering such costs[4].

1.16 The proposed rebate will not take into account capacity charges as these are not explicitly levied on domestic or small non-domestic customers, and unit charges will be correctly levied and subject to the separate BSC sandbox trial (i.e. the units for customers that have 'opted out' will not enter Settlement via the metered boundary to the DNO's network).

1.17 Emergent have recognised that DNO's incur some costs on a per customer basis (e.g. licence fees and smart meter Data Communication Company (DCC) costs) which should arguably also be excluded from the rebate. However, the charging methodologies do not reflect this cost recovery basis. This may be subject to future reform e.g. the wide-ranging review of DUoS under the recently announced DUoS Significant Code Review. Emergent do not propose to further improve general cost-reflectivity of the charging methodologies for the purposes of this trial given any resulting DCP following it would, therefore, likely interact with an ongoing SCR.

1.18 The customers and licensed suppliers will not be impacted. The interaction is between the PNO and DNO only.

1.19 DNOs will require a process to validate and pay PNOs but this is initially anticipated to be administratively straightforward and noting that the PNO for this trial is Emergent only. No changes to DUoS billing systems should be needed as billing is not proposed to be impacted (unlike the current DCP328 proposal). Emergent have recognised that any administrative burden associated with a potential future DCP may be subject to the volume of PNOs with domestic (and where relevant small non-domestic) customers. However, this is currently understood to be low. The proposal is fit for purpose for the trial[5] and arguably the foreseeable future. As noted, a similar process was already proposed as part of developing a solution for DCP 328 and this trial seeks to demonstrate its viability.

1.20 The PNO will be required to submit information to the DNO relating to the number of customers who have opted out. This would, as a minimum, be the addresses of each customer, but should include the Meter Point Administration Number (MPAN) where available.

1.21 Correcting the current lack of cost-reflectivity will likely cause some redistribution of value between industry parties, but no party will be unduly impacted since the solution seeks to ensure that more cost-reflective charges are being levied.

1.22 DNOs are expected to treat the rebate as negative DUoS revenue, consistent with other rebates e.g. because of the reallocation of customers to different Line Loss Factor Classes (LLFCs). The negative revenue would therefore represent DNO 'under-recovery', in isolation, which would be recoverable across the generality of DUoS customers in a later year (i.e. it may increase future 'residual' fixed charges).

[4] As defined in the DCUSA. These costs should not be net off the charge to the PNO as they are recovered by the DNO on a per domestic customer basis, therefore a PNO connecting at a higher voltage does not face these costs.
[5] The trial is limited to 2,000 customers under the BSC sandbox derogation.

2. Eligibility Criteria – Assessment of Impacts

Code Administrator Assessment of potential impacts, including on Parties:

Criteria	Yes	No	Your Analysis
Impact on Charging Methodologies	✓	☐	Proposes to further improve general cost-reflectivity of the charging methodologies, specifically Schedule 16 'Common Distribution Charging Methodology'.
Material impact on other DCUSA Parties	☐	✓	It is understood that there is no material impact on other DCUSA Parties. We have formed this view on the basis that the intent is such that customers and licensed suppliers will not be impacted as the interaction is between the private network operator and the DNO only. We therefore conclude that no other parties need to undertake actions to facilitate the trial or will be impacted by the trial taking place.
Material similarity to existing in force derogations	☐	✓	None identified, this is the first DCUSA Sandbox Application and there are no other general derogations currently in force.
Impact on any imminent changes to DCUSA	✓	☐	It is suggested by the applicant that DCP 328, whilst proposing changes in this area, will not produce the desired effect and is not likely to be suitably applicable to domestic customers on private networks. Emergent's Sandbox Application is focussed on domestic (or small non-domestic) customers connected to private networks and this is likely to be sufficiently different to what may result from DCP 328 and therefore, we don't believe there to be any interaction that wouldn't be able to be accounted for if needed. It is also worth noting that DCP 328 is currently being developed by a Working Group and if it were to eventually be approved by Ofgem, the earliest possible implementation would be 01 April 2024. Therefore, we do not believe there to be imminent interactions between Emergent's Sandbox Application and DCP 328, that would necessitate some form of intervention at this point.

3. Desirability Criteria – DCUSA Objectives Assessment

Code Administrator Assessment of whether the trial better facilitates the DCUSA Objectives:

DCUSA General Objectives	Yes	No
1) The development, maintenance, and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System	☐	✓
2) 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	☐	✓
3) The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences	☐	✓
4) The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it	☐	✓
5) Compliance with the Regulation on Cross-Border Exchanges in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	☐	✓
Code Administrator Comments: This innovation project aims to facilitate competition in supply to customers on private wire electricity networks, specifically domestic (and where relevant small non-domestic) customers, including vulnerable customers. Whilst a change can impact the wider DCUSA Objectives, in this instance this application is more focussed on the DCUSA Charging Objectives with the relevant impacts included in the section below.		

DCUSA Charging Objectives	Yes	No
1) That compliance by each DNO Party with the Charging Methodologies facilities the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	☐	✓
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)	✓	☐

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	☐	✓
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	✓	☐
5) That compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchanges in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	☐	✓
6) That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration	☐	✓

Code Administrator Comments: With respect to the DCUSA Charging Objectives, we believe there to be a potential positive impact upon Charging Objectives two and four. We provide the following rationale:

Charging Objective two is likely to be better met by allowing the proposed trial arrangement to proceed as the intent is to ensure that competition to supply customers connected to private networks is not distorted by the application of inappropriate use of system charges in respect of some or all customers connected to private networks.

