

DCUSA Change Report		At what stage is this document in the process?	
<h2>DCP 405:</h2> <h3>Access SCR: Managing Curtailable Connections between Licensed Distribution Networks</h3> <p><i>Date raised: 06 May 2022</i></p> <p><i>Proposer: Tom Cadge</i></p> <p><i>Company Name: The Electricity Network Company Limited</i></p> <p><i>Company Category: DNO</i></p>		01 – Change Proposal	
		02 – Consultation	
		03 – Change Report	
		04 – Change Declaration	
<p><b>Purpose of Change Proposal:</b></p> <p>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.</p>			
	<p>This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 405 ‘Access SCR: Managing Curtailable Connections between Licensed Distribution Networks’.</p> <p>DCP 405 is considered to be a Part 1 Matter and therefore requires Authority approval prior to being implemented. This means the result of the Party vote on this Change Report will act as a recommendation to the Authority.</p> <p>Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the voting form (Attachment 2) to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> or via the online voting form which can be found via the following link: <a href="#">DCP 405 ‘Managing Curtailable Connections between Licensed Distribution Networks’</a></p> <p>Responses are requested by <b>by 12 pm</b> on <b>03 November 2022</b>.</p> <p>The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.</p>		
		<p><b>Impacted Parties:</b> DNOs and IDNOs</p>	
		<p><b>Impacted Clauses:</b> New Clause 52AA in Section 2B Amendments to Schedule 13</p>	

Contents		?	Any questions?
1	Summary	3	Contact: Code Administrator
2	Governance	4	 dcusa@electralink.co.uk
3	Why Change?	5	 0207 432 3011
4	Working Group Assessment	5	Proposer: Tom Cadge
5	Summary of Consultation and Responses	6	 Thomas.cadge@bu-uk.co.uk
6	Working Group Conclusions & Final Solution	8	 01359 243 308
7	Legal Text	9	
8	Relevant Objectives	9	
9	Code Specific Matters	10	
10	Impacts & Other Considerations	10	
11	Implementation Date	11	
12	Recommendations	11	
13	Attachments	11	
Timetable			
The timetable for the progression of the CP is as follows:			
<b>Change Proposal timetable</b>			
Activity	Date		
Initial Assessment Report	11 May 2022		
Consultation issued to Industry Participants	12 August 2022		
Change Report Approved by Panel	20 October 2022		
Change Report issued for Voting	20 October 2022		
Party Voting Ends	<b>12pm on 03 November 2022</b>		
Change Declaration issued to Authority	03 November 2022		
Authority Decision	TBC		
Implementation Date	01 April 2023		

## 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 of 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 DCP 405 seeks to ensure that 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.

### 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 via DCP 404 'Access SCR Changes to Terms of Connection for Curtailable Customers' as well as changes to other industry and distributor documents, this CP seeks to update the contractual relationships between distributors to ensure appropriate allocation of responsibilities and liabilities
- 1.5 A key principle of the change is to ensure that a Customer connecting to an IDNO network does not have a materially different experience to one connecting to a DNO network. This will be achieved through the following approach:-
  - a) A Customer eligible for a Curtailable Connection (ie not Small Users<sup>1</sup>), who are connecting to an IDNO network and this requires reinforcement of either the DNO or IDNO networks must not be connected until the reinforcement works have been carried out or the Customer agrees to a Curtailable Connection.
  - b) The terms of any Curtailable Connection Agreement with the IDNO must be those being developed under DCP 404.
- 1.6 This CP is proposing to make changes to Section 2B (Distributor to Distributor/OTSO Relationships) of the DCUSA and update Schedule 13 (Bilateral Connection Agreements) of the DCUSA to ensure that

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<sup>1</sup> Small Users was a term described in the Access SCR Decision and means "(a) 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; or (b) an Unmetered Supply."

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.

- 1.7 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).
- 1.8 This CP also seeks to ensure that, where a Curtailment Limit<sup>2</sup> is 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.

## 2 Governance

### Justification for Part 1 Matter

- 2.1 This CP is considered to be a Part 1 Matter in accordance with DCUSA Clauses 9.4.1 and 9.4.6, being:
  - 9.4.1 - it is likely to have a significant impact on competition in the distribution of electricity; and
  - 9.4.6 - it has been raised by the Authority or a DNO/IDNO Party pursuant to Clause 10.2.5, and/or the Authority has made one or more directions in relation to it in accordance with Clause 11.9A.
- 2.2 Without this CP distributors who provide connections to a Customer which may be subject to Curtailment because of a constraint on an upstream distribution network will be required to pay that Customer when its 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.