Charging Objective four is likely to be better met, as the intent is that developments within DNOs networks such as increasing volumes of requests to facilitate competition in supply on private networks are better accounted for within the Charging Methodologies. More specifically, the application highlights that microgrids for domestic (and where relevant, small non-domestic) customers can deliver significant impacts in terms of improved energy affordability and decarbonisation, but only if the barriers that prevent customers from switching easily between licensed and exempt suppliers are addressed. Without proposed trial arrangement such as this Sandbox Application, there is a risk that any such barriers will continue to exist and will lead to a sub-optimal utilisation of networks.

4. Our understanding of the derogation being requested

4.1 The applicant has requested the maximum derogation length of two years and the applicant has noted that there is a current in flight Sandbox trial within Elexon's BSC Sandbox. The starting date for the trial we would like to align with the BSC starting date – September 21st 2022 running for 2 years, until September 20th 2024.

4.2 DNOs will need the Authority's consent to charge other than in accordance with the charging methodologies approved under standard condition 13 'Charging Methodologies for Use of System and

connection' of the electricity distribution licence, and for the duration of the period over which the trial is live.

4.3 This consent is specifically needed to allow DNOs to implement the rebate methodology, in line with the marked-up legal text in annex A.

5. Trial delivery plan evaluation

5.1 The innovator has provided detail in the "Emergent – ERS Application – DCUSA Application Form" with the relevant text and commentary being included in this assessment form. This detail covers the reasons for the 'what, why and how?' with sufficient information provided to understand the reasons why the change is being requested, the value it offers to which parties and an outline the DUoS and charging implications and requirements, the broader approach utilised under DCP 328 and how this Sandbox Application is impacted by it. It is noted that the trial will be limited to 2,000 customers under the BSC Sandbox Derogation and it is assumed that this will also be the case for any DCUSA derogation.

5.2 In Annex A of the "Emergent – ERS Application – DCUSA Application Form" the applicant has provided new proposed definitions and proposed amendments to Schedule 16.

What Reporting Plan has been agreed?

5.3 The applicants will provide quarterly progress reports (from formal approval) to cover progress updates, sandbox experience, customer engagements, issues, learning and feedback to the DCUSA Panel. This Sandbox Reporting template and content will be agreed with the DCUSA Panel. This report will be provided every quarter from trial initiation and addressed the DCUSA email inbox.

What timescales have been provided for the trial?

5.4 The starting date for the trial seeks to align with the BSC starting date – September 21st, 2022 running for 2 years, until September 20th, 2024.

5.5 Emergent anticipate onboarding 5 sites (a site being defined as each having a boundary point MPAN) to the scheme by October 1st. These are currently operational schemes in Gateshead (1) and Nottingham (4).

5.6 Emergent have advised that they are engaged with other organisations about onboarding new projects to the trial. Over the first year of the trial new additions will be done steadily; perhaps 5 new sites by September 2023, although the pace may pick up in the second year.

5.7 Emergent and Northern Powergrid will commence the process to raise a change proposal to make a modification to the DCUSA at the appropriate time to enable implementation in time for the end of the trial period.

5.8 As highlighted in the reporting plan section of this document, progress reports will be provided on a quarterly basis to the DCUSA Panel to help them understand progress and learning from any Sandbox Trial approved.

Did we think anything was missing?

5.9 No, although, the application sets out a request for a licence derogation and as a direct result of this, we engaged with Ofgem to understand the approach for granting of any licence derogations and what

this meant with respect to this DCUSA Sandbox Application as it wasn't clear to us how such an application should be treated.

6. DCUSA Code Administrator's Recommendation to Ofgem

6.1 On 20 June 2022, we submitted our completed Sandbox Application Assessment form to Ofgem with a recommendation that the Sandbox trial should APPROVED. In response, Ofgem have provided their Pre-Approval and agreed that the we should progress to the next steps as set out under paragraph 7.3 below.

6.2 Our view is that the Panel should recommend to the Authority that Sandbox Consent should be granted to not comply with Standard Licence Condition (SLC) 13A and/or 14 of the Electricity Distribution Licence. We recommend that the Gas and Electricity Markets Authority (the "Authority") grant consent to:

- Not comply with paragraph 13A.4 of Condition 13A of the Distribution Licence in relation the requirement that "The licensee must at all times implement and comply with the CDCM".
- Not comply with Part B 'Compliance of charging statements with Charging Methodologies' of Condition 14 of the Distribution Licence in relation the requirement to ensure that the licensee's Use of System Charging Statement is prepared in accordance with the relevant Charging Methodology.

6.3 We recommend that the Authority grants this consent subject to the following conditions:

- Any approved 'Relevant Party' must continue to comply with the requirements of the Common Distribution Charging Methodology, and in addition, will also comply with the proposed 'Part 5 — Aggregate Metered Rebate Payments' of as set out within Emergent Energy's application to the Energy Regulation Sandbox "Emergent Energy's Sandbox Application" with respect to Schedule 16 of the Distribution Connection and Use of System Agreement (DCUSA), paragraphs 185-189.
- The consent is used only to facilitate the process for providers of Licence Exempt Systems (specifically Emergent Energy) to claim a fixed charge rebate from the 'Relevant Party' within whose area they are located in and only in respect of "Emergent Energy's Sandbox Application". That the consent should be effective for a maximum of two years from commencement of the Trial, or from September 21st 2022, whichever is first.

6.4 We recommend that the Authority grants this consent to any licensee who is confirmed to be a 'Relevant Party', where the following conditions are met:

- Any licensee who, after being contacted by Emergent Energy and discussing the taking part in the trial, agrees to take part in the trial, has provided written confirmation that they wish to take part to ElectraLink as the Code Administrator for the DCUSA.
- Such written confirmation includes the general location of the trial and the total number of customers at that given location.
- This written confirmation has been passed to the Authority from ElectraLink as the Code Administrator for the DCUSA, for which the DCUSA Panel have provided their recommendation as to whether this subsequent 'Relative Party' should be granted consent to take part in the trial.

7. Our Detailed Analysis of Derogation Request

7.1 The applicant has provided detailed information to support the Sandbox Application and the derogation request, including the details provided in Annex A (below) that covers the detailed code requirements, definition changes and impacted clauses of the derogation request.

7.2 In drafting the Sandbox Application Assessment Form, we engaged with Emergent and Northern Powergrid to better understand the application, the scope of the trial, planning and timescales. We hosted a kick off meeting and provided weekly progress updates to Emergent and Northern Powergrid. Both parties were helpful in providing clarifications and in quickly responding to requests for further information. We will continue to engage with the applicants throughout the process and provide updates on the key stage gates agreed.

7.3 If this application was to follow a DCUSA derogation process and for future purposed we have provided outline stage gates are provided below, it is suggested that this learning could be used to support future Sandbox Applications more effectively as we seek to continuously improve the Sandbox Process and increase the volume of Sandbox Applications. It is noted that these milestones were created following engagements with DCUSA, Ofgem Sandbox Team and the applicants:

1) Application submitted to Ofgem by market participant/stakeholder
2) Ofgem assessment - Duly made notification issued to Code Administrator
3) Code Administrator updates the Sandbox Register on the DCUSA website
4) Code Administrator completes a DCUSA Sandbox Application Assessment form
5) DCUSA Code Administrator will submit the DCUSA Sandbox Application Assessment form (inclusive of minded-to position) to Ofgem
6) Ofgem provide feedback on DCUSA Code Administrator minded-to-position also known as 'pre-approval'
7) Code Administrator to issue out for wider consultation with DCUSA parties and collate any representations made
8) Code Administrator to issue complete pack of documentation to the DCUSA Panel for decision – Accept / Reject / Further work required
9) If accepted, the Code Administrator to provide all documentation (inclusive of DCUSA Panel recommendation) to Ofgem for a formal and final decision.

8. Our Rationale for the Recommendation

8.1 At face value, the Sandbox Application isn't seeking to disapply a certain element of the DCUSA as it stands today but it is seeking to temporarily comply with additional requirements for the trial period as specified in 'Annex A'. Therefore, we decided to test the appropriateness of utilising the DCUSA 'Sandbox Applications' process for the application received. The testing we carried out to satisfy ourselves that the DCUSA 'Sandbox Applications' process was an appropriate vehicle under which to trial the rebate methodology for Licence Exempt Networks was as follows:

1) Holding initial discussions with Emergent Energy and Northern Powergrid as their Partner;

2) Presenting an initial view to the DCUSA Panel, with Emergent Energy and Northern Powergrid in attendance prior issuing this first assessment; and

3) Holding multi-lateral discussions between Emergent Energy, Northern Powergrid, Ofgem, a Panel member and ourselves as the DCUSA Code Administrator;

4) Conducting a review of the various guidance and documentation related to Ofgem's Regulatory Sandbox;

5) Holding a further bi-lateral discussion with Ofgem; and

6) Undertaking a detailed review of the relevant provisions within both the DCUSA as well as the Distribution Licence,

8.2 We believe that the consent requested via Emergent Energy's Sandbox Application is needed under the tools made available to innovators via Ofgem's Regulatory Sandbox. Specifically, 'Tool 4b – Code Sandbox Derogation' (see 'Annex D' below) which, amongst other things, envisages the following:

"At the end of the trial period, projects must transition to compliance with the code or raise a modification (change) to make the alterations permanent, and available to other parties of the code."

8.3 Given the Sandbox Application is seeking to comply with additional obligations placed into Schedule 16, and noting that compliance with Schedule 16 is set out within the licence, we are of the view that the DCUSA Sandbox Application process should be carried out in full. This is because we believe that it will be beneficial for Parties to be able to provide their view as part of the next steps of the process and in turn for the Panel (taking views from Parties into consideration) to provide Ofgem with a recommendation of whether the trial should proceed. We have formed this view on the basis that Parties have the operational experience to give insight into any potential issues or ideas that may improve the trial in the round. We also believe that the DCUSA Panel, as the gatekeepers of the DCUSA Change Process should retain some form of oversight of the trial. The Panel are required to look beyond just their own commercial interests and will make their recommendation based on their assessment of whether the trial will better facilitate the DCUSA Objectives and thus be beneficial for industry as a whole and not just the Party they are employed by.

8.4 For completeness, when seeking to understand the implications of the trial on any other provisions within the DCUSA, we undertook a review of elements that relate to setting and invoicing of charges. With respect to the former generally set out within the DCUSA Charging Methodologies, (in this case Schedule 16) and noting that the basis of the trial was with respect to Schedule 16, we then focussed on the latter. In doing so, the only provisions within the DCUSA (other than some defined terms under Clause 1) that we identified as needing further assessment were those contained within 'SECTION 2A - DISTRIBUTOR TO SUPPLIER / GENERATOR RELATIONSHIPS'. We reviewed Clause 19 (see 'Annex B' below) and concluded that the trial would not pose any issues in the DNOs complying with the provisions set out in Clause 19. Our rationale for this view is the trial only proposes to add a requirement for DNOs to calculate and issue rebates to providers of Licence Exempt Systems, who are not captured under Section 2A. As indicated in the application and in line with our assessment, there should be no change

to the charges calculated and invoiced to any Supplier who happens to be registered for any given site that would be part of the trial.