### Next Steps

- 2.3 The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 405.
- 2.4 The DCUSA Panel recommends that this CP, be issued to Parties for Voting.

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<sup>2</sup> Curtailment Limit is defined in DCP 404 and means "Import Curtailment Limit and/or Export Curtailment Limit." and where:

Import Curtailment Limit means "the number of full hours per annum measured over a twelve-month period where the Customer could be required to reduce its Maximum Import Capacity to the Non-Curtailable Import Capacity."; and

Export Curtailment Limits means "the number of full hours per annum measured over a twelve-month period where the Customer could be required to reduce its Maximum Export Capacity to the Non-Curtailable Export Capacity."

## 3 Why Change?

### Background of DCP 405

- 3.1 This CP is required in order to facilitate the Access SCR Direction and to ensure that, in implementing that Access SCR Decision, customers are treated equitably when they opt to connect to either a DNO or an IDNO. Specifically, this CP has been raised to place 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.
- 3.2 The change 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, where this is due to the DNO resulting in a breach of the Curtailment Limits.
- 3.3 Finally, the CP also allows for DNOs and IDNOs to agree alternative actions to Curtailment of specific Customers providing these provide equivalent benefits to DNOs.
- 3.4 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 Working Group Assessment

### DCP 405 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess this CP. This Working Group consists of Supplier, DNO and IDNO representatives. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – [www.dcusa.co.uk](http://www.dcusa.co.uk).
- 4.2 The Working Group met on a weekly basis for 11 weeks to review the Access SCR Decision and Access SCR Direction relating to managing a Curtailable Connection between Licensed Distribution Networks. Ofgem stated that the arrangements must ensure that:
  - *customers are treated equitably when they opt to connect to either a DNO or an IDNO. Specifically, this change has been raised to place obligations on IDNOs not to connect customers where reinforcement is needed until it has been undertaken or the Customers has agreed to a curtailable connection.*
- 4.3 It should be noted that this CP 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 via DCP 404.
- 4.4 The Working Group discussed various views on exactly what parts of the legal text should be included within Section 2B of the DCUSA, and those that should be included within Schedule 13 'Bilateral Connection Agreement' of the DCUSA.
- 4.5 The Working Group came to agreement that all high-level obligations should be included within Section 2B of the DCUSA and the technical details within the BCA. The Working Group agreed to seek further

feedback from wider industry as to whether industry agree that this is the best approach, or whether a separate BCA document should be included.

- 4.6 The Working Group believed that distributors should refer to the new Schedule (as implemented by DCP 404) rather than replicating the text within Section 2B of the DCUSA as this reduces the risk of duplication and potential for divergence.
- 4.7 The Working Group discussed the current referencing to Schedule 13 within the draft legal text that was provided alongside their consultation and agreed that it wasn't necessary to capture all the potential detail that might be needed. The Working Group took the aforementioned decision as a mechanism to leave this open for specific decision to be made on a site-by-site basis by each distributor.

## 5 Summary of Consultation and Responses

- 5.1 The DCP 405 Working Group issued a consultation on 12 August 2022 which sought views from industry on the proposed solution and legal text for DCP 405.
- 5.2 There were 11 respondents to the consultation comprising of DNOs, IDNOs, Suppliers, Generators and other interested parties. Set out below are the questions that the Working Group sought views on, and a summary of the responses received. A copy of the consultation document alongside the responses and Working Group conclusions can be found as Attachment 3.

### Summary of responses to the DCP 405 Consultation

#### Question 1 Do you understand the intent of DCP 405?

- 5.3 The Working Group confirmed that all respondents to the consultation confirmed that they understood the intent of the CP.

#### Question 2 Are you supportive of the principles of DCP 405?

- 5.4 The Working Group confirmed that all responders are supportive of the principles of DCP 405.

#### Question 3: The Working Group believe the high-level obligations should be included within Section 2B of the DCUSA, and the technical details included within the BCA – do you agree with this approach?

If not, should a separate BCA document be created? Please provide your reasons.

- 5.5 The Working Group confirmed that all responders believe the approach that high-level obligations should be included within Section 2B of the DCUSA, and the technical details included within the BCA.

#### Question 4: Do you believe this is the right approach to refer to the new Schedule as implemented by DCP 404 rather than replicating the text within Section 2B? If not, please provide your reasons.

- 5.6 The Working Group confirmed that all responders believe it is the right approach to refer to the new Schedule as implemented by DCP 404 rather than replicating the text within Section 2B.