8.5 We also undertook a review of the Distribution Licence, specifically, for provisions related to compliance with charging methodologies, charging statements and the DCUSA. We identified Condition 13A. 'Common Distribution Charging Methodology' and Condition 14. 'Charges For Use Of System And Connection' of the Electricity Distribution Licence as being relevant to this sandbox application (see 'Annex C' below). We did not identify Condition 22. 'Distribution Connection And Use Of System Agreement' nor Condition 22A. 'Governance And Change Control Arrangements For Relevant Charging Methodologies' as being directly relevant to this sandbox application. For conditions 13A and 14, we have included what we believe to most relevant text in 'Annex C' below, within which we've highlighted parts we considered as worthy of consideration.

9. Specific Items that we considered in our Assessment

Applicability to more than one Partner DNO

9.1 During the assessment of this application, it became clear that the proposal was potentially to apply to more than just one partner DNO business and thus a process would be needed to make this so. If the Panel and Ofgem determine that this Sandbox Application should be granted then we suggest that the consent should be granted to any licensee who meet the criteria to be classified as a 'Relevant Party' which in the first instance would include Northern Powergrid, as the named Partner in the application. For any sites that Emergent want to subsequently onboard to the trial, we'd expect that they will hold bi-lateral discussions with the relevant DNO and envisage the following process to document further Partners:

1) Any DNO who, after being contacted by Emergent Energy and discussing the taking part in the trial, agrees to take part in the trial, would need to provide written confirmation that that wish to take part to ourselves as the Code Administrator.

2) Such written confirmation should include the general location of the trial and indicate the total number of customers at that given location.

3) We'd then issue this notice to both the DCUSA Panel and Ofgem, and ask for their consent to add the DNO as the licenced distributor within whose area Emergent Energy operates a Licence Exempt Networks as a ("Relevant Party") to the trial.

4) Once consent has been received, we'd add an entry into the 'Innovation Sandbox Register' held on the DCUSA website to indicate a further Partner DNO has been included in the trial. We suggest that this could be achieved by the addition of a letter to the main application (i.e., if original application is numbered '001' then we'd add a '001A' to the register, and select the Partner DNO for which consent has been given.

Applicability to IDNO's

9.2 Within the DCUSA Sandbox Application and 'Annex A', the applicant has indicated that IDNOs should also be able to take part in the trial. However, we are minded to suggest that IDNOs be removed from the scope of the trial for the following reasons:

1) IDNOs operate under a relative price control framework where IDNO charges are effectively capped at the level of the host DNO charge.

2) IDNOs do not recover allowed revenue and thus the proposal for DNOs to treat the rebate as negative DUoS revenue, consistent with other rebates is unlikely to be applicable to IDNOs. The application noted that the negative revenue would therefore represent DNO 'under-recovery', in isolation, which would be recoverable across the generality of DUoS customers in a later year (i.e. it may increase future 'residual' fixed charges). Our understanding is that an 'under-recovery' for an IDNO would represent a loss as compared to deferred revenue.

9.3 However, the relative price control framework applicable to IDNO charging, is not set out within the DCUSA and thus our knowledge of the exact parameters is likely to be incomplete. We therefore suggest that Parties will be best placed to confirm our understanding of the applicability to IDNO's of the trial.

9.4 Our view is that if Parties confirm that IDNOs should not be in scope of the trial, the text within 'Annex A' should be updated to remove reference to IDNOs.

10. Proposed Sandbox Conditions

10.1 The starting date for the trial seeks to align with the BSC starting date – September 21st, 2022 running for 2 years, until September 20th, 2024.

10.2 It is noted that the trial will be limited to 2,000 customers under the BSC Sandbox Derogation and it is confirmed with the applicant that this will also be the case for any derogation.

10.3 As set out in the reporting plan and if the application is successful, the applicants will provide quarterly progress reports to cover progress updates, sandbox experience, customer engagements, issues, learning and feedback to the relevant authority. This Sandbox Reporting template and content will be agreed with the DCUSA Panel for any future assessments.

10.4 It is noted for all applications, that after review with the DCUSA Panel and Ofgem that further 'Sandbox Conditions' could be included as part of any derogation approval, and these should not be considered final until those reviews have taken place.

ANNEX A

For the purpose of this application, it is proposed by the applicant that 'net' DUoS charges are achieved by means of a periodic rebate claimed from the PNO to the Relevant DNO, calculated as if the following changes were 'live' in the DCUSA:

Insert new definitions in Clause 1

Aggregate Metered	means an arrangement defined in Emergent Energy's BSC Sandbox Trial for the purposes of Settlement, whereby the flows of electricity measured by metering equipment embedded within a Licence Exempt System are aggregated at the Entry Point or Exit Point through which electricity flows from or to that Licence Exempt System, to give the total value that would have been calculated using a difference arrangement.
Eligible Rebate Customers	means either (i) domestic customers or (ii) small non-domestic customers (i.e. those on Non-Domestic Aggregated tariffs), which are connected within a Licence Exempt System which is Aggregate Metered and have opted to not be supplied by the Licence Exempt System, such that data pertaining to those customers enter Settlement separately to the aggregate metered data at the boundary of the DNO/IDNO Party and the Licence Exempt System.
Emergent Energy's BSC Sandbox Trial	means Emergent Energy's application to the Energy Regulation Sandbox from BSC rules about the metering of premises and the submission of metered data into Settlement. See also the associated Authority derogation: https://www.ofgem.gov.uk/sites/default/files/docs/2021/05/emergent_-_bsc_sandbox_derogation_-_260521_002.pdf
Difference Metering	means an arrangement defined in the BSC (BSCP514) for the purposes of Settlement, whereby the flows of electricity measured by metering equipment embedded within a Licence Exempt System are deducted from the flows of electricity measured by the metering equipment at the Entry Point or Exit Point by which electricity flows from or to that Licence Exempt System.
Fully Settled	means where every customer on a Licence Exempt System is to have or has a Supplier, its own MPAN and metering equipment and there is no metering equipment at the boundary between the Distribution System and the Licence Exempt System. The BSC refers to these circumstances as an 'Associated Distribution System'.
Licence Exempt System	means an electricity distribution system that is not owned or operated by a DNO/IDNO Party.
Shared Metering	Where meter readings recorded by Settlement metering equipment at the boundary between the Distribution System and the Licence Exempt System

are apportioned between Suppliers based on readings from non-Settlement meters on a Licence Exempt System in accordance with BSCP550.

Amend the following paragraphs in Schedule 16

1A. The CDCM is applicable to "Designated Properties", as defined in Standard Condition 13A (Common Distribution Charging Methodology) of the DNO Party's Distribution Licences and properties connected to Licence Exempt Systems at Low Voltage (LV), Low Voltage substation (LVS) and High Voltage (HV).

Insert the following paragraphs in Schedule 16

Part 5 — Aggregate Metered Rebate Payments

185. This Part 5 sets out the process for providers of Licence Exempt Systems to claim a fixed charge rebate (the "Rebate") from the DNO/IDNO Party relating to Eligible Rebate Customers, where the DNO/IDNO Party has billed a party other than the Licence Exempt System Use of System Charges for the Eligible Rebate Customers.

186. Paragraph 185 is effective for the period of the DCUSA sandbox trial and the Rebate is calculated in accordance with the following for each qualifying Licence Exempt System:

$$Rebate\ Payment = \sum_{L=LLFCs} [M_L * d * (T_L - S_L) / 100]$$

Where:

M_L = number of Eligible Rebate Customers MPANs on LLFC L

d = Number of billing days

T_L= Fixed charge tariff for LLFC L (in p/MPAN/day)

S_L = Supplier of Last Resort Fixed adder element of the Fixed Charge Tariff for LLFC L (in p/MPAN/day)

187. For a Rebate to be granted, the provider of each Licence Exempt System must contact the DNO/IDNO Party and provide sufficient evidence that the customers for which it is seeking a Rebate meets the criteria of Eligible Rebate Customers, including as a minimum, address details for each customer. For the avoidance of doubt there is no Rebate available for Fully Settled, Difference Metering or Shared Metering arrangements associated with a Licence Exempt System.

188. Unless otherwise agreed with the DNO/IDNO Party, the Rebate will be calculated on a quarterly basis (such period ending 31 March, 30 June, 30 September and 31 December in each year) and payments made shortly after the end of each quarter. The de minimis level of Rebate is £5 (and below that amount no payment will be made).

189. All such Rebates shall be treated as negative revenue from Use of System Charges .

ANNEX B - RELEVANT PROVISIONS WITHIN THE DCUSA

Extract of defined terms as per Clause 1 of the DCUSA

CDCM	means the common distribution charging methodology for determining certain of the Use of System Charges of the DNO Parties that are to be recovered pursuant to Section 2A, Section 2B, and the Relevant Charging Statements, as set out in Schedule 16 (Common Distribution Charging Methodology).
Charges	means, in respect of Section 2A, the Use of System Charges and the Other Charges, and, in respect of Section 2B, those charges referred to in Clause 43.2 (which in the case of Clause 43.2, for the avoidance of doubt, includes both Use of System Charges and Transactional Charges).
Charging Methodologies	means each of the CDCM, the EDCM and the CCCM.
EDCM	means the EHV distribution charging methodology for determining certain of the Use of System Charges of the DNO Parties that are to be recovered pursuant to Section 2A, Section 2B, and the Relevant Charging Statements, as set out: (a) in Schedule 17 (EHV Distribution Charging Methodology A) in respect of those DNO Parties that are named in that Schedule; and (b) in Schedule 18 (EHV Distribution Charging Methodology B) in respect of those DNO Parties that are named in that Schedule.
Relevant Charging Statement	means, as the case may require, any of the following: (a) the statement prepared by a Company in relation to charges for use of system for the time being in force pursuant to Condition 14 of its Distribution Licence; (b) the statement prepared by a Company in relation to charges for the provision of MPAS for the time being in force pursuant to Condition 18 of its Distribution Licence; (c) the statement prepared by a Company in relation to charges for Legacy Meter Asset Provision and Data Services for the time being in force pursuant to Condition 36 of its Distribution Licence; (d) the statement prepared by a Company and for the time being in force pursuant to Condition 38 of its Distribution

	Licence in relation to Last Resort Supply Payments (as described in that Condition); and any statement prepared by a Company and for the time being in force in relation to charges for any other services offered by the Company.
Sandbox Applicant	means the applicant who has made a Sandbox Application and whose identity is set out in the relevant Sandbox Application.
Sandbox Application	means a written request for a derogation, made by the Sandbox Applicant to the Authority pursuant to the Authority's regulatory sandbox procedures, and which the Authority has passed to the Secretariat for review (such regulatory sandbox procedures being the Authority's procedures from time to time whereby prospective energy innovators can seek temporary relief from certain industry rules).
Sandbox Application Assessment Form	has the meaning given to that term in Clause 56.11.
Sandbox Pre-Approval	means a written notification from the Authority detailing whether it believes a Sandbox Application, for which it has received a Sandbox Application Assessment Form, should be approved.
Sandbox Register	means a register for the purposes of assisting the Panel in the operation and recording of Sandbox Applications from initial requests made by a Sandbox Applicant through to completion of successful Sandbox Applications.
Use of Distribution System	means, in respect of a Company or User, the use by that User of that Company's Distribution System for the passing of electricity into a Distribution System and for the conveyance of such electricity by that Company through its Distribution System: (a) in the case of Section 2A, to Exit Points or from Entry Points; or (b) in the case of Section 2B, to or from Connection Points.
Use of System Charges	has, in respect of Section 2A, the meaning given to that term in Clause 19.1C, and, in respect of Section 2B, the meaning given to that term in Clause 43.2.1.
Use of System Charging Methodologies	means the CDCM and the EDCM.