**Question 5: Do you agree that it is the right approach in relation to Schedule 13, or is there any merit in including specific provision within Schedule 6 (of Schedule 13)? Please provide your reasons.**

- 5.7 The Working Group confirmed that all responders agree that it is the right approach in relation to Schedule 13.

**Question 6: Does the legal text proposed deliver the intent of DCP 405? If not, please provide details of where additions should be made.**

- 5.8 The Working Group confirmed that all responders agree that the legal text proposed delivers the intent of DCP 405.

**Question 7: Do you consider that the proposal better facilitates the DCUSA General Objectives? If so, please detail which of the General Objectives you believe are better facilitated and provide supporting reasons. If not, please provide supporting reasons.**

- 5.9 The Working Group confirmed that all responders agree that the proposal better facilitates the DCUSA General Objectives 2 and 3; however, one responder did not believe the CP better facilitated DCUSA General Objective one.
- 5.10 This was noted by the Working Group.

**Question 8: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?**

- 5.11 The Working Group confirmed that all bar one responder stated that they are unaware of any potential wider industry developments that may be impacted by this change. One responder stated that Open Networks may be affected; for example, Workstream 1A, Product 5 primacy rules which may impact the DSOs utilisation of flexibility services.

**Question 9: Do you have any comments on the proposed legal text?**

- 5.12 The Working Group confirmed that all bar one responder had no further comments on the DCP 405 legal text. One responder noted that there are no timescales/processes specified to pass a Curtailment request from the upstream network to the IDNO connected Customer and are conscious that this could lead to inconsistent approaches between DNOs.
- 5.13 The Working Group stated that the details of how the Company instructs the User is set out within the current BCA and does not form part of the legal text.

**Question 10: Do you have any other comments on DCP 405?**

- 5.14 The Working Group confirmed that the majority of responders (9) had no further comments around DCP 405; however, it was suggested that this could be an opportunity to align all BCAs across DNOs who tend to use various approaches.

- 5.15 One responder raised a concern around the time allowed to review and respond to the Consultation considering its importance. They stated that the timescales provided gave limited opportunity for scrutiny of the CPs and risks the proposals not being subject to adequate review.
- 5.16 The Working Group noted the above concern; however, this is an urgent CP with a deadline for completion provided by Ofgem to which the Working Group had to meet.

## 6 Working Group Conclusions & Final Solution

6.1 After consideration of the consultation responses, the Working Group identified the following areas for further consideration:

- Whether the high-level obligations should be included within Section 2B of the DCUSA, and the technical details included within the BCA
- Whether the proposal better facilitates the DCUSA General Objectives
- Whether there are any wider industry developments that may impact upon or be impacted by this CP
- Additional comments on the proposed legal text

### **Whether the high-level obligations should be included within Section 2B of the DCUSA, and the technical details included within the BCA**

6.2 The Working Group noted that one responder suggested that further work may need to be carried out to develop consistent processes between the relevant parties, taking into account variability in terms of capabilities and the availability of the technology. The Working Group noted this and agreed that further changes can be made in the future.

### **Whether the proposal better facilitates the DCUSA General Objectives**

6.3 One respondent stated that they believe this change ensures efficiency and co-ordination, however, they do not believe the proposals are economic as they rely on the Exceeded Curtailment Price proposed under DCP 404, and do not believe this to be appropriate (may not better facilitate objective 1). The Working Group noted this and further changes have since been made to DCP 404 which now satisfies the responder that the CP does better facilitate DCUSA General Objective one.

### **Whether there are any wider industry developments that may impact upon or be impacted by this CP**

6.4 One responder stated that Open Networks may be affected; for example, Workstream 1A, Product 5 primacy rules which may impact the DSOs utilisation of flexibility services. The Working Group noted this potential impact.

### **Additional comments on the proposed legal text**

6.5 One responder noted that there are no timescales/processes specified to pass a Curtailment request from the upstream network to the IDNO connected Customer and are conscious that this could lead to inconsistent approaches between DNOs.

6.6 The Working Group stated that the details of how the Company instructs the User is set out within the current BCA and does not form part of the legal text, and therefore no additional changes were needed.

## 7 Legal Text

7.1 The legal text for this CP has been developed and refined by the Working Group and has been reviewed by the DCUSA legal advisors and which the Proposer has confirmed as satisfying the intent of the CP. The legal text for this CP is provided as Attachment 1 to this Change Report.

### Legal Text

7.2 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 6 to Schedule 13 ‘Bilateral Connection Agreement’.