Extract of Clause 19 'Charges' of the DCUSA

19. CHARGES

Charges

19.1 The User shall pay to the Company in respect of services provided under this Agreement (and under the agreements referred to in Clause 19.2) the Charges set out in the Relevant Charging Statement (save where the Company is the Payor, in which case the Company shall pay such charges to the User).

Use of System Charges

19.1A The Company may vary the Use of System Charges at any time by giving the requisite period of written notice to the User. The requisite period of notice is (subject to Clause 19.1B):

19.1.1 where the Company is a DNO Party acting within that DNO Party's Distribution Services Area:

(A) in the case of the charges to apply from 1 April 2016 only, 3 months; or

(B) in the case of the charges to apply on or after 1 April 2017, 15 months; or

19.1.2 where the Company is an IDNO Party or a DNO Party acting outside of that DNO Party's Distribution Services Area:

(A) in the case of the charges to apply from 1 April 2016 only, 2 months;

(B) in the case of the charges to apply on or after 1 April 2017, 14 months.

19.1B The periods of notice described in Clause 19.1A shall apply unless the Authority directs the Company that those periods of notice need not apply. Where the Authority directs the Company that those periods of notice need not apply, the notice period shall be 40 days (without prejudice to any longer notice requirements prescribed by the Distribution Licence).

19.1C The "Use of System Charges" shall be the charges contained or referred to in the Company's Relevant Charging Statement for the time being in force pursuant to Condition 14 of its Distribution Licence, which Use of System Charges may either be stated in the Relevant Charging Statement as:

19.1C.1 a positive value, in which case they shall be payable by the User to the Company; or

19.1C.2 a negative value, in which case they shall be payable by the Company to the User.

Other Charges

19.1D The Company may vary the Other Charges at any time by giving the requisite period of written notice to the User (where the requisite period of notice is the period specified in the Company's Relevant Charging Statement or, where no such period is specified, 40 days). Notwithstanding that the Company may vary such charges at any time the Company shall use reasonable endeavours to: (1) vary such charges no more than two times per year: and (2) vary such charges with effect from 1st April or 1st October. Such charges and any variations are and will be calculated in accordance with the provisions of the Relevant Charging Statement.

19.2 The "Other Charges" shall be:

19.2.1 the charges for (i) the provision of MPAS, and (ii) (where applicable) the provision of Legacy Meter Asset Provision and of Data Services (all pursuant to the Company's obligations under, respectively, Condition 18 and Condition 36 of its Distribution Licence);

19.2.2 (to the extent not captured within Clause 19.1C) the charges for certain services ancillary to those for which Use of System Charges are levied and which are provided by the Company to the User pursuant to any of:

(A) the BSC and the CUSC; or

(B) the Retail Energy Code; and

19.2.3 the charges for any other services provided by the Company to the User pursuant to:

(A) a provision of this Section 2A; or

(B) any other agreement between the Company and the User for the provision of such services which provides for payment pursuant to this Agreement.

Adjustment of Charges

19.3 On any occasion upon which the Charges payable by or to the User under Clause 19.1 have not been calculated strictly in accordance with the provisions of the Relevant Charging Statement, an appropriate adjustment shall be made by the Company and submitted to the User.

19.4 Where an adjustment in accordance with Clause 19.3:

19.4.1 discloses an overcharge, the Payee shall repay to the Payor the amount by which the Payor has been overcharged together with interest thereon from the due date of the invoice containing the overcharge until the date of repayment; or

19.4.2 discloses an undercharge, the Payor shall pay to the Payee the amount by which the Payor has been undercharged together with interest thereon from the due date of the invoice which should have included the amount of the undercharge until the date of payment,

and (in either case) such interest shall accrue from day to day at the base lending rate during such period of Barclays Bank plc, compounded annually. Where the User disputes the adjustment, the User and the Company shall attempt to resolve the dispute in good faith. Where the dispute remains unresolved after 20 Working Days, either of them may refer the dispute to arbitration in accordance with Clause 58 and the User or the Company (as applicable) shall pay the amount payable or repayable (if any) as so determined.

19.4A Notwithstanding Clauses 15.2.2, 15.3.2 and 15.4, where the Company is a UMSO for an EDNO, the provisions of this Clause 19 and of Clauses 20 and 21 shall be interpreted as follows:

19.4A.1 references to a User and a period of time shall include a Supplier Party Registered during that period in respect of the Metering Points on the EDNO's Distribution System covered by the inventory for which the Company is the UMSO;

19.4A.2 references to Entry Points and/or Exit Points on the Company's Distribution System shall include references to Entry Points and/or Exit Points on the EDNO's Distribution System associated with the Metering Points covered by the inventory for which the Company is the UMSO; and

19.4A.3 references to Use of System Charges shall include the Use of System Charges relating to the Metering Points covered by the inventory for which the Company is the UMSO, which charges shall be calculated on the basis of the Company's relevant all-the-way tariff(s) (as determined in accordance with the CDCM) and payable by the User to the Company.

19.4B As a result of Clause 19.4A, where the Company is an EDNO which has appointed a DNO Party as the Company's UMSO, the provisions of this Clause 19 and of Clauses 20 and 21 shall be interpreted such that no Use of System Charges shall by payable by the User to the Company in respect of the Metering Points covered by the inventory for which the DNO Party is the UMSO (on the basis that those charges are instead payable to the DNO Party as the UMSO).

Invoicing of Charges

19.5 Subject to Clauses 19.4A and 19.4B, the Company shall invoice Use of System Charges (but excluding any Transactional Charges) payable by or to the User by reference to Settlement Class using aggregated data obtained from the Supercustomer DUoS Report, except in relation to Metering Points or Metering Systems where:

19.5.1 the electricity imported via an Exit Point or exported via an Entry Point is not reported in the Supercustomer DUoS Report; and/or

19.5.2 the Use of System Charge is not comprised solely of one or more standing charges and/or one or more Unit Rates; and/or

19.5.3 the Use of System Charge is specified in the Relevant Charging Statement as not being billed by Settlement Class; and/or

19.5.4 Use of System Charges are to be determined as a result of an Extra-Settlement Determination.

19.6 All charges payable by or to the User pursuant to this Clause 19 and Clauses 20, 21 or 22:

19.6.1 are exclusive of Value Added Tax and the Company shall include with such Charges (and the Payor shall, subject to a valid invoice having been issued, pay) Value Added Tax (if any) at the rate applicable thereto from time to time, and any such Value Added Tax shall be payable at the same time and in the same manner as the amounts to which it relates;

19.6.2 shall be without prejudice to any claims or rights which the Payor may have against the Payee and except as expressly permitted by Clause 19.6.3 or Schedule 4 shall be made without any set-off or deduction in respect of any claims or disputes or otherwise; and

19.6.3 shall, only where the Company submits on the same day one or more accounts for which the User is Payor and one or more accounts for which the User is Payee, be set-off against one another so that the User or the Company (as applicable) shall make a payment of the net value of those accounts.

19.7 The Company may calculate the Use of System Charges by reference to electricity discovered or reasonably and properly assessed to have been exported onto, or imported from, the Distribution System at an Entry Point or Exit Point relating to a Metering Point or a Metering System for which the User is Registered but not recorded at the time of such export or import (for whatever reason) by the metering equipment installed pursuant to Clause 29.1. At any time when the Company calculates the Use of System Charges under this Clause 19.7, it shall explain to the User the calculation of those charges and the basis of that calculation.

Revision of Charges

19.8 Without prejudice to Clause 19.1, where the Company is intending to revise any of its Use of System Charges, it shall serve a copy of any notice it sends to the Authority pursuant to Part F of Condition 14

of its Distribution Licence on the User as soon as is reasonably practicable after such notice is sent to the Authority.

Other Matters

19.9 Notwithstanding Clause 15.3, the Company may charge the User Use of System Charges calculated by reference to electricity assessed to have been supplied to a Customer while a customer of the User during a period in which the User was supplying electricity to that Customer in accordance with a last resort supply direction issued by the Authority in accordance with Condition 8 of the User's Supply Licence from the time that the direction takes effect. This right subsists from the date on which the last resort supply direction takes effect, and continues regardless of whether the Metering Point applying to the Customer is registered to the User in accordance with the Retail Energy Code, until such time as the relevant Metering Point is registered to another supplier in accordance with the terms of the Retail Energy Code.

19.10 For the avoidance of doubt, nothing in this Clause 19 precludes the Company and the User, at the request of either of them, from negotiating Use of System Charges arising from or pursuant to an Extra-Settlement Determination.

19.11 Where any dispute arises under Clause 19.10, either of the Company or the User shall be entitled to refer the matter to the Authority as if it were a dispute falling within Condition 7 of the Company's Distribution Licence.

Transitional Protection for Customers affected by BSC Modification P272

19.12 Part 4 of the CDCM contains transitional protection for Customers who may be affected by the implementation of BSC modification P272. All DNO/IDNO Parties shall comply with Part 4 of the CDCM, including a DNO Party operating outside of its Distribution Services Area.

ANNEX C - RELEVANT PROVISIONS WITHIN THE ELECTRICITY DISTRIBUTION LICENCE

Extract Of Condition 13A. 'Common Distribution Charging Methodology'

CONDITION 13A. COMMON DISTRIBUTION CHARGING METHODOLOGY

Part A - Licensee's obligations

13A.1 This condition applies to the licensee on and after 1 April 2010 if the licensee is a Distribution Services Provider.

13A.2 This condition applies to the licensee in relation to Designated Properties only.

13A.3 The licensee must take all steps within its power to ensure that the Common Distribution Charging Methodology ('the CDCM') in force under this licence at 1 April 2010 continues to be a Charging Methodology for the determination of the licensee's Use of System Charges that is approved by the Authority on the basis that it achieves the Relevant Objectives set out in Part C below.

13A.4 The licensee must at all times implement and comply with the CDCM.

13A.5 The licensee must, for the purpose of ensuring that the CDCM continues to achieve the Relevant Objectives:

(a) review the methodology at least once every year; and

(b) subject to Part D of condition 22A, make such modifications (if any) of the methodology as are necessary for the purpose of better achieving the Relevant Objectives.

Extract of Condition 14. 'Charges For Use Of System And Connection'

CONDITION 14. CHARGES FOR USE OF SYSTEM AND CONNECTION

Part A - Charging statements to be always available

14.1 The licensee must ensure that the following charging statements prepared by it are at all times available in a form approved by the Authority:

(a) a charging statement that sets out the basis on which charges will be made for Use of System ("the Use of System Charging Statement"); and

(b) a charging statement that sets out the basis on which charges will be made for the provision of connections to the licensee's Distribution System ("the Connection Charging Statement").

Part B - Compliance of charging statements with Charging Methodologies

14.2 Except with the Authority's consent, the charging statements available under paragraph 14.1 must:

(a) in the case of the Use of System Charging Statement, be prepared in accordance with the relevant Charging Methodology within the meaning of standard condition 13 (Charging Methodologies for Use of System and connection), standard condition 13A (Common Distribution Charging Methodology), or standard condition 13B (EHV Distribution Charging Methodology) (as appropriate); and

(b) in the case of the Connection Charging Statement, be prepared in accordance with the relevant Charging Methodology within the meaning of standard condition 13.