### Text Commentary for New Schedule

7.3 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 a Curtailable Connection 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.

7.4 The new schedule 6 to Schedule 13 ‘Bilateral Connection Agreement’ contains some suggested clause headings, which can be used for detailing the requirements of Curtailment at the boundary between distributors. These clause headings cover the key areas for ensuring that a Customer which is subject to Curtailment receive a like for like experience irrespective of the network which is driving their Curtailment.

## 8 Relevant Objectives

### Assessment Against the DCUSA Objectives

8.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. The full list of objectives is documented in the DCUSA.

8.2 The list of DCUSA General Objectives is set out in the table below.

	DCUSA General Objectives	Impact
<input checked="" type="checkbox"/>	1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	Positive
<input checked="" type="checkbox"/>	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
<input checked="" type="checkbox"/>	3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	Positive
<input type="checkbox"/>	4. The promotion of efficiency in the implementation and administration of the DCUSA	Neutral
<input type="checkbox"/>	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

- 8.3 This CP will better facilitate the DCUSA General Objectives 1, 2 and 3 while have a neutral or no impact on General Objectives 4 and 5.
- 8.4 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.
- 8.5 Objective 2 is positively impacted as it ensures 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.
- 8.6 Objective 3 is positively impacted as this change forms part of the suite of changes required to deliver the Access SCR Direction.
- 8.7 The Working Group have reviewed the proposers' views in paragraphs 8.3 to 8.6 and support the conclusions that the proposer has made pre-Consultation. Working Group reviewed the Consultation responses and agreed post-Consultation that this proposal supports all the relevant DCUSA General Objectives.

## 9 Code Specific Matters

### Reference Documents

- 9.1 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>
- 9.2 Access SCR – DCUSA Direction:
  - <https://www.ofgem.gov.uk/sites/default/files/2022-05/Access%20SCR%20-%20DCUSA%20Direction1651572952655.pdf>

## 10 Impacts & Other Considerations

### Significant Code Review (SCR) or other significant industry change projects

- 10.1 This CP is part of a suite of changes that will implement the Access SCR Decision, therefore the SCR phase shall be treated as having ended.

### Cross Code Impacts

BSC.....	<input type="checkbox"/>	REC.....	<input type="checkbox"/>	Distribution Code..	<input type="checkbox"/>
CUSC.....	<input type="checkbox"/>	SEC.....	<input type="checkbox"/>	Grid Code.....	<input type="checkbox"/>
None.....	<input checked="" type="checkbox"/>				

- 10.2 There are no cross-code impacts of this CP.

## Consideration of Wider Industry Impacts

- 10.3 The issue has been subject to a number of industry consultations as part of the Access SCR process. In addition, the ENA held two briefing sessions for parties interested in joining a DCUSA working group on these changes.
- 10.4 It should be noted that in order to implement the Access SCR Decision/Access SCR Direction, four DCUSA CPs were raised in total. The other three CPs that relate to the SCR are detailed below:
- [DCP 404 'Changes to Terms of Connection for Curtailable Customers'](#)
  - [DCP 406 'Changes to CCCM'](#)
  - [DCP 407 'Speculative Development'](#)

## 11 Implementation Date

- 11.1 Clause 11.9A(2) of the DCUSA, sets out that in respect of all Authority Change Proposals, which DCP 405 is considered to be, the Authority may by direction, specify and/or amend the date from which the variation envisaged by the CP is to take effect.
- 11.2 Within the Access SCR Direction, the Authority, in accordance with paragraph 22.9E(a) of SLC C22 directed the DNOs to raise one or more code modification proposals in the terms and for the reasons set out in the Annex of the Access SCR Direction in sufficient time to enable the modifications to be effective as of 01 April 2023.
- 11.3 As noted previously, this CP seeks to introduce processes that will implement the Access SCR Decision. Given this, the Working Group agreed that implementation date for this CP should set for 01 April 2023.

## 12 Recommendations

### Panel's Recommendation

- 12.1 The Panel approved this Change Report on 20 October 2022. The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 405.
- 12.2 The Panel have recommended this report be issued for voting for a period of two weeks and DCUSA Parties should consider whether they wish to submit views regarding this CP. The Voting Form can be found in Attachment 2.

## 13 Attachments

- Attachment 1 – DCP 405 Legal Text
- Attachment 2 – DCP 405 Voting Response Form
- Attachment 3 – DCP 405 Consultation and Responses
- Attachment 4 – DCP 405 Change Proposal Form