Part C - Other general requirements in relation to charging statements

14.3 Except with the Authority's consent, the charging statements available under paragraph 14.1 must:

(a) be presented in such form and with such detail as would enable any person to make a reasonable estimate of the charges for which he would become liable in respect of Use of System or (as the case may be) the provision of connections to the licensee's Distribution System; and

(b) be published in such manner as the licensee believes will ensure adequate publicity for them (including on the licensee's Website).

14.4 The licensee must periodically review the information set out in any charging statement available under paragraph 14.1 and, at least once in every Regulatory Year, must make any changes that are necessary to that statement to ensure that such information continues to be accurate in all material respects.

14.5 The licensee must give or send a copy of any charging statement available under paragraph 14.1 to any person who requests it.

14.6 The licensee may make a charge for any charging statement given or sent under paragraph 14.5 but this must not exceed the amount specified in directions issued by the Authority for the purposes of this condition generally, based on its estimate of the licensee's reasonable costs of providing the statement.

Part D: Contents of the licensee's Use of System Charging Statement

14.7 The information that the Use of System Charging Statement must include is specified in Part A of the Schedule of Contents set out at Appendix 1, which is part of this condition.

Part E: Charging in accordance with the Use of System Charging Statement

14.8 Except with the Authority's consent, every arrangement entered into by the licensee for the purposes of providing Use of System must ensure that the licensee's Use of System Charges comply with the Use of System Charging Statement in the form in which it is in force at each time at which such charges are to be made under the arrangement.

Part F: Amendment of the licensee's Use of System Charges

14.9 Without prejudice to paragraph 14.12, before making any amendment to its Use of System Charges, the licensee must give the Authority a revised Use of System Charging Statement that sets out the amended charges and specifies the date from which they are to have effect.

14.10 Without prejudice to paragraph 14.12 and (as appropriate) paragraph 13.4 of standard condition, paragraph 13A.15 of standard condition 13A or paragraph 13B.15 of standard condition 13B the licensee must, before any modification of its Use of System Charging Methodology comes into effect, give the Authority a revised Use of System Charging Statement that sets out the amended charges and specifies the date from which they are to have effect.

14.11 The licensee must, not less than three months before the date on which it proposes to amend its Use of System Charges in respect of any agreement for Use of System:

(a) give the Authority a Notice setting out those proposals, together with an explanation of them (including a statement of any assumptions on which the proposals are based); and

(b) send a copy of such Notice to any person who has entered into an agreement for Use of System in accordance with the provisions of this licence.

14.12 Except where the Authority otherwise directs or consents, the licensee may only amend its Use of System Charges in respect of any agreement for Use of System if:

(a) it has given Notice of the proposed amendment in accordance with paragraph 14.11;

(b) the amendment, when made, conforms to the proposals set out in that Notice (except for any necessary revisions resulting from the occurrence of a material change after the Notice has been given, to any of the matters on which the assumptions set out in the statement under paragraph 14.11 were based, and then only to such extent as is necessary to reflect the change in such matters); and

(c) the amendment takes effect on 1 April of the relevant Regulatory Year.

Appendix 1 Schedule of Contents

This Appendix specifies the information that must be included in the licensee's Use of System Charging Statement (Part A) and the information that must be included in the licensee's Connection Charging Statement (Part B).

Part A - Use of System Charging Statement

A1. As provided for by paragraph 14.7, the information to be set out in the licensee's Use of System Charging Statement must include:

(a) a schedule of charges for the distribution of electricity under Use of System;

(b) a schedule of adjustment factors to be made for Distribution Losses, in the form of additional supplies required to cover those losses.;

(c) a schedule of the charges (if any) that may be made in respect of accounting and administrative services;

(d) a schedule of the charges (if any) that may be made

(i) for providing and installing any electrical plant at Entry Points or Exit Points, where such provision and installation are ancillary to the grant of Use of System, and

(ii) for maintaining such plant;. and

(e) information on any Use of System rebates given or formally announced to Authorised Electricity Operators in the 12 months preceding the date of publication or revision of the statement.

ANNEX D - TOOL 4B OF OFGEM'S REGULATORY SANDBOX – 'CODE SANDBOX DEROGATION'

- These can provide temporary derogations to innovators to undertake pre-competitive trials of innovative products or services in a live market environment.
- Innovators do not need to be a code party (a member) to make an application for a sandbox derogation, but to they will need to accede before any trial commences. Or, alternatively they can work with a partner that is already a party to the code.
- At the end of the trial period, projects must transition to compliance with the code or raise a modification (change) to make the alterations permanent, and available to other parties of the code.
- The Code Administrator will work with Ofgem in assessing a derogation request. They will undertake detailed risk and industry impact assessments, which may involve consulting with code parties and other interested third parties.
- Where a derogation leads to implementation costs for the Code Administrator (for example, by having to apply a manual workaround), these costs may be passed to the innovator.
- Both Code Administrators have reserved the right to charge a fee for processing sandbox derogation requests. At this time the fee for the BSC is set to £0 (zero), but this will be reviewed periodically on the basis of application volumes and impact on their duties. Similarly, the DCUSA Panel is presently minded not to charge a fee, but reserves the right to do so; each DCUSA sandbox request will be assessed on its circumstances.
- The Code Administrators undertake the detailed assessment of sandbox requests and make recommendations to their respective Panels for approval or not; the decision of the Panel is then referred to Ofgem for final consideration. Ofgem is the derogation awarding authority.
- For further information about the scope and requirements of these derogation tools, refer to appendices 4 (BSC) and 5 (DCUSA).
- Like Ofgem derogations, code derogations include provisions for the innovator to comply with. They will monitor and report on their compliance performance during the derogation period, and have to comply with all other rules in the usual way